STATE OF ILLINOIS

OFFICE OF THE AUDITOR GENERAL

MANAGEMENT AUDIT

PILSEN-LITTLE VILLAGE COMMUNITY MENTAL HEALTH CENTER, INC.

FEBRUARY 2008

WILLIAM G. HOLLAND

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OFFICE OF THE AUDITOR GENERAL
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To the Legislative Audit Commission, the Speaker and Minority Leader of the House of Representatives, the President and Minority Leader of the Senate, the members of the General Assembly, and the Governor:

This is our report of the Management Audit of the Pilsen-Little Village Community Mental Health Center.

The audit was conducted pursuant to House Resolution Number 1146, which was adopted May 4, 2006. This audit was conducted in accordance with generally accepted government auditing standards and the audit standards promulgated by the Office of the Auditor General at 74 Ill. Adm. Code 420.310.

The audit report is transmitted in conformance with Section 3-14 of the Illinois State Auditing Act.

WILLIAM G. HOLLAND
Auditor General

Springfield, Illinois
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INTRODUCTION AND BACKGROUND

REPORT CONCLUSIONS

Pilsen-Little Village Community Mental Health Center, Inc. (Pilsen) provides social and mental health services to the primarily Hispanic community of Pilsen-Little Village and to the Chicago Metropolitan area at large. Pilsen received $14 million, or 76 percent of its total funding from the State during fiscal years 2004 – 2006, the majority from the Department of Human Services. Pilsen also received State funding from the Department of Public Health, the Illinois State Board of Education, and the Department of Healthcare and Family Services.

Our audit identified expenditures which were inappropriately charged to State programs. We also found that documentation supporting some of the expenditures sampled was lacking. Our review of Pilsen's activities and expenditures identified a number of findings:

- We identified inconsistencies in Pilsen's allocation of costs. For example, Pilsen determined that expenses associated with certain activities were not directly associated with the services Pilsen performs and classified them as unallocated expenses (i.e., they were not allocated to Pilsen's programs). However, the salary costs of the staff that undertook these activities were allocated across all Pilsen's programs, including State-funded programs. So while the activities being performed were deemed as not associated with the services Pilsen provides, the time spent performing these activities was still charged to Pilsen's programs.
- Healthcare and dental expenses for the Latino Youth Alternative High School employees were allocated across all programs, including State-funded programs, instead of being charged directly to the High School. This resulted in $21,361 being over-allocated to other programs, including State-funded programs.
- In our review of personnel files, we noted that for 32 percent of employees in our sample, documentation in the file did not support that the individual met the established job qualifications for their position. Personnel files should be complete and accurate and demonstrate an individual meets the job requirements. In addition, 48 percent of the files lacked documentation on performance appraisals.
- Pilsen does not take physical inventory of its assets on a regular basis. Some of these assets were purchased with State funds, which could lead to a loss of State property. We also found inconsistencies in the tagging of assets. For example, some computers and monitors, which are items susceptible to theft, were tagged while others were not.
- Pilsen did not maintain an accurate listing of its vehicles and had difficulty providing a list of vehicles when requested. An examination of Pilsen's property and equipment listing showed only five of the nine vehicles owned by Pilsen were included as assets.

The list of authorized drivers that was provided was not consistent with the names on the fuel purchasing invoices. Pilsen also had other problems with fuel purchases, including lack of receipts and questionable odometer readings.

- Pilsen did not utilize competitive bidding for any of the six construction contracts, totaling $170,100, in our expenditure sample. Pilsen's Financial Procedures Manual states that a minimum of two bids shall be obtained when procuring major maintenance or capital expense items.
- Pilsen uses a Check Request form that must be completed for all expenditures. In our sample of expenditures, 77 percent (168 of 217) of check requests did not have supervisor approval.
- Pilsen incurred a total of $24,763 in cell phone charges during fiscal years 2005 and 2006. These charges included excessive roaming charges ($3,067 in roaming charges for two sampled expenditures) for the Executive Director's cell phone while the Executive Director was out of the country. The Pilsen Financial Procedures Manual states that only six cell phones have been authorized. However, Pilsen had 15 cell phones with three different providers: 9 phones with one provider, 5 phones with another, and the Executive Director's cell phone was through a third provider. Cell phone bills sampled during expenditure testing showed 6 of the 15 cell phones with no usage during the sampled billing period and 2 additional phones with limited usage.
- During fiscal years 2005 and 2006, Pilsen paid over $30,000 in property taxes. Pilsen operates as a not-for-profit corporation and qualifies for an exemption from property taxes. Over $18,000 was charged primarily to State-funded programs either as a direct cost or through the cost allocation plan. Subsequent to paying the property taxes, Pilsen obtained tax exempt status for two properties. After the completion of our fieldwork, Pilsen received a refund in November 2007 for $16,661 of the property taxes paid.
- Pilsen entered into a lease to move the Latino Youth Alternative High School (LYAHS) to a new location. The next month, Pilsen's Board added a new Board member who had a 30 percent interest in the newly leased property. The new Board member also made a $104,000 donation (according to meeting minutes the donation was $125,000) to Pilsen at the time of the lease and agreed to purchase the old LYAHS building for $1.15 million. On August 11, 2006, Pilsen's Board voted to purchase the newly leased property. However, a new organization, the Pilsen Little Village Community Management Organization, which was formed August 24, 2006, purchased the newly leased property for $6.4 million. The property was purchased August 25, 2006 and the closing documents were signed by Pilsen's Executive Director who was also the Executive Director for the new organization. The fiscal year 2006 Financial Statements did not disclose related party information regarding the lease agreement for the building at 2001 S. California or for the sale of the old Latino Youth building at 2200 S. Marshall, both of which occurred in fiscal year 2006.
- In our sample review of the agency's expenditures, 15 of 42 (36%) credit card purchases of $50 or more did not have the required receipt. Receipts that were submitted often lacked the detail necessary to determine what was purchased.

- We reviewed 17 expenditures, totaling $9,613, that involved out-of-state travel. These included travel to Mexico, California, Florida, Georgia, Arizona, and Washington, DC. Travel expenses included airfare, hotel, and per diem. Two of the expenditures totaling $1,068 lacked documentation. For two other expenditures totaling $1,187, Pilsen was to be reimbursed for the expense, however, in both cases, the reimbursement did not occur.
- Pilsen lacks a tuition reimbursement policy that could outline the procedures and conditions for having tuition reimbursed and the documentation required to verify the course was completed.
- Pilsen paid gratuities that were charged to State-funded programs. In our sample of expenditures, we identified $363.34 in gratuities charged directly to State-funded programs and $78.40 in gratuities allocated to all Pilsen programs, including State-funded programs.
- In our review of agency expenditures, we noted four expenditures totaling $7,463 for consultants that either lacked written agreements or the agreement lacked detail for the work to be performed.
- Some of the programs at Pilsen operated at a deficit; they incurred more expenses than the revenue received to operate the programs. The programs with a surplus supported these deficit programs. The most profitable programs, such as the Pilsen Inn, were primarily State-funded programs. A fiscal year 2006 expense analysis showed expenses were charged to 32 cost centers. Of these 32, 12 operated with a surplus while 20 operated at a deficit.

The Department of Human Services (DHS) provided $13.7 million in funding to Pilsen during fiscal years 2004 – 2006. DHS performed several on-site reviews of Pilsen along with numerous other types of monitoring functions, including grant fund reconciliation and post payment reviews. Reviews resulted in recouped funds for unsubstantiated billings and other violations that required Pilsen to submit corrective action plans.

Pilsen received $85,000 in grant funding for six grants from the Illinois Department of Public Health. We noted problems with the Department of Public Health's monitoring of these grants, including failing to recover $16,798 in unspent funds for one grant and $863 for another grant.

Pilsen received a $250,000 grant from the Illinois State Board of Education (ISBE) to be used in four of its children's programs. Pilsen's final expenditure report, due July 31, 2006, was not received by ISBE until September 12, 2006. In addition, the report was not accepted due to errors in the report and a revised report was received on September 22, 2006. No supporting documentation was turned in with either expenditure report and ISBE did not follow-up on the accuracy of the expenditure report.

In August 1999, the Office of the Auditor General released a management audit of Pilsen. The audit resolution for that audit was very similar to this audit with the same scope and objectives. This audit contains some findings that are similar to findings in the 1999 audit. Finding areas that are similar include property taxes, cell phone usage, travel expenditures, inventory, related party transactions, and lack of documentation for expenses. The 1999 audit contained 17 recommendations.

INTRODUCTION

On May 4, 2006, the Illinois House of Representatives adopted House Resolution Number 1146 which directs the Auditor General to conduct an audit of Pilsen-Little Village Community Mental Health Center, Inc. (see Appendix A). The Resolution directs that the audit determine whether funds received by Pilsen have been spent according to applicable State laws, regulations, contracts, and grants. The Resolution also states that the Auditor General is specifically authorized to review and publicly report on any books, records, revenues, expenditures, policies and procedures, and other relevant aspects of entities administering services for people with mental illness which are funded in whole or in part by State funds.

Previous Audit

In August 1999, the Office of the Auditor General released a management audit of Pilsen. The audit resolution for that audit was very similar to this audit with the same scope and objectives. This audit also contains some findings that are similar to findings in the 1999 audit. Finding areas that are similar include property taxes, cell phone usage, travel expenditures, inventory, related party transactions, and lack of documentation for expenses. The 1999 audit contained 17 recommendations.

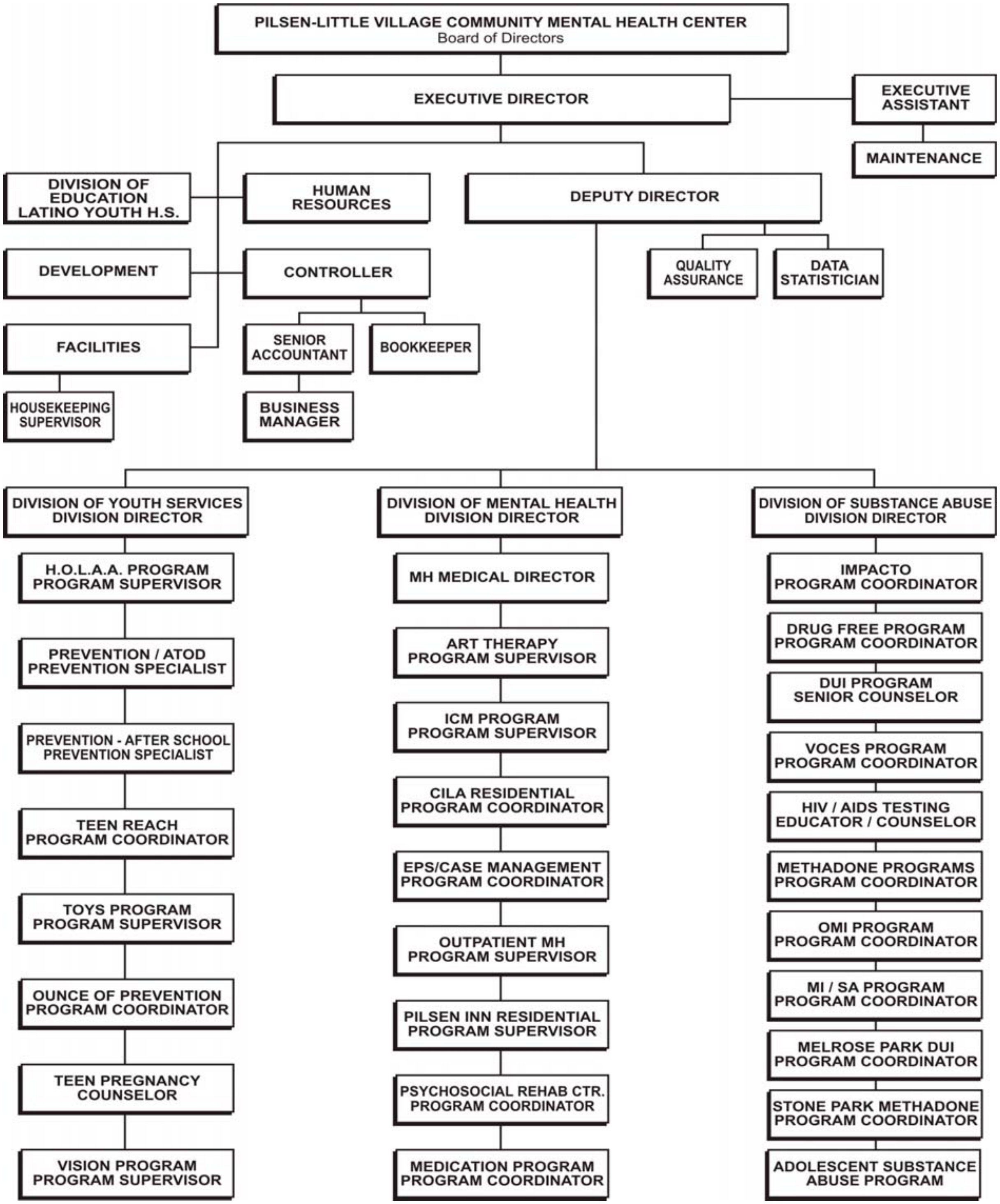
BACKGROUND

Pilsen-Little Village Community Mental Health Center, Inc. (Pilsen) provides social and mental health services to the primarily Hispanic community of Pilsen-Little Village and to the Chicago Metropolitan area at large. Pilsen, with facilities located mainly in Chicago, Illinois, was incorporated as a not-for-profit organization in 1975. The mission of Pilsen is "…to provide holistic health services to the Chicago metropolitan and suburban Cook County communities. Through the effective management of available organizational and community resources, the agency provides culturally relevant and linguistically appropriate services which preserve and support family integrity and foster the acquisition of medical, psychological, counseling, and support services." The goal of the organization is to improve the quality of life for those suffering from mental, emotional, behavioral, and physical disabilities.

Organization

The organization is overseen by a nine-member Board of Directors and managed by an Executive Director. Pilsen is organized around an administrative office and four divisions: Mental Health, Substance Abuse, Youth Services, and Education. Exhibit 1-1 shows the organizational chart for Pilsen as of June 30, 2006. Pilsen's headcount at June 30, 2004 was 139 employees. Headcount increased to 149 at June 30, 2005 and increased again to 164 at June 30, 2006. The previous audit of Pilsen reported that the headcount was 121 at June 30, 1998.

Exhibit 1-1
ORGANIZATIONAL CHART
As of June 30, 2006



Source: OAG summary of Pilsen documentation.

Facilities

Pilsen operates programs in nine different locations in the Chicago area. Exhibit 1-2 shows the locations of the different facilities and the programs within each facility.

Exhibit 1-2
PILSEN FACILITIES

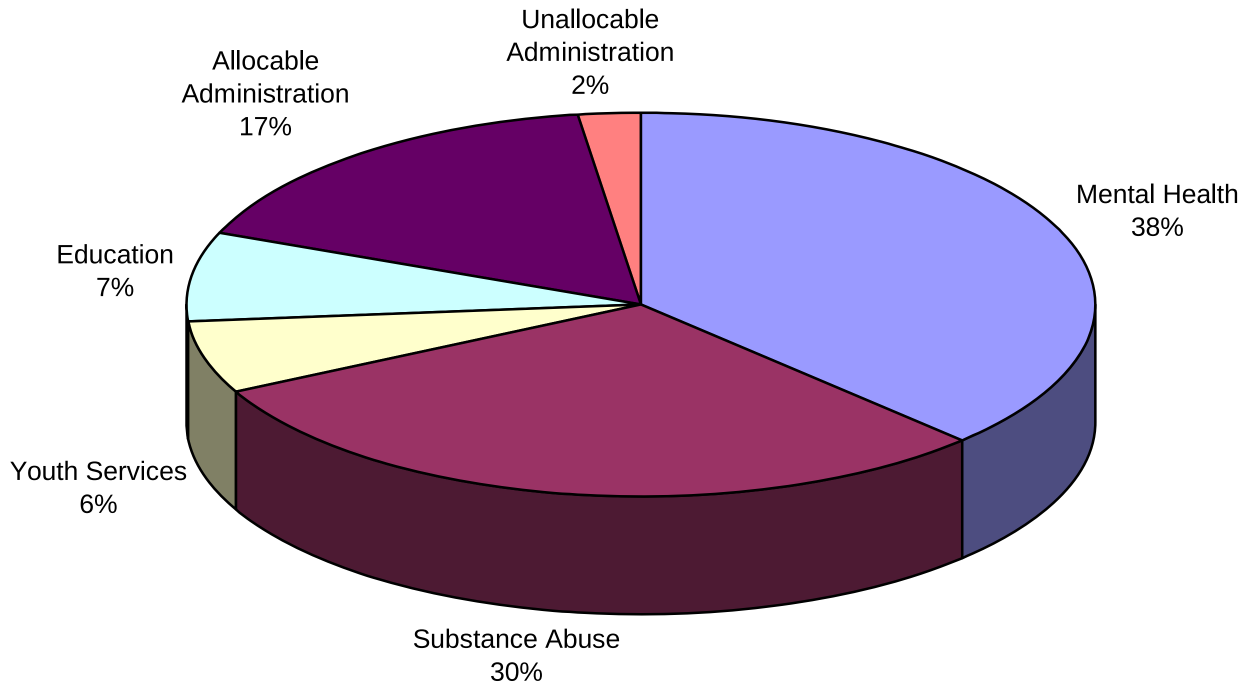
1. **2319 S. Damen Ave., Chicago:**
   - Administration
   - Case Management Program
   - VISION Program
   - Adolescent Substance Abuse Program
   - H.O.L.A.A. (Hands of Life Against Aids)
   - Prevention/ATOD Program
   - Ounce of Prevention Program
   - Teen Pregnancy
2. **2316 S. Damen Ave., Chicago:**
   - Intensive Case Management Program
   - CILA Residential Program
3. **2015 W. Cermak Road, Chicago:**
   - Outpatient Mental Health Program
   - Psychosocial Rehabilitation Center
4. **2635 W. 23rd Street, Chicago:**
   - Pilsen Inn Residential Program
   - Art Therapy Program
5. **2001 S. California Ave., Chicago:**
   - Latino Youth Alternative High School
6. **3113 W. Cermak Road, Chicago:**
   - ALCANCE Program
   - Drug Free Program
   - DUI Program
   - HIV/AIDS Program
   - IMPACTO Program
   - MI/SA Program
   - Opioid Maintenance Initiative Program
   - Private Methadone Program
   - SBIRT Program
7. **1407 S. 49th Court, Cicero:**
   - TOYS Program
8. **1633 N. 37th Ave., Melrose Park:**
   - DUI Program
9. **1546 N. Mannheim Rd., Stone Park:**
   - Methadone Treatment Program

Source: OAG summary of Pilsen programs and locations.

Distribution of Expenses by Division

Exhibit 1-3 shows the distribution of expenses at Pilsen for fiscal year 2006. The Division of Mental Health was Pilsen's largest division incurring 38 percent of the total expenses for the year, followed closely by the Division of Substance Abuse with 30 percent. Administration accounted for 19 percent of the expenses split between allocable administration and unallocable administration. Allocable administration expenses are allocated across all Pilsen programs based on the percentage of expenses incurred for each program. Unallocable administration are costs that are either unallowable or are not associated with the services Pilsen provides.

Exhibit 1-3
PILSEN EXPENSES BY DIVISION
Fiscal Year 2006



Source: OAG analysis of Pilsen Financial Statements.

Division of Mental Health

The Division of Mental Health encompasses most of Pilsen's major programs. Fiscal year 2006 expenses totaled $2.7 million representing 38 percent of total expenses that year. Exhibit 1-4 describes the programs offered through Pilsen's Division of Mental Health.

Exhibit 1-4
PILSEN DIVISION OF MENTAL HEALTH PROGRAMS

Program	Description	Funding Source
Outpatient Mental Health	Provides services to adult individuals in need of counseling who have been psychiatrically hospitalized or diagnosed as out-patients with a mental illness. Provides counseling, crisis intervention, and therapeutic/medical interventions for mental illnesses.	State/ Client
Intensive Case Management	Provides structured services to participants diagnosed with a severe mental illness and designed to reduce the frequency of hospitalizations. Targets individuals possibly isolated from supportive services.	State
Case Management	Coordinates an array of services for those with acute psychiatric conditions to optimize the client's functioning in a community setting. Services delivered at an intensity level that supports the client in the least restrictive setting.	State
CILA Residential	The Community Integrated Living Arrangement (CILA) Program provides housing and 24-hour on site supervision to eight male participants diagnosed with chronic mental illness. Combines case management, counseling, psychosocial rehabilitation, and support services.	State/ Client
Pilsen Inn Residential	Provides a 24-hour, 24-bed supervised residential setting for homeless persons diagnosed with a mental illness. Offers services to increase daily living skills. Also manages a Food Pantry.	State/ Client
Psychosocial Rehabilitation	Offers support services and job placement assistance to clients diagnosed with a mental illness. Provides curriculum-based program of daily activities.	State
Art Therapy	Individual and group counseling sessions for participants with mental illness to freely express themselves through art mediums.	State

Source: OAG summary of Pilsen documentation.

Division of Substance Abuse

The Division of Substance Abuse is Pilsen's second largest division with $2.1 million in expenses in fiscal year 2006. This represents 30 percent of total expenses for the year. Exhibit 1-5 describes the programs offered through Pilsen's Division of Substance Abuse.

Exhibit 1-5
PILSEN DIVISION OF SUBSTANCE ABUSE PROGRAMS

Program	Description	Funding Source
Outpatient Methadone Treatment Program	Provides outpatient methadone treatment services through six program units in Chicago and one program unit in Stone Park, Illinois. Each unit employs specific treatment approaches dependent on the population served.	State/ Client
IMPACTO Program	The Initiative for Methadone treatment of Participants utilizing expanded Availability for Continuity of Treatment and Outreach (IMPACTO) Program employs an intensive treatment strategy. It requires participants to assume a more active role within the treatment process through an increased number of regular counseling sessions per week.	City of Chicago
Opioid Maintenance Initiative Program	Addresses the specific needs of clients with heroin addiction problems who also have an HIV/AIDS diagnosis or are at a significant risk for contracting the HIV virus.	City of Chicago
DUI Programs	Offers 10 hours of remedial education to clients with a DUI conviction. Operates in Chicago and Melrose Park.	Client
MI/SA Program	The Mental Illness/Substance Abuse (MI/SA) Program serves dually diagnosed clients with both mental illness and substance abuse disorders.	State
SBIRT Program	The Screening, Brief Intervention, Referral, and Treatment (SBIRT) Program focuses its intervention services on stopping the initiation of alcohol, tobacco and other drug use, intervening early to stop inappropriate use, and achieving sustained recovery.	State
ALCANCE	Outpatient substance abuse program tailored to meet the specialized needs of persons with a substance abuse problem who may also experience domestic violence or possess an open DCFS case file.	State
Drug Free Program	Outpatient program that provides services for clients who have recovered or are in the process of recovering from substance abuse addiction, and require continued group counseling and supportive networking.	State
HIV/AIDS Early Intervention	Provides confidential testing to all Pilsen clients receiving substance abuse treatment. Focus is on reducing the risk of infection and transmission.	State
ASAP	The Adolescent Substance Abuse Program (ASAP) offers counseling and case management services to youth ages 13-17. In addition to counseling, clients receive toxicology testing.	State

Source: OAG summary of Pilsen documentation.

Division of Youth Services

The Division of Youth Services incurred fiscal year 2006 expenses totaling $0.4 million or six percent of expenses for the year. Exhibit 1-6 describes the programs offered through Pilsen's Division of Youth Services.

Exhibit 1-6
PILSEN DIVISION OF YOUTH SERVICES PROGRAMS

Program	Description	Funding Source
TOYS Program	The Therapeutic Outpatient Youth and Family Services (TOYS) Program provides services to children and adolescents who have been identified, on the basis of a mental health evaluation, as having mental illness or emotional disturbance. Staff meets with youth and develops a therapeutic course of action.	State/ Client
ATOD Prevention	Youth education initiative that provides drug education workshops and technical assistance to programs within community schools and church groups. Focus is to improve education and support groups for youth relative to Alcohol, Tobacco, and Other Drugs (ATOD).	State
Teen Pregnancy	Offers curriculum-based abstinence program series to area schools requesting sex education instruction for their enrolled students.	State
Ounce of Prevention	Program for individuals 13-19 years of age that provides information and support for their new roles as parents. Goals are to promote economic self-sufficiency, self-esteem enhancement, and the delay of subsequent pregnancy.	State
HOLAA Program	The Hands of Life Against Aids (HOLAA) Program addresses quality of life issues for clients with HIV/AIDS. Services include testing and counseling as well as case management to coordinate personal assistants, medical care, etc.	City of Chicago/ State
VISION Program	Outpatient mental health services provided, through individual and group counseling, to clients with HIV/AIDS and a diagnosed mental illness.	City of Chicago

Source: OAG summary of Pilsen documentation.

Division of Education

The Division of Education operates a charter school known as the Latino Youth Alternative High School (LYAHS). LYAHS offers youth facing expulsion from other learning institutions a second chance to earn a high school diploma. LYAHS seeks to provide a safe, respectful, gang-neutral environment with services, such as parenting groups for young mothers, counseling, and youth leadership development. Pilsen became involved with LYAHS in fiscal year 2006 when it entered into an agreement to provide management services to Latino Youth, Inc.

PILSEN REVENUES AND EXPENSES

Pilsen's revenues have increased by 33 percent from fiscal year 2004 to 2006. During the same time period, Pilsen's expenses increased by 35 percent. Pilsen receives its grant and contract support from various federal, State, and local agencies. Pilsen also receives a substantial amount of revenue through client and service fees. Service fees include fee-for-service payments from DHS. Pilsen's financial statements are audited annually by an independent public accounting firm. Exhibit 1-7 shows Pilsen's revenues and expenses for fiscal years 2004 – 2006.

Exhibit 1-7
PILSEN REVENUES AND EXPENSES
Fiscal Years 2004 – 2006

	FY04	FY05	FY06
SUPPORT AND REVENUE:			
Support:			
Grants	$4,083,676	$4,499,393	$5,083,824
Contributions	2,080	5,259	1,817
Total support	4,085,756	4,504,652	5,085,641
Revenue:			
Client and service fees	1,128,281	1,436,896	1,798,697
Vocational center	31,524	31,300	11,201
In-kind contributions	28,122	8,758	-
Interest income	1,441	1,366	2,301
Management services	-	-	133,405
Other	67,210	74,575	83,106
Total revenue	1,256,578	1,552,896	2,028,710
Total support and revenue	$5,342,334	$6,057,548	$7,114,351
EXPENSES:			
Program services	$4,332,991	$5,025,752	$5,770,394
Administrative expense	929,652	1,065,025	1,346,704
Total expenses	$5,262,643	$6,090,777	7,117,098
CHANGE IN NET ASSETS	**$79,691**	**$(33,229)**	**$(2,747)**

Note: Totals may not add due to rounding.

Source: Pilsen's audited financial statements.

Pilsen's expenses are broken down further in Exhibit 1-8. Appendix D shows Pilsen's revenues and expenses broken down by cost center for fiscal years 2005 and 2006.

Exhibit 1-8
PILSEN EXPENSES BY FUNCTION
Fiscal Years 2004 – 2006

	FY04	FY05	FY06
Salaries & wages	$3,066,444	$3,496,644	$4,098,974
Payroll taxes & benefits	649,101	788,279	891,925
Consultants & professional services	455,028	528,013	677,473
Office and supplies	244,614	234,246	269,095
Occupancy costs	206,797	267,523	257,271
Equipment	108,054	187,944	219,540
Depreciation	120,666	148,210	154,677
Credit card fees/interest & penalties	101,532	106,664	115,322
Food & beverages	105,385	87,180	97,284
Insurance	46,701	55,910	86,660
Conferences & meetings	24,229	26,554	74,419
Printing & advertising	33,382	64,349	54,591
Miscellaneous	45,007	33,469	36,112
Travel	25,484	27,434	24,567
Bad debt expense	2,490	-	21,929
Special assistance	10,741	19,801	16,862
Vehicle operating costs	12,166	11,328	11,219
Dues & subscriptions	4,822	7,230	9,177
Total expenses	**$5,262,643**	**$6,090,777**	**$7,117,098**

Note: Totals may not add due to rounding.

Source: OAG analysis of Pilsen financial information.

Pilsen allocated administrative expenses to its programs based on a cost allocation plan. Costs are allocated based on the percentage of total direct expenses. For example, a program that accounted for 10 percent of the total direct expenses at Pilsen would be allocated 10 percent of the administrative expenses.

PILSEN FUNDING BY STATE AGENCIES

The State of Illinois is the major funding source for Pilsen activities. During fiscal years 2004 – 2006, the State contributed more than $14 million – or 76 percent of Pilsen's total revenue. Exhibit 1-9 outlines State funding compared to overall revenue at Pilsen during the audit period. Specific information regarding each of the funding agencies is provided below.

Exhibit 1-9
STATE SUPPORT FOR PILSEN ACTIVITIES
Fiscal Years 2004 – 2006

Agency	FY04	FY05	FY06	Total
State support:				
Human Services	$4,502,000	$4,406,904	$4,762,511	$13,671,415
Public Health	10,000	55,000	20,000	85,000
State Board of Education	-	-	250,000	250,000
Healthcare & Family Services	23,806	7,668	10,961	42,435
Total State support	$4,535,806	$4,469,572	$5,043,472	$14,048,850
Total Pilsen revenue	$5,342,334	$6,057,548	$7,114,351	$18,514,233
Percentage of Pilsen revenue from State support	**85%**	**74%**	**71%**	**76%**

Note: Total State support includes both grants and fee-for-service payments.

Source: OAG analysis of Pilsen funding.

Department of Human Services

The Department of Human Services (DHS) provided $13.7 million in funding to Pilsen during fiscal years 2004 – 2006. DHS performed several on-site reviews of Pilsen along with numerous other types of monitoring functions, including grant fund reconciliation and post payment reviews.

DHS is the largest provider of funding for Pilsen. Funding is established in the form of annual Community Services Agreements that divide funding to the various divisions at Pilsen. The funding amounts established in the agreements can be increased or decreased during the year through contract amendments. Exhibit 1-10 shows the actual amounts distributed to Pilsen for fiscal years 2004 – 2006 based on Illinois Office of the Comptroller records. Payments are made to Pilsen through either a regular monthly payment or as a reimbursement for specific services provided.

Exhibit 1-10
DHS PAYMENTS TO PILSEN
Fiscal Years 2004 – 2006

Fiscal Year	Amount
2004	$4,502,000
2005	$4,406,904
2006	$4,762,511
Total	**$13,671,415**

Source: Illinois Office of the Comptroller's website.

DHS conducted a variety of monitoring functions, including several on-site reviews, analysis of CPA reports, grant fund reconciliations, licensure and accreditation reports, post payment reviews, and compliance reviews. Results of the various reviews are discussed briefly below:

- The post payment reviews resulted in unsubstantiated billings that were recouped by DHS. One review recouped $1,086 and another recouped $1,245.
- The site visits resulted in findings that required Pilsen to create a corrective action plan. For example, one site visit had findings that included lack of policies and procedures for maintaining program documentation and ensuring that training was completed.
- The CPA report analysis concluded that Pilsen's fund balance deficit was indicative of potential difficulties in meeting long-term obligations.
- The licensure and accreditation reports contained violations that required a written plan of correction.

The Community Services Agreements also required a number of reports be submitted. Most reporting is done through the Department's Automated Reporting and Tracking System, while other reports must be submitted manually. DHS provided printouts from the Automated Reporting and Tracking System and also various reports that had been submitted.

Department of Public Health

For fiscal years 2004 – 2006, Pilsen received $85,000 in grant funding for six grants from the Illinois Department of Public Health (Public Health). Exhibit 1-11 shows the grants Pilsen received from Public Health. The following sections discuss each of the grants in more detail.

Exhibit 1-11
DPH GRANT FUNDING TO PILSEN
Fiscal Years 2004 – 2006

Initiative	FY04	FY05	FY06
Capacity Building for HIV Prevention Programs	$5,000		
Minority Health Month & National HIV Counseling and Testing Day	$5,000		
Breast and Cervical Cancer Education and Awareness		$35,000	
Prostate Cancer Awareness		$20,000	$10,000
HIV/AIDS Education and Awareness			$10,000
Total	**$10,000**	**$55,000**	**$20,000**

Source: DPH Grant Agreements for fiscal years 2004 – 2006.

Breast and Cervical Cancer Grant – FY05

Pilsen received a $35,000 grant in fiscal year 2005 from Public Health to provide breast and cervical cancer education, screenings, and referrals to the Hispanic population in Cicero, Berwyn, and the Little Village communities. The term of the grant was March 1, 2005 through June 30, 2005.

The grant agreement required reports to be submitted. The reports Pilsen submitted, however, did not include adequate expenditure information and also showed that program targets were not met. As shown in Exhibit 1-12, of the 600 females targeted, approximately 130 individuals received information and 46 participants were screened onsite.

Exhibit 1-12
TARGETED VS. ACTUAL PERFORMANCE
FY05 Breast and Cervical Cancer Grant

Measure	Target	Actual
Increase awareness to female residents	600	130
Provide counseling/ pre-screening	200	46

Source: DPH Grant Monitoring Report.

In addition, the final progress report submitted by Pilsen was dated November 22, 2005, which was 145 days after the end of the grant period. The final report included an expenditure report that showed that only $18,202 of the $35,000 in grant funds was spent, as shown in Exhibit 1-13. Pilsen expended $6,849 of the $28,756 budgeted for patient care, or $21,907 less than budgeted. The remaining $16,798 of unspent funds was shown on the expenditure report as net income and was not returned to the State.

Exhibit 1-13
BUDGETED VS. ACTUAL EXPENDITURES
FY05 Breast and Cervical Cancer Grant

Expense	Actual Amount	Budgeted Amount	Difference
Patient Care	$6,849	$28,756	- $21,907
Supplies	3,893	2,000	+ 1,893
Contractual Services	3,451	1,800	+ 1,651
Personal Services	2,904	1,344	+ 1,560
Equipment	850	700	+ 150
Travel	255	400	- 145
Total	**$18,202**	**$35,000**	**- $16,798**

Source: Grant Agreement and Final Expenditure Report.

Public Health officials stated that the unspent monies were supposed to be used for additional screenings but could not provide documentation that this was agreed to by both parties. A Pilsen official stated that no one asked for the money back so they did not return the monies to the State. Both the grant agreement and the Illinois Grant Funds Recovery Act required the unspent monies to be returned. The grant agreement stated that any unspent funds shall be returned within 30 days after the end of the grant agreement period. According to the Illinois Grant Funds Recovery Act:

> *"Any grant funds not expended or legally obligated by the end of the grant agreement, or during the time limitation to grant fund expenditures, must be returned to the grantor agency within 45 days."* (*30 ILCS 705/5*)

Prostate Cancer Awareness Grant – FY05

In fiscal year 2005, Public Health awarded Pilsen a Prostate Cancer Awareness Grant in the amount of $20,000. The term of the grant was February 1, 2005 through June 30, 2005 and required Pilsen to conduct a prostate cancer awareness campaign in Metropolitan Chicago. A final report detailing activities and expenses was not submitted so it is unknown how the $20,000 was spent. In addition, monthly progress reports showed that performance targets were not met.

Prostate Cancer Awareness Grant – FY06

In fiscal year 2006, Public Health awarded Pilsen another Prostate Cancer Awareness Grant in the amount of $10,000. The term of the grant was March 15, 2006 through June 30, 2006 and required Pilsen to conduct a prostate cancer awareness campaign in Metropolitan Chicago. An expenditure report showed that Pilsen spent $9,137 of the $10,000 provided. As noted previously, the Grant Funds Recovery Act requires that any unspent funds be returned within 45 days of the end of the grant period.

HIV/AIDS Education and Awareness Grant – FY06

Pilsen received a $10,000 grant from Public Health in fiscal year 2006 to expand HIV/AIDS education through the Hands of Life Against Aids (HOLAA) Program to Latino men and women. The term of the grant agreement was May 1, 2006 through June 30, 2006 and required Pilsen to provide HIV/AIDS education and awareness to high schools and community based organizations. The final report was submitted 60 days late and did not provide information on how the money was spent other than providing a copy of the budget from the original agreement.

Capacity Building Grant for HIV Prevention Programs – FY04

Public Health awarded Pilsen a Capacity Building Grant in fiscal year 2004 for HIV Prevention Programs in the amount of $5,000. It was primarily for the development of an HIV/AIDS Awareness website. The term of the grant was March 3, 2004 through June 30, 2004. Specifically, the website was to include frequently asked questions concerning what is HIV/AIDS, signs, symptoms, treatment alternatives, and prevention information. It was to serve as an online resource directory with links and information to organizations providing counseling, testing, case management, and other treatment services in the Chicago Metropolitan area as well as major service providers in Illinois.

The grant agreement required Pilsen to submit a final report by July 30, 2004 detailing website success including accomplishments and barriers. The final report, dated July 30, 2004, noted that Pilsen was only able to complete the program objectives and descriptions on the website and was anticipating the final design to be completed by the end of August 2004. Even though Pilsen received the entire grant amount of $5,000, the goals for the website were not met. As of July 2007, the website consisted of a brief description of the Hands of Life Against AIDS Program and the services it provides. It did <u>not</u> include frequently asked questions or links and information to other organizations.

Minority Health Month & National HIV Counseling and Testing Day Grant – FY04

Pilsen received a $5,000 grant in fiscal year 2004 from Public Health to organize and facilitate special events in accordance with Minority Health Month and National HIV Counseling and Testing Day. The term of the grant was March 3, 2004 through June 30, 2004. All reports were submitted and outcomes were achieved.

DEPARTMENT OF PUBLIC HEALTH GRANTS	
RECOMMENDATION NUMBER 1	***The Department of Public Health should recover unspent funds for both the Breast and Cervical Cancer and the Prostate Cancer Awareness grants. The Department should also ensure that all required reports are received and evaluated to ensure that grant moneys are spent properly and proposed outcomes are achieved.***
DEPARTMENT OF PUBLIC HEALTH RESPONSE	The Illinois Department of Public Health concurs with the Auditor General's management audit of Pilsen Little Village Mental Health Center with respect to recommendation #1. The Department has contacted Pilsen Little Village Mental Health Center by certified letter and requested the unexpended funds from the Breast and Cervical Cancer grant #50180096 in the amount of $16,798 and unexpended funds from the Prostate Cancer Awareness grant #63284040 in the amount of $863 be returned to the Department. The Department has instituted additional reporting procedures that include a more thorough process for the review of monthly and final program and fiscal reports. Lastly, the Department has developed a uniform program progress report form to be utilized by all grantees. This report will augment the required narrative progress reports.

Illinois State Board of Education

In September 2005, an intergovernmental agreement was signed to provide $17.3 million in funding from the Illinois Department of Human Services from its Temporary Assistance for Needy Families funds into the Illinois State Board of Education (ISBE) Special Purpose Trust Fund. From this funding, Pilsen received a $250,000 grant to be used in four of its children's programs to offset several general operating expenses.

Exhibit 1-14 breaks down the funding from ISBE. According to the grant agreement, Pilsen budgeted to use $151,308 in their Children's Psychiatric Outpatient Program to increase psychiatrist hours and pay proportionately for staff salaries and other operational expenses. The funding was to allow for an increase in clients served from 64 to 85. The Alternative High School was budgeted to receive $60,000 to cover rent and utility expenses. Ounce of Prevention/Teen Moms was budgeted to receive $21,892 to pay proportionately for administrative costs, salaries, and supplies with a goal to accommodate 56 clients after school. The Childhood After School Development Program was budgeted to receive $16,800 to pay for staff salaries. At the time of the grant, this program had an enrollment of 26, but could accommodate 40.

Exhibit 1-14
BREAKDOWN OF ISBE FUNDING TO PILSEN
Fiscal Year 2006

Pilsen Program	Designated Use	Dollar Amount	Percent of Total
Children's Psychiatric Outpatient Program	Increase psychiatrist hours and pay proportionately for staff salaries and other operational expenses.	$151,308	60.5%
Alternative High School	Rent and utility expenses.	$60,000	24.0%
Ounce of Prevention/ Teen Moms	Administrative costs, salaries, and supplies.	$21,892	8.8%
Childhood After School Development Program	Staff salaries.	$16,800	6.7%
	Total:	**$250,000**	**100.0%**

Source: ISBE grant agreement with Pilsen.

The term of this grant between Pilsen and ISBE was from July 1, 2005 to June 30, 2006. The initial proposal was submitted by Pilsen on March 21, 2006, while the grant agreement was signed by Pilsen on April 5, 2006 and by ISBE on April 12, 2006. The grant agreement's payment schedule specified payments of $200,000 in May 2006 and $50,000 in June 2006. However, the entire amount of $250,000 was paid to Pilsen on April 21, 2006.

Correspondence from ISBE to Pilsen dated September 6, 2006 noted that Pilsen's final expenditure report had not been received. The report was due July 31, 2006 and, according to the correspondence, ISBE had made several attempts to secure the submission of the report. ISBE received an expenditure report on September 12, 2006 that exceeded the budgeted total by $7,828. ISBE notified Pilsen that the expenditure report could not be accepted. A revised expenditure report was received on September 22, 2006. This revised expenditure report almost exactly matched the original budgeted amounts in the grant agreement except for a $656 difference that was allocated from food services to information services.

No supporting documentation was submitted with either expenditure report and ISBE did not follow-up on the accuracy of the expenditure report. The proposed capacity figures mentioned in the grant agreement also were not verified to see if those goals were achieved. ISBE officials stated that no questions or additional information had been requested and no site visits had been conducted of Pilsen.

ILLINOIS STATE BOARD OF EDUCATION GRANTS	
RECOMMENDATION NUMBER 2	***The Illinois State Board of Education should ensure that grant funds are spent according to the grant agreement by obtaining adequate documentation that supports expenditure amounts.***
ILLINOIS STATE BOARD OF EDUCATION RESPONSE	The Illinois State Board of Education (ISBE) has taken steps to strengthen controls over member initiative grants in fiscal year 2007, since this type of grant is not subject to the standard level of grant monitoring performed on established programs. The grant agreement for member initiative grants was modified to require the grantee to acquire the services of a Certified Public Accountant to perform certain agreed upon procedures, including procedures to ensure that the amounts reported to ISBE agree to the grantee's accounting records and to test expenditure transactions to ensure they are for the intended purpose of the grant, in accordance with the requirements of the grant agreement, and supported by the grant recipient's underlying records.

Healthcare and Family Services

Pilsen received a minimal amount of funds from the Department of Healthcare and Family Services (DHFS). In fiscal year 2006, Pilsen received $10,961 from the Department of Healthcare and Family Services. Pilsen also received $7,668 in fiscal year 2005 and $23,806 in fiscal year 2004. According to DHFS officials, Healthcare and Family Services has no contracts, grants agreements, memoranda of understanding, vendor proposals or other funding documents for Pilsen. Pilsen is a provider of medical services and has executed a standard provider agreement with DHFS. Pilsen would have enrolled through the Department of Human Services, which maintains the enrollment documents and agreements.

AUDIT SCOPE AND METHODOLOGY

This audit was conducted in accordance with generally accepted government auditing standards and the audit standards promulgated by the Office of the Auditor General at 74 Ill. Adm. Code 420.310.

The audit objectives for this audit were those as delineated in House Resolution Number 1146 (see Appendix A), which directs the Auditor General to conduct an audit of Pilsen-Little Village Community Mental Health Center, Inc. The audit objectives are listed in the Introduction section of Chapter One. Fieldwork for this audit was conducted between March and July 2007.

In conducting the audit, we reviewed applicable State and federal statutes and rules. We reviewed compliance with those laws to the extent necessary to meet the audit's objectives. Any instances of non-compliance we identified are noted in this report.

We also reviewed management controls and assessed risk related to the audit's objectives. A risk assessment was conducted to identify areas that needed closer examination. Any significant weaknesses in those controls are included in this report.

We interviewed officials at Pilsen, the Department of Human Services, the Department of Public Health, and the State Board of Education. We examined all contract and grant agreements between Pilsen and the State. We reviewed a judgmental sample of 220 expenditures at Pilsen from fiscal years 2005 and 2006. We also reviewed a judgmental sample of 25 personnel files at Pilsen and tested a judgmental sample of 65 inventory items. Appendix B discusses the audit methodology in more detail.

REPORT ORGANIZATION

This report is organized into two chapters. Included in the remaining chapter are the results of our testing of Pilsen's expenditures along with amounts we questioned due to several factors, such as lack of adequate documentation or non-allowable expenditures.

Chapter Two

ISSUES AT PILSEN

CHAPTER CONCLUSIONS

Our audit identified expenditures which were inappropriately charged to State programs. We also found that documentation supporting some of the expenditures sampled was lacking. Our review of Pilsen's activities and expenditures identified a number of findings:

- We identified inconsistencies in Pilsen's allocation of costs. For example, Pilsen determined that expenses associated with certain activities were not directly associated with the services Pilsen performs and classified them as unallocated expenses (i.e., they were not allocated to Pilsen's programs). However, the salary costs of the staff that undertook these activities were allocated across all Pilsen's programs, including State-funded programs. So while the activities being performed were deemed as not associated with the services Pilsen provides, the time spent performing these activities was still charged to Pilsen's programs.
- Healthcare and dental expenses for the Latino Youth Alternative High School employees were allocated across all programs, including State-funded programs, instead of being charged directly to the High School. This resulted in $21,361 being over-allocated to other programs, including State-funded programs.
- In our review of personnel files, we noted that for 32 percent of employees in our sample, documentation in the file did not support that the individual met the established job qualifications for their position. Personnel files should be complete and accurate and demonstrate an individual meets the job requirements. In addition, 48 percent of the files lacked documentation on performance appraisals.
- Pilsen does not take physical inventory of its assets on a regular basis. Some of these assets were purchased with State funds, which could lead to a loss of State property. We also found inconsistencies in the tagging of assets. For example, some computers and monitors, which are items susceptible to theft, were tagged while others were not.
- Pilsen did not maintain an accurate listing of its vehicles and had difficulty providing a list of vehicles when requested. An examination of Pilsen's property and equipment listing showed only five of the nine vehicles owned by Pilsen were included as assets. The list of authorized drivers that was provided was not consistent with the names on the fuel purchasing invoices. Pilsen also had other problems with fuel purchases, including lack of receipts and questionable odometer readings.
- Pilsen did not utilize competitive bidding for any of the six construction contracts, totaling $170,100, in our expenditure sample. Pilsen's Financial Procedures Manual states that a minimum of two bids shall be obtained when procuring major maintenance or capital expense items.

- Pilsen uses a Check Request form that must be completed for all expenditures. In our sample of expenditures, 77 percent (168 of 217) of check requests did not have supervisor approval.

- Pilsen incurred a total of $24,763 in cell phone charges during fiscal years 2005 and 2006. These charges included excessive roaming charges ($3,067 in roaming charges for two sampled expenditures) for the Executive Director's cell phone while the Executive Director was out of the country. The Pilsen Financial Procedures Manual states that only six cell phones have been authorized. However, Pilsen had 15 cell phones with three different providers: 9 phones with one provider, 5 phones with another, and the Executive Director's cell phone was through a third provider. Cell phone bills sampled during expenditure testing showed 6 of the 15 cell phones with no usage during the sampled billing period and 2 additional phones with limited usage.

- During fiscal years 2005 and 2006, Pilsen paid over $30,000 in property taxes. Pilsen operates as a not-for-profit corporation and qualifies for an exemption from property taxes. Over $18,000 was charged primarily to State-funded programs either as a direct cost or through the cost allocation plan. Subsequent to paying the property taxes, Pilsen obtained tax exempt status for two properties. After the completion of our fieldwork, Pilsen received a refund in November 2007 for $16,661 of the property taxes paid.

- Pilsen entered into a lease to move the Latino Youth Alternative High School (LYAHS) to a new location. The next month, Pilsen's Board added a new Board member who had a 30 percent interest in the newly leased property. The new Board member also made a $104,000 donation (according to meeting minutes the donation was $125,000) to Pilsen at the time of the lease and agreed to purchase the old LYAHS building for $1.15 million. On August 11, 2006, Pilsen's Board voted to purchase the newly leased property. However, a new organization, the Pilsen Little Village Community Management Organization, which was formed August 24, 2006, purchased the newly leased property for $6.4 million. The property was purchased August 25, 2006 and the closing documents were signed by Pilsen's Executive Director who was also the Executive Director for the new organization. The fiscal year 2006 Financial Statements did not disclose related party information regarding the lease agreement for the building at 2001 S. California or for the sale of the old Latino Youth building at 2200 S. Marshall, both of which occurred in fiscal year 2006.

- In our sample review of the agency's expenditures, 15 of 42 (36%) credit card purchases of $50 or more did not have the required receipt. Receipts that were submitted often lacked the detail necessary to determine what was purchased.

- We reviewed 17 expenditures, totaling $9,613, that involved out-of-state travel. These included travel to Mexico, California, Florida, Georgia, Arizona, and Washington, DC. Travel expenses included airfare, hotel, and per diem. Two of the expenditures totaling $1,068 lacked documentation. For two other expenditures totaling $1,187, Pilsen was to be reimbursed for the expense, however, in both cases, the reimbursement did not occur.

- Pilsen lacks a tuition reimbursement policy that could outline the procedures and conditions for having tuition reimbursed and the documentation required to verify the course was completed.

- Pilsen paid gratuities that were charged to State-funded programs. In our sample of expenditures, we identified $363.34 in gratuities charged directly to State-funded programs and $78.40 in gratuities allocated to all Pilsen programs, including State-funded programs.
- In our review of agency expenditures, we noted four expenditures totaling $7,463 for consultants that either lacked written agreements or the agreement lacked detail for the work to be performed.
- Some of the programs at Pilsen operated at a deficit; they incurred more expenses than the revenue received to operate the programs. The programs with a surplus supported these deficit programs. The most profitable programs, such as the Pilsen Inn, were primarily State-funded programs. A fiscal year 2006 expense analysis showed expenses were charged to 32 cost centers. Of these 32, 12 operated with a surplus while 20 operated at a deficit.

BACKGROUND

As discussed in Chapter One, Pilsen receives funding from various sources. Some funding is directed at a specific program while other funding may cover several programs. As funds are expended, the expense is charged to the program or programs that incurred the charge. For example, a computer purchased for the Intensive Case Management Program would be charged to an accounting code for that program.

If an expense cannot be identified to a specific program, it is charged as a General and Administrative cost. The majority of General and Administrative costs are allocated across all programs based on a cost allocation plan established by Pilsen in February 2000. The cost allocation plan specifies that General and Administrative costs will be distributed to all programs based on the percentage of total direct expenses. For example, if a program incurred direct expenses that represented 10 percent of all direct expenses for Pilsen, that program would be allocated 10 percent of the General and Administrative costs for the organization.

Unallocated Costs

Some costs are either an unallowable cost or are not directly associated with the services Pilsen provides. These expenses are charged as Unallocated General and Administrative costs and are not allocated to the various programs. An expense analysis provided by Pilsen shows that during fiscal year 2005, Pilsen charged $14,963 as unallocated expenses and $158,665 in fiscal year 2006. The amount in fiscal year 2005, however, does not include an additional $4,783 that was charged to unallocated food and beverage expense in the General Ledger. The amount charged as unallocated expense for fiscal year 2005, including the additional $4,783, totaled $19,746.

During our review of expenditures at Pilsen, we noted expenditures that were charged to programs that instead should have been charged as unallocated expenses. These included property taxes, travel, finance charges, and gratuities. These are discussed in more detail in other sections in this Chapter.

Some unallocated costs were costs associated with meetings, travel, or other activities that involved staff at Pilsen. While the specific costs were not allocated to programs, the majority of the salaries of the individuals were charged to programs. So while the activities being performed were deemed as not associated with the services Pilsen provides, the time spent performing these activities **was still charged** to Pilsen's programs. Exhibit 2-1 shows that in fiscal year 2005 none of Pilsen's salary expense was classified as unallocated while in fiscal year 2006 only 1.2 percent was unallocated.

Exhibit 2-1
PILSEN SALARY EXPENSE CHARGED AS UNALLOCATED EXPENSE

	FY05	**FY06**
Salary expense charged directly to programs	$3,488,568	$4,109,535
Salary expense – allocated administration	$738,333	$798,544
Salary expense – unallocated administration	$0	$60,698
Total salary expense	$4,226,901	$4,968,777
Percent of unallocated salary expense to total salary expense	0%	1.2%
Total other unallocated expenses	$19,746	$97,967

Note: Salary expense includes payroll taxes and benefits.

Source: OAG analysis of Pilsen expenses.

Examples of activities undertaken at Pilsen that were not allocated to any specific program but incurred salary expenses that were inappropriately allocated to State-funded programs included the following:

- Pilsen collected $133,405 in management fees during fiscal year 2006. Pilsen entered into an agreement to provide management services for another organization, Latino Youth, Inc. Latino Youth Inc. operated the Latino Youth Alternative High School. The agreement called for the organization to pay Pilsen 20 percent of its gross annual revenues. The management fees were classified as unallocated revenues instead of being classified as revenues for the services provided on behalf of the Latino Youth Alternative High School. It is unclear how much personnel costs were incurred to earn these fees.
- Pilsen performed a number of activities related to the Bi-National Health Week event. Pilsen made the determination that these activities should be classified as unallocated expenses. Expenses incurred included printing costs, transportation, and lodging as well as the salary of one individual at Pilsen. The salary of the individual, as well as salaries for other administrative personnel that worked on the event, were charged as General and Administrative expenses and were allocated across all programs including State-funded programs.
- In addition to the Bi-National Health Week event, Pilsen also worked collaboratively on a number of events with the Mexican Consulate in Chicago. These events included a visit by the Mexican President in July 2004, a cultural event in November 2004, and a ballet

performance. Pilsen served as the fiscal agent for these events. Again, Pilsen made the determination that these activities should be classified as unallocated expenses.

The salary expense for time spent performing management services for another organization, as well as the time spent performing other functions that Pilsen has classified as unallocated activities, should not be charged to Pilsen's programs, including programs funded by the State.

UNALLOCATED EXPENSES	
RECOMMENDATION NUMBER 3	***Pilsen should ensure that expenses are appropriately classified to unallocated accounts when the costs are unallowable or are not associated with services Pilsen provides to State programs. Pilsen should also ensure that salary expenses for time spent performing other functions classified as unallocated activities are not charged to Pilsen's programs.***
PILSEN RESPONSE	P-LVCMHC, Inc. will review the current percentage of unallocated salary expenses and determine, based on an informed internal review, a subsequent adjustment to the current 1.2 percent of unallocated salary amounts. This will include any necessary adjustments for salary expense amounts for staff time spent on mission-related agency services not directly associated with state-funded programs. Further, P-LVCMHC, Inc. will conduct semi-annual reviews of the agency's Cost Allocation Plan to validate all allocated amounts are consistent with changing revenue streams, shifts or changes in employees' duties and responsibilities, and within the guidelines of state-funded programs. Of important note, the strategic managing agent services provided to Latino Youth, Inc., specifically to the Latino Youth Alternative High School, have allowed a vitally important education alternative for area youth to remain within the local community. LYAHS, now a cornerstone of our educational programming, strengthens and improves our comprehensive program services array. With regard to the Bi- national Health Week Policy Forum coordinated by P-LVCMHC, the event represents an extraordinary, but atypical undertaking. The event supported organizational efforts to improve culturally competent services provision to P-LVCMHC, Inc. program participants. Establishing collaborative partnerships with mental health professionals currently serving Latino-origin populations, addresses the need for culturally appropriate services. The cultural appropriateness of mental health services may be the most important factor in the accessibility of services by persons of color. The workshops and plenary sessions offered during the Policy Forum provided a rich source of information and facilitated discussion involving state-of-the art, cutting edge research across multiple service dimensions for the purpose of reducing barriers to effective treatment. These efforts ultimately sought to facilitate access to holistic and comprehensive, culturally appropriate services delivery for our program participants.

HEALTHCARE AND DENTAL EXPENSES

Healthcare and dental expenses for the Latino Youth Alternative High School employees were allocated across all programs, including State-funded programs, instead of being charged directly to the High School. During fiscal year 2006, Pilsen assumed control of the Latino Youth Alternative High School. The High School is a charter school that offers youth facing expulsion from other learning institutions a second chance to obtain a high school diploma. The High School is funded by the Youth Connection Charter Schools, the Chicago Public Schools, and the Alternative Schools Network.

While reviewing documentation for healthcare and dental expenses, we noted Latino Youth Alternative High School employees were included on the list. Billings for healthcare and dental expenses were charged to an administrative account and allocated across all programs, including the Latino Youth Alternative High School. However, by not charging healthcare and dental expenses directly to the High School, a disproportionate amount was charged to other programs.

We examined healthcare and dental billings for February – June 2006; Latino Youth Alternative High School employees were added in February 2006. Billings for Latino Youth Alternative High School employees accounted for 15.7 percent of the total billings during that time period. However, based on Pilsen's cost allocation plan, only 4.4 percent was actually allocated to the High School. Exhibit 2-2 shows that only $8,445 in healthcare and dental expenses was allocated to the High School although $29,807 was actually incurred. This resulted in $21,361 being over-allocated to other programs, including State-funded programs.

Exhibit 2-2
LATINO YOUTH ALTERNATIVE HIGH SCHOOL
HEALTHCARE AND DENTAL EXPENSES
February – June 2006

	Healthcare Expenses	**Dental Expenses**	**Total**
Total healthcare and dental expenses for all employees	$173,289.03	$16,637.10	$189,926.13
Actual expenses for Latino Youth Alternative High School employees	$27,362.68	$2,444.00	$29,806.68
Amount actually allocated to Latino Youth Alternative High School	$7,705.58	$739.80	$8,445.38
Amount over-allocated to other programs	**$19,657.10**	**$1,704.20**	**$21,361.30**

Source: OAG analysis of Pilsen expenses.

HEALTHCARE AND DENTAL EXPENSES	
RECOMMENDATION NUMBER 4	***Pilsen should ensure that healthcare and dental expenses are charged directly to the program that incurred the expense to prevent other programs from being charged a disproportionate share of expenses.***
PILSEN RESPONSE	P-LVCMHC, Inc. will not include any Healthcare and Dental expenses for employees charged directly to a specific program from any administration allocations. P-LVCMHC, Inc. will review fringe benefit allocations and ensure that allocation methods employed reflect fair and rational expense shares.

PERSONNEL ISSUES

In our review of personnel files, we noted that for 32 percent of employees in our sample, documentation in the file did not support that the individual met the established job qualifications for their position. Personnel files should be complete and accurate and demonstrate an individual meets the job requirements. In addition, 48 percent of the files lacked documentation on performance appraisals.

Job Qualifications

For 8 of 25 (32%) employees sampled, documentation in the file did not support that the individual met the established job qualifications for their position. For example:

- The position of Program Coordinator for the Drug-Free Program requires a Bachelors Degree in Counseling, Psychology, or Social Work. However, the personnel file for this employee, a relative of the Executive Director, indicated a Bachelors Degree in Fruticulture.
- The position of Development Director requires a Ph.D. or Master's Degree in social services and a minimum of five years experience in the field. However, the file for the Development Director did not have a resume, job application, or any other document to indicate the qualifications of the individual.

Performance Appraisals

Pilsen's employee manual states that an employee's performance will normally be evaluated upon the completion of any probationary period, at the end of the first year of employment, and at the end of each fiscal year thereinafter. However, employees in our sample did not always receive an annual performance appraisal. For 12 of 25 (48%) employees sampled, the personnel file lacked documentation of performance appraisals. We noted:

- Most files contained a performance appraisal, but in many cases the appraisal was not within the last year. For example, one file's most recent appraisal was from July 2003.
- One file contained only three performance appraisals (dated 06-18-85, 10-04-00, and 09-21-04) for an employee that had been with the organization for over 20 years. Despite

the lack of performance appraisals, this employee received steady 5 percent increases each of the previous five years.

- Four files contained no performance appraisals. For example, a relative of the Executive Director was hired July 5, 2005 and was promoted six days later with a salary increase of 33 percent. The personnel file for this employee lacked any performance appraisals.

<table>
<tr><th colspan="2">PERSONNEL ISSUES</th></tr>
<tr><td>RECOMMENDATION NUMBER
5</td><td>Pilsen should ensure that personnel files document that all employees are qualified for their position and that employees receive performance appraisals.</td></tr>
<tr><td>PILSEN RESPONSE

Pilsen Response Continued on Next Page</td><td>In making decisions to hire potential job candidates, P-LVCMHC, Inc. considers all relevant job related experience that job applicants possess prior to employment with the organization. The individual cited by the OAG audit report did not begin work at the organization as a counselor, but rather as a part-time, third-shift CILA program staff person. The individual possessed valuable job-related experience from employment with another not-for-profit in the same capacity. Moving through the ranks and gaining valuable experience, this individual, after a number of years with the agency, applied for a position within the Substance Abuse Division. The employee in question possesses a C.A.D.C. (Certified Alcohol and other Drugs Counselor) and has had this important certification for more than four years, since May 2003. The C.A.D.C. is a requirement for counselors providing substance abuse treatment services, after two-years of substance abuse treatment-related experience. (See Auditor Comment #1)

P-LVCMHC, Inc. Human Resources Department will incorporate the use of database calendar software to provide reminders to alert HR staff one-month prior to when performance appraisals are due. HR staff will then send e-mail reminders to respective supervisors, coordinators, and/or directors to inform them of upcoming submission requirement deadlines.

The Quality Assurance Director will perform semi-annual reviews of HR files to insure files include resumes, performance appraisals, supporting documentation and/or proof of credentials, background checks (if applicable), job descriptions etc. Any discrepancies found during HR reviews will be documented and presented to the HR Director for action.

With regard to the issue of the P-LVCMHC, Inc. employee “promoted” after six days of employment, this individual transferred to the Development Department upon management’s determination of this employee’ exceptional writing talents supported by a dual background in both psychology and education. The salary was adjusted accordingly as the new position carried greater responsibilities, a significantly increased workload, higher intellectual demands, as well as flexible and extended</td></tr>
</table>

Pilsen Response (continued)	hours to meet tight grant and proposal deadlines targeting children's programming expansion efforts. Both supervisors for the employee in question unexpectedly terminated employment with the organization and did not complete the required performance appraisals. Of important note, no further salary adjustments were made during the period in question.
	AUDITOR COMMENTS: *#1: Pilsen's job description for the position of Program Coordinator for the Drug-Free Program requires a "Bachelor Degree in Counseling, Psychology, Social Work,* ***and*** *3-5 years of Supervisory/Administrative experience." As stated in the audit, the personnel file did not contain documentation that the individual met the established job requirements. Personnel files should be complete and accurate and demonstrate an individual meets the job requirements.*

INVENTORY

Pilsen does not take physical inventory of its assets on a regular basis. Some of these assets were purchased with State funds, which could lead to a loss of State property.

Pilsen's Financial Procedures Manual requires that a physical count of all fixed assets be taken at least annually. However, Pilsen's Business Manager stated that once the inventory has been coded, tagged, and entered into their computer system, no one goes out to the facilities to monitor or check on the assets. A physical inventory is not taken and inventory is difficult to keep track of because there is no system in place for reporting when assets are transferred from one location to another. The business manager added that there is no system in place to monitor where an employee's laptop computer goes after the employee has terminated employment with Pilsen.

We judgmentally selected 40 items listed on Pilsen's fixed asset listing to physically examine and verify that the assets were at the reported locations. All of the items selected were purchased with State funds. During inventory testing, 8 percent (3 of 40) of the assets tested could not be located. The three items consisted of one laser fax and two computers.

We also found inconsistencies in the tagging of assets. Pilsen's Financial Procedures Manual requires that items over $500 be immediately tagged and inventoried. We selected an additional 25 asset items for reverse testing to determine if the assets had been tagged and accounted for properly. Of the 25 items we tested, 44 percent (11 of 25) were not tagged.

- For one of these items, a laptop computer, Pilsen officials cited that it was donated as the reason it was not tagged.
- For eight items, officials responded that only fixed asset equipment valued at $500 and up is tagged. However, each of these items was either a computer or a monitor. In our previous sample of 40 inventory items tested, we found 14 computers and 8 monitors that were tagged. This demonstrates inconsistent practices with inventory tagging.

- We also found one instance where a computer was tagged, but not included on the fixed asset listing. Pilsen officials responded that this was an oversight.
- Additionally, in our review of the agency's expenditures, we found where one of two purchased refrigerators, both under $500, was tagged, but the other was not.

While Pilsen's Financial Procedures Manual does not require items less than $500 to be tagged and inventoried, Pilsen is still responsible for maintaining internal control records for these items. This is especially important for items susceptible to theft such as computers and monitors. These types of items should be tagged and inventoried regardless of the purchase price.

Agreements with the Department of Human Services (DHS) specify that funds awarded are subject to provisions of the Grant Funds Recovery Act which states that misspent or improperly held funds are subject to recovery. The agreements also specify that DHS shall have the right to require transfer of any equipment (costing at least $500 and having a useful life of two years or more) purchased with Department funds upon termination of the agreement. Not taking a physical inventory on an annual basis and not maintaining an accurate inventory listing could impact the ability to recover equipment.

INVENTORY	
RECOMMENDATION NUMBER **6**	***Pilsen should ensure a physical inventory is conducted on an annual basis as required by its Financial Procedures Manual. Pilsen should also be more consistent in tagging assets and should consider a lower dollar threshold for tagging assets, especially for items susceptible to theft. Lastly, Pilsen should develop procedures to ensure that employees turn in property upon leaving employment, as well as develop procedures on notification of when assets are moved from one location to another.***
PILSEN RESPONSE **Pilsen Response Continued on Next Page**	P-LVCMHC, Inc. will revise the Financial Procedures Manual section pertaining to inventory procedures. The new procedure incorporates a lower dollar threshold of $100. The revised Financial Procedures Manual will indicate: *"… Assets over $100 shall be tagged and inventoried within 30 calendar days of receipt."* P-LVCMHC has implemented the use of new inventory software (Mobile Asset), which incorporates scanning/barcode technologies. The new Asset Tag System facilitates the rapid inventorying of organizational assets as well as subsequent accurate identification of assets, which may have shifted to different locations as a result of program or staff movements. The Business Director will track asset movements through the "Maintenance Work Order" forms. Maintenance personnel have the charge of moving staff office equipment, files, and furniture when needed. The Business Director must approve all maintenance requests

Pilsen Response (continued)	prior to personnel beginning any assigned task. The maintenance work order has a section where requesting staff persons must specify which items shall be moved and to which locations. The HR Department will alert the business department of new employee hires and terminations for the purpose of updating asset lists. Further, P-LVCMHC, Inc. will track the inventory of all fixed assets over $100 dollars by conducting annual reviews of assets assigned to individual employees and locations and requiring sign-off from employees and their respective supervisors. The Business Department will generate reports, which specify what assets were assigned to beginning and departing employees. During the exit interview process, asset reports can be reviewed and returns and reassignments can be accurately completed.

VEHICLES

Pilsen did not maintain an accurate listing of its vehicles and had difficulty providing a list of vehicles when requested. Pilsen's vehicle fleet consisted of nine vehicles during fiscal years 2004 – 2006. We first requested a list of vehicles in February 2007.

Exhibit 2-3
LISTING OF PILSEN VEHICLES
Fiscal Years 2004 – 2006

Vehicle	Initial List Provided	Revised List Provided
1985 Ford Truck	-	Yes
1993 Ford Passenger Van	-	-
1998 Ford Econoline Van	Yes	Yes
1998 Ford Econoline Van	Yes	Yes
2000 Ford Windstar	-	Yes
2002 Dodge Caravan	Yes	Yes
2004 GMC Truck	Yes	Yes
2004 Chevy Express Van	Yes	-
2007 Chevy Equinox	-	Yes

Source: OAG examination of Pilsen vehicles.

Exhibit 2-3 shows a listing of Pilsen vehicles during fiscal years 2004 – 2006, which includes the initial list of vehicles provided. A second list of vehicles was requested because the initial list appeared inaccurate. A second list was provided in May 2007. As Exhibit 2-3 shows, there was a vehicle on the first list that was not on the second list and there were vehicles on the second list that were not on the first list. We also identified an additional vehicle that was not on either list. A Pilsen official stated the vehicle was not on the list because it was donated. An examination of Pilsen's property and equipment listings showed only five of the nine vehicles were included as assets.

Pilsen provided a list of employees authorized to drive the vehicles during fiscal years 2004 – 2006. When examining documentation for fuel expenditures, we noted two drivers who were not on the authorized driver listing. Pilsen officials stated that those individuals were authorized drivers, but were mistakenly left off of the list. However, one of the two drivers in question was not an employee at Pilsen. Pilsen officials responded that the individual participated in the program and was assigned the task of driving program participants to related program activities.

Pilsen uses credit cards for fuel purchases and receives a detailed billing on a monthly basis. The bill lists individual charges for each vehicle including the date, time, driver, odometer reading, gallons, and amount of purchase. According to Pilsen officials, a credit card is assigned to each vehicle and given to the driver. We noted problems when examining documentation for fuel expenditures:

- Some receipts for gas purchases were provided, but many were missing.
- Odometer readings were often not recorded properly, calling into question the legitimacy of fuel purchases:
    - One vehicle had two fuel purchases on the same day but the odometer reading was the same for both purchases. For the next fuel purchase for this vehicle, four days later, the odometer reading was not entered.
    - Another vehicle's odometer reading for one purchase was nearly 400 miles lower than the previous reading.

We also noted questionable expenses related to the vehicle assigned to the Executive Director. An examination of maintenance invoices and credit card receipts showed $803 in billings for detailed car washes. All of the car washes were billed to an administrative account that was allocated across all of Pilsen's programs.

In December 2007, during the exit process to review the draft report, Pilsen provided polices, dated June 2004, governing the use of vehicles. The policies, however, did not include information on the proper use of vehicle credit cards, logging the use of the vehicle, and providing receipts for amounts purchased. The procedures also did not address if other costs, such as detailed car washes, are permissible. Also during the exit process, Pilsen provided updated procedures dated August 2007. These procedures would have been in effect after the period of our audit testing. The new procedures address the proper use of vehicle credit cards and logging the use of the vehicle. The procedures, however, do not require users to submit receipts for gas purchases and do not address what other costs are permissible.

VEHICLES	
RECOMMENDATION NUMBER **7**	***Pilsen should ensure that policies and procedures governing the use of its vehicle fleet are followed. Procedures should be updated to include defining allowable expenses and requiring submission of receipts for gas purchases. Pilsen should also maintain an accurate listing of its vehicles and ensure that all vehicles are included on its property and equipment listing.***
PILSEN RESPONSE **Pilsen Response Continued on Next Page**	P-LVCMHC, Inc. has updated its *"Transportation Policy and Emergency Procedures"* document. The revised policies address gas receipt requirements and allowable purchases. The Business Director will consistently maintain an updated list of all agency-owned vehicles. The listing will provide details regarding make

Pilsen Response (continued)	and model number information, year, color, loan repayment status, Vehicle Identification Numbers, License Plate Numbers, Insurance Expiration dates, etc. Concerns raised regarding conflicting odometer entries may be attributable to the use of a gas card for multiple agency vehicles. To address this issue, P-LVCMHC, Inc. will implement the use of a Gas Purchase Log for each agency vehicle. Authorized agency drivers will document gas purchases, vehicle operation details, and what method was used to purchase gas (i.e. assigned gas card or in the case of extenuating circumstances personal credit card or cash). Further, each agency vehicle has been assigned its respective gas purchase card. This should resolve conflicting odometer readings and corresponding gas mileage purchases. The Quality Assurance Director will provide quarterly reviews of gas card invoices to ensure corresponding documentation requirements concur with billed gas purchases. With regard to expenses incurred for detailed car washes, averaging two per fiscal year, P-LVCMHC, Inc considers these costs as related maintenance and upkeep. The vehicle in question has transported visiting dignitaries, government officials, and other important guests to our organization. It provides an initial, and possibly lasting, impression of the organization. As such, P-LVCMHC, Inc. considers this type of comprehensive maintenance cost, typically on a semi-annual basis, a reasonable expense. The updated *Transportation Policy and Emergency Procedures* document includes a provision for this allowable expense, however, specifies a requirement for the Business Director's approval prior to incurring these related maintenance and upkeep costs.

Pilsen Van

In December 1996, Pilsen purchased a 1996 Ford Econoline Cargo Van. The purchase price, including financing, totaled $30,711. Two years later, in December 1998, Pilsen's former Executive Director (who was still Executive Director at the time) personally made the final payment of $5,809.65. Six months later, in June 1999, the former Executive Director asked for and received reimbursement from Pilsen for the final payment. The Accounting Department reported giving the original title of the vehicle to the former Executive Director's Executive Assistant in June 1999.

When asked, the current staff at Pilsen determined that Pilsen was no longer in possession of the van. Information obtained from the Secretary of State showed that the last transfer of title occurred in August 1999. The address for the person listed as the title holder is the same address of the former Executive Director. Staff at Pilsen could not locate any documentation on the decision to transfer the title.

Payments for the van were charged to State-funded programs. Agreements with the Department of Human Services (DHS) specify that funds awarded are subject to provisions of the Grant Funds Recovery Act which states that misspent or improperly held funds are subject to recovery. The agreements also specify that DHS shall have the right to require transfer of any equipment (costing at least $500 and having a useful life of two years or more) purchased with Department funds upon termination of the agreement. No documentation was provided that showed DHS was informed of the transfer of the van.

PILSEN VAN	
RECOMMENDATION NUMBER **8**	***Pilsen should ensure that property purchased with State funds is properly controlled and accounted for and not transferred to a third party without documentation of proper consideration received in return. Pilsen should follow-up with DHS regarding the specifics of this transaction to see if any further action needs to be taken.***
PILSEN RESPONSE	P-LVCMC, Inc. will ensure all property purchased with state funds is properly controlled and accounted for and not transferred to a third party without documentation of proper consideration received in return. Of important note, the car dealings in question cited in the current OAG report, specifically the reimbursement of the former executive director and the transfer of title, took place during June 1999 to August 1999, a full 6 to 8 months prior to the present Executive Administration assuming organizational leadership. The Interim Executive Director (July 30, 1999 until March 3, 2000) would have been the individual most directly responsible with ensuring and determining the whereabouts of the vehicle in question. Given his prior working relationship with the former Executive Director and as the second highest in command during that time, the Interim E.D. would have been the most familiar with the vehicle's disposition. In keeping with OAG recommendations, P-LVCMHC, Inc. will follow-up with DHS regarding the specifics of this transaction to see if any further action needs to be taken.

SINGLE BID CONSTRUCTION CONTRACTS

Pilsen did not utilize competitive bidding for any construction contracts in our expenditure sample. Pilsen's Financial Procedures Manual states that **a minimum of two bids shall be obtained** when procuring major maintenance or capital expense items. Procurements of $1,000 or greater are considered major. An exception to the competitive bidding process may be made when the Executive Director, or the Deputy Director and Chairman of the Finance Committee determine:

1. that the goods or services to be obtained are both unusual in nature and time is of the essence; or

2. when they have determined an individual source procurement is in the best interest of the organization, with cost being a secondary factor.

In our review of the agency's expenditures, we reviewed six expenditures from six different contracts totaling $170,100 that involved payments to construction companies. Three of the contracts were with the same vendor. In all six instances, Pilsen did not receive a minimum of two bids as required in its Financial Procedures Manual. When asked about the number of bids obtained, Pilsen said that only one bid was obtained for each of the six contracts and cited the exception to the competitive bidding process. However, no documentation was found in the files showing approval for using the exception to the competitive bidding requirement or any justification for obtaining only one bid. Exhibit 2-4 shows the six contracts

Exhibit 2-4
SINGLE BID CONTRACTS FROM EXPENDITURE SAMPLE

Date of Contract	Contract Amount	Contract Description	Pilsen's Response for Not Obtaining More Than One Bid[1]
09-19-05	$17,500	Work performed at Administration Office: 1st floor dock/warehouse area and creation of handicap ramp for main entrance.	The P-LVCMHC (Pilsen-Little Village Community Mental Health Center) maintenance supervisor recommended this contractor. Other factors considered by Executive Administration included the timeliness for completion and the pressing need for ADA accessibility for persons with disabilities served and employed by P-LVCMHC, Inc.
10-13-05	$18,400	Work performed at Administration Office: installation of two complete bathrooms.	Other factors considered by Executive Administration included timely completion and ADA accessibility for persons with disabilities served and employed by P-LVCMHC, Inc.
10-13-05	$4,000	Work performed at Administration Office: installation and removal of brickwork.	The P-LVCMHC maintenance supervisor recommended this contractor. Other factors considered by Executive Administration included the timeliness for completion.
10-28-05	$58,000	Work performed at Administration Office: installation of two rooftop heating/cooling units.	Other factors considered by Executive Administration included timely completion of this renovation project.
11-03-05	$2,200	Work performed at Administration Office: roof repair.	The P-LVCMHC maintenance supervisor recommended this contractor. Other factors considered by Executive Administration included the timeliness for completion and the pressing need for these roof repairs to reduce likelihood of further water damage.
12-05-05	$70,000	Work performed at Latino Youth building (2001 S. California): conversion of warehouse space into classrooms and offices.	Other factors considered by Executive Administration included timely completion of this renovation project.
Total	**$170,100**		

Note: [1]For all six contracts, Pilsen officials cited the exception to the competitive bidding process for not obtaining more than one bid. The exhibit notes additional explanations provided for each contract.

Source: OAG summary of contracts from sample of expenditures and responses from Pilsen officials.

from our expenditure sample. The exhibit also shows Pilsen's responses when we inquired about the number of bids obtained.

In addition, no invoices documenting the work completed were found for any of the six expenditures in our sample. Instead, payment was made based on terms either established in the agreement or as specified on Pilsen's check request forms. Pilsen officials stated that they do not typically request the contractor to provide related invoices associated with contract expenditures.

OBTAINING MULTIPLE BIDS	
RECOMMENDATION NUMBER 9	***Pilsen should comply with its policy which requires a minimum of two bids be obtained when procuring major maintenance or capital expense items. In cases where it is determined that only one bid is needed, Pilsen should document that the authorized personnel agreed to this decision, with an explanation as to why obtaining only one bid was justified.***
PILSEN RESPONSE	P-LVCMHC, Inc Business Department staff will document justifications for exceptions to the competitive bidding process made by the Executive Management and/or the Chairman of the Finance Committee as allowed by the Financial Procedures Manual when it has been determined that the goods or services to be obtained are both unusual in nature and time is of the essence; or when they have determined an individual source procurement is in the best interest of the organization, with cost being a secondary factor. The P-LVCMHC, Inc. Business Director will maintain an updated vendors list, which will include past, present, and potential contractors. An updated agency vendors list will support and facilitate an expedited process to secure multiple bids for future contracted services and projects.

EXPENDITURE APPROVAL PROCESS

Pilsen uses a Check Request form that must be completed for all expenditures. The check request contains sections to identify the check requester, program supervisor approval, business office approval, and check issuer. In our review of expenditure files, we noted the following:

- Check requests often lacked supervisor approval. In our sample of expenditures, 77 percent (168 of 217) of check requests did <u>not</u> have supervisor approval. For check requests that did have supervisor approval, the person signing under supervisor approval was the same as the person requesting the check in 41 percent (20 of 49) of the cases.
- There was business office approval in 99 percent (215 of 217) of the check requests. Also, although not required, the Executive Director initialed 26 percent (56 of 217) of the check requests.

- Pilsen's Financial Procedures Manual specifies that the Board Treasurer "…should review all paid disbursements, including cancelled vouchers subsequent to month end." Most check requests we reviewed were not initialed by a Board member indicating the expenditure had been reviewed. Only 13 percent (29 of 217) were initialed by a Board member and in only 4 percent (8 of 217) was the reviewer the Board Treasurer. Pilsen officials stated that the review process does not require initialing each check request but instead entails reviewing the monthly financial statements. Pilsen's Financial Procedures Manual should be more specific as to the type of review required.

Once the check request is approved, a check is issued. Each check must be signed by two authorized check signers. The authorized check signers are the Executive Director, the Deputy Director, and the Controller. Our review of checks noted the following:

- All checks reviewed contained two authorized signatures. However, in 77 percent of the checks reviewed, one of the two signatures was a signature stamp for the Executive Director. Pilsen officials stated that the signature stamp is kept under lock and key with exclusive access to it granted solely to the Executive Director's Executive Assistant. Pilsen officials further stated that when the Executive Director is out of the office and only under explicit verbal permission granted personally by the Executive Director himself is the Executive Assistant granted permission to stamp any check requiring the Executive Director's signature.
- One check for $362.29 was made out to an individual that was also one of the two signatures on the check. The second signature on the check was the signature stamp.
- One check for $1,000, made out to "Cash", was endorsed by an individual that was also one of the two signatures on the check. The second signature on the check was the signature stamp.
- One check for $192.50 was requested by, approved by, and made out to the same individual. The individual was also one of the two signatures on the check.

EXPENDITURE APPROVAL PROCESS	
RECOMMENDATION NUMBER 10	***Pilsen should ensure that Check Request forms are properly completed and contain all approvals that are required. Pilsen should also specify in its Financial Procedures Manual the review required by the Board Treasurer.***
PILSEN RESPONSE	P-LVCMHC corporate compliance officer will schedule and facilitate reviews of disbursements by indicated Board Members. Accounting personnel will make disbursements available as needed for review by Board Treasurer. Lastly, P-LVCMHC will specify in its Financial Procedures Manual the review by the Board Treasurer and follow procedures as indicated.

CELL PHONE USAGE

Pilsen incurred a total of $24,763 in cell phone charges during fiscal years 2005 – 2006. These charges included excessive roaming charges ($3,067 in roaming charges for two sampled expenditures) for the Executive Director's cell phone while the Executive Director was out of the country. Of the $24,763 in charges, $21,142 (85%) was charged to Pilsen's programs including State-funded programs.

Pilsen's Financial Procedures Manual establishes policies for cell phone usage. The Financial Procedures Manual states that cell phones can only be used for agency business. All other calls will be reimbursed to the agency on a monthly basis. The Financial Procedures Manual, dated July 8, 2004, noted that only six cell phones have been authorized. However, Pilsen had 15 cell phones with three different providers: 9 phones with one provider, 5 phones with a second provider, and the Executive Director's cell phone was through a third provider. Pilsen officials stated that the Financial Procedures Manual will be updated in order to reflect the new number of cell phones. Exhibit 2-5 shows cell phone charges incurred by Pilsen from the three cell phone companies during fiscal years 2005 and 2006.

Exhibit 2-5
CELL PHONE CHARGES INCURRED
Fiscal Years 2005 – 2006

	Company A	Company B	Company C	Total
Total Phones	1 phone	9 phones	5 phones	15 phones
Cellular Phone Charges				
Fiscal Year 2005 Charges	$8,383	--	$2,742	$11,125
Fiscal Year 2006 Charges	$3,687	$6,402	$3,549	$13,638
Total Charges	$12,070	$6,402	$6,291	$24,763
Amount Reimbursed by Exec. Director	($845)	--	--	($845)
Adjusted Total Charges	**$11,225**	**$6,402**	**$6,291**	**$23,918**

Sources: OAG analysis of Pilsen cellular phone charges.

During expenditure testing, we sampled five expenditures involving cell phone charges:

- **Company A** – Two of the expenditures were for a company with which Pilsen had only one cell phone – the Executive Director's cell phone. For these two expenditures, there were $2,356 in roaming charges for one billing period, and $711 in roaming charges for the other billing period. For both expenditures, the roaming charges were incurred while the Executive Director was out of the country. For the first expenditure, the roaming charges were incurred over a 19-day period. Pilsen officials stated that during the period in question the Executive Director was on vacation leave in Mexico personally caring for his ailing father but remained in contact with Pilsen staff and was kept abreast of all important issues impacting the organization.

For the second expenditure, the roaming charges were incurred over a 6-day period. According to Pilsen officials the charges were incurred due to discussions with officials regarding a possible collaboration project involving the development of a training center for mental health professionals.

The total amount paid for the Executive Director's cell phone during the two-year period was $12,070. Pilsen officials stated that the Executive Director's phone bills are reviewed by his executive assistant on a monthly basis. Any personal calls are identified and those charges are reimbursed by the Executive Director. The Executive Director reimbursed Pilsen for $845 in cell phone charges over the two-year period.

- **Company B –** Two of the expenditures were for a company with which Pilsen has nine phones. For one of the expenditures, 5 of the 9 phones had no usage for the billing period, and 1 phone only used 24 minutes. Similarly, the other expenditure tested showed that 5 of the 9 phones had no usage for the billing period, and 1 of the phones only used 33 minutes. Each phone had a base monthly charge for the phone. This provider was used during one year of the audit period (FY06), and the total charges were $6,402.

- **Company C –** One of the expenditures was for a company with which Pilsen has five phones. Two of the five phones were listed on this expenditure. One of the phones had no minutes used for the billing period, and the other phone only had 26 minutes used for the billing period. The total charges for this provider during the audit period were $6,291.

CELL PHONE USAGE	
RECOMMENDATION NUMBER **11**	***Pilsen should examine its cell phone usage and packages to determine the optimal number of phones and the types of packages needed. Pilsen should also explore combining its cell phones with one provider to realize efficiencies and minimize charges.***
PILSEN RESPONSE	P-LVCMHC, Inc. Business Director has begun examination of cell phone usage rates and has identified packages that can be eliminated without incurring termination penalties. After completion of an informed internal assessment, phone carriers will be consolidated as needed and packages renegotiated to optimize savings and minimize charges. Of important note a number of cell phones are used for emergency and on-call purposes only and are a mandatory program component. Low minute totals reflect few emergency calls and/or minimal calls necessitating after hours contact by assigned program staff.

PROPERTY TAXES

During fiscal years 2005 – 2006, Pilsen paid over $30,000 in property taxes. Pilsen operates as a not-for-profit corporation and qualifies for an exemption from property taxes. Over $18,000 was charged primarily to State-funded programs either as a direct cost or through the cost allocation plan. Subsequent to paying the property taxes, Pilsen obtained tax exempt status for two properties. After the completion of our fieldwork, Pilsen received a refund in November 2007 for $16,661 of the property taxes paid. Our previous audit of Pilsen, released in August 1999, also found that Pilsen was paying property taxes for which it was not responsible. We previously recommended that Pilsen seek refunds of any monies inappropriately paid and repay the State any monies due.

Pilsen owns and operates a number of facilities in Chicago and the Chicago area. During fiscal years 2005 – 2006, Pilsen paid property taxes at three of the locations. Pilsen also paid property tax in Lee County for a lot donated to the organization. Exhibit 2-6 details the property taxes paid during fiscal years 2005 – 2006. In addition to paying property taxes, Pilsen has also incurred legal expenses related to the filing of exemptions.

Exhibit 2-6
PROPERTY TAXES PAID BY PILSEN
Fiscal Years 2005-2006

Facility	Facility Address	Property Taxes Paid in FY05	Property Taxes Paid in FY06	Total
Stone Park – Methadone Treatment Facility	1546 N. Mannheim Road Stone Park, IL	$12,201.70[1]	-	$12,201.70
TOYS Program	1407 S. 49th Court Cicero, IL	$5,308.47	$11,417.96[2]	$16,726.43
Donated Lot	2838 W. 21st St. Chicago, IL	$652.36	$723.08	$1,375.44
Woodhaven Lakes Lot	Sublet, IL	$16.48	$46.17	$62.65
	Total:	**$18,179.01**	**$12,187.21**	**$30,366.22**

Notes: [1]On November 23, 2007, Pilsen received a refund totaling $11,085.15 of the $12,201.70 in property taxes paid in fiscal year 2005.

[2]On November 28, 2007, Pilsen received a refund totaling $5,575.48 of the $11,417.96 in property taxes paid in fiscal year 2006.

Source: OAG summary of Pilsen property tax information.

Not-for-profit or 501(c)(3) corporations are not automatically exempt from paying property taxes. To qualify, the organization must be an exclusively beneficent and charitable organization and own the property that is used exclusively for charitable purposes. The organization must then apply for the exemption.

The Stone Park Facility was acquired by Pilsen on March 26, 2003. Pilsen paid $12,201.70 in property taxes in November 2004. The property taxes were charged directly to the

Stone Park program which was funded entirely by client payments in fiscal year 2005. However, an expense analysis showed that the Stone Park program operated at a deficit of $262,000 in fiscal year 2005. In February 2005, Pilsen made another property tax payment of $6,871.03 but received a credit for that payment in April 2005 after obtaining tax exempt status in March 2005. In December 2007, during the exit process to review the draft report, Pilsen provided additional information for this property. On November 23, 2007, Pilsen received a refund totaling $11,085.15 of the $12,201.70 in property taxes paid in fiscal year 2005.

The TOYS (Therapeutic Outpatient Youth and Family Services) program facility was acquired by Pilsen on April 22, 2004. Pilsen paid property taxes of $5,308.47 in fiscal year 2005 and $11,417.96 in property taxes in fiscal year 2006. Pilsen also paid a late penalty of $318.52 in fiscal year 2005 because the payment, due March 1, 2005, was not made until June 21, 2005. Property taxes were charged directly to the TOYS program which is a State-funded program. Despite repeated requests, Pilsen was unable to provide information on the status of the tax exempt application for this property. Finally, in December 2007, during the exit process to review the draft report, Pilsen provided additional information for this property. Information showed that tax exempt status was obtained in July 2006. On November 28, 2007, Pilsen received a refund totaling $5,575.48 of the $11,417.96 in property taxes paid in fiscal year 2006. Pilsen did not provide information on the status of refunds for the taxes paid in fiscal year 2005 or the remainder of taxes paid in fiscal year 2006.

The Woodhaven Lakes lot was donated to Pilsen by a former program participant. The property at 2838 W. 21st St. is also a donated lot. Pilsen officials stated that since the lot is not in active use, it is not eligible for tax exempt status.

Office of Management and Budget Circular A-122, Cost Principles for Nonprofit Organizations, allows payment of taxes by non-profit organizations except in cases where exemptions are available to the organization. Pilsen management was not timely in filing for their exemptions and ended up paying taxes for which they were not responsible.

PROPERTY TAXES	
RECOMMENDATION NUMBER **12**	***Pilsen should seek a refund of any property taxes inappropriately paid for and charged to State-funded programs and repay the State any monies due.***
PILSEN RESPONSE	An application for tax-exemption cannot be submitted until after closing on a Real Estate Property purchase. Processing and acceptance of such applications by involved government bodies may be completed well beyond the time period when property taxes are due. The process for securing tax-exempt status for all qualified P-LVCMHC, Inc. properties has been completed, specifically the Stone Park Methadone Treatment Facility and the TOYS Children Mental Health program in Cicero, Illinois. Applications for all remaining tax refunds involving the aforementioned properties have been submitted. The refunds remain pending with the Cook County Assessor's Office.

RELATED PARTY TRANSACTIONS

During our review at Pilsen, we noted related party transactions involving Pilsen and Pilsen's newest Board member. These related party transactions involved the leasing of property, the sale of property, and the purchase of property. Statements on Auditing Standards (SAS No. 45) define related parties to include:

> *"Affiliates of the enterprise…its management…and other parties with which the enterprise may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. Another party also is a related party if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests."*

Pilsen assumed control of the Latino Youth Alternative High School in July 2005. According to the October 27, 2005 Board meeting minutes, the Latino Youth building, located at 2200 S. Marshall, had been cited for a number of building code violations and needed to be vacated by December 17, 2005. Pilsen entered into a lease agreement on December 16, 2005, effective January 1, 2006, to move the school to a new location at 2001 S. California Ave. in Chicago.

At its January 26, 2006 Board meeting, Pilsen's Board of Directors nominated and named a new member. The new Board member was a 30 percent owner in the newly leased property at 2001 S. California. It was also noted in the Board meeting minutes that, prior to being named to the Board, the new Board member made a $125,000 donation to Pilsen when the original lease for the property at 2001 S. California was signed. When auditors requested documentation of the $125,000 donation, Pilsen officials stated that the donation was actually for $104,000 and provided copies of two checks totaling that amount. The checks were made out to Pilsen but were credited to accounts for the Latino Youth Alternative High School. Pilsen officials noted there must have been an error in the Board meeting minutes concerning the dollar amount of the donation.

Prior to becoming a Board member, the new Board member also offered to purchase the old Latino Youth building at 2200 S. Marshall for $1.15 million. The old Latino Youth building was sold on June 1, 2006 for $1.15 million. The new Board member signed the closing documents as the manager for the corporation that purchased the property. At the time of the sale, Pilsen had assumed control of the management of the Latino Youth Alternative High School.

On August 11, 2006, Pilsen's Board held an "emergency" meeting to consider the purchase of the newly leased property at 2001 S. California. The Board voted to purchase the property with the new Board member abstaining from the vote. Two weeks later, on August 25, 2006, the newly leased property at 2001 S. California was purchased for $6.4 million, not by Pilsen but by the Pilsen Little Village Community Management Organization. The Pilsen Little Village Community Management Organization was incorporated as a 501(c)(2) corporation on

August 24, 2006, one day prior to purchasing the property. Pilsen officials stated that the new organization (Pilsen Little Village Community Management Organization) was formed because if Pilsen would have purchased the property it could have affected Pilsen's status as a 501(c)(3) corporation.

Although a separate organization was created to purchase the property, the purchase is still a related party transaction. The new organization has a separate Board of Directors but the Executive Director of the new organization is also the Executive Director at Pilsen. The Executive Director signed the closing documents for the new organization when the property at 2001 S. California was purchased. In addition, the address for the new organization is listed as 2319 S. Damen Avenue, which is the address for the administrative offices for Pilsen. The Articles of Incorporation of the new organization also state that, upon dissolution, all assets shall be distributed to Pilsen.

In the Purchase and Sale Agreement, the new Board member was listed as the Seller's Representative. In addition, the Pilsen Little Village Community Management Organization entered into a junior mortgage agreement for $550,000 with an agent whose address was listed in care of the new Board member. The Executive Director at Pilsen signed this mortgage agreement on behalf of the Pilsen Little Village Community Management Organization. This mortgage was in addition to the primary financing for the purchase which was with a separate entity for $5.85 million. Exhibit 2-7 shows the timeline for the related party transactions.

Pilsen's Board meeting minutes did disclose the relationship between the new Board member and the company that owned the property purchased. In addition, during the mortgage financing process, the property at 2001 S. California was appraised at $6.4 million which equaled the purchase amount. However, Statement of Financial Accounting Standards No. 57 states that financial statements should include disclosures of material related party transactions. The disclosures should include the nature of the relationship along with a description and dollar amount of the transaction. The fiscal year 2006 Financial Statements did not disclose related party information regarding the lease agreement for the building at 2001 S. California or for the sale of the old Latino Youth building at 2200 S. Marshall, both of which occurred in fiscal year 2006. The purchase of the property at 2001 S. California occurred in fiscal year 2007.

Exhibit 2-7
TIMELINE OF RELATED PARTY TRANSACTIONS

Date	Description
July 2005	Pilsen assumes control of Latino Youth Alternative High School (LYAHS).
October 27, 2005	Board meeting minutes indicate that LYAHS building, located at 2200 S. Marshall, has been cited for a number of building code violations and needs to be vacated by December 17, 2005.
December 16, 2005	Pilsen enters into a lease agreement to move LYAHS to a new location at 2001 S. California.
January 2006	LYAHS moves to newly leased location at 2001 S. California.
January 26, 2006	Pilsen Board nominates and approves a new Board member.
May 4, 2006	Board meeting minutes state that the new Board member, prior to becoming a Board member, offered to purchase old LYAHS building at 2200 S. Marshall for $1.15 million.
June 1, 2006	Old LYAHS building sold for $1.15 million. New Board member signs closing document as manager for corporation that purchased the building.
June 22, 2006	Board meeting minutes indicate that Board discusses purchasing newly leased property at 2001 S. California and disclose that new Board member is a 30 percent owner of the property.
August 11, 2006	Board holds "emergency" meeting to consider purchase of leased property at 2001 S. California. Minutes disclose that new Board member made a $125,000 donation (the amount Pilsen could document actually totaled $104,000) to Pilsen when original lease was signed. Board authorizes purchase with new Board member abstaining from vote.
August 24, 2006	New organization, the Pilsen Little Village Community Management Organization, is formed. The Executive Director at Pilsen is also the Executive Director for the new organization.
August 25, 2006	The Pilsen Little Village Community Management Organization purchases leased property at 2001 S. California for $6.4 million. New Board member is listed in the Purchase and Sale Agreement as the Seller's Representative. The Executive Director at Pilsen signs the closing agreement on behalf of the Pilsen Little Village Community Management Organization.
August 30, 2006	The Pilsen Little Village Community Management Organization enters into a junior mortgage agreement for $550,000 with an agent whose address was listed in care of the new Board member. The Executive Director at Pilsen signs the mortgage agreement on behalf of the Pilsen Little Village Community Management Organization.

Source: OAG analysis of Board meeting minutes, lease documents, and closing documents.

RELATED PARTY TRANSACTIONS	
RECOMMENDATION NUMBER 13	***Pilsen management and Board of Directors should assess the nature of its transactions with its Board members and determine whether such transactions should be disclosed as related party transactions in its audit report, pursuant to professional accounting standards.***
PILSEN RESPONSE **Pilsen Response Continued on Next Page**	P-LVCMHC, Inc. respectfully disagrees with recommendation 13 and related comments noted on pages 2 and 22 of the OAG report. AICPA SOP 94-6 discusses the matter of control in the matter of not-for-profit entities. Pursuant to the guidance provided for in SOP 94-6, specifically relating to the matter of control of not-for-profit organization, it was our judgment that disclosure as a related party transaction was not necessary given the facts and circumstances. The Auditor General's report clearly indicated it was P-LVCMHC that entered into leases with the building located at 2001 South California Avenue. This is in error. Latino Youth Inc., a separate legal entity with its own Board of Directors, entered into the original leases. ***(See Auditor Comment #2)*** The new P-LVCMHC board member cited by the OAG report purchased the old Latino Youth High School Building directly from Latino Youth, Inc. in June 2006. No influence was exerted by the P-LVCMHC or its executive director in the sale of the old Latino Youth building to the purchaser who is a successful and experienced real estate investor. ***(See Auditor Comment #3)*** In August 2006, after the fiscal year in question of June 30, 2006, the Pilsen Little Village Community Management Organization, a distinct legal entity not under the control of Pilsen Little Village Community Mental Health Center, purchased the building at 2001 S. California Avenue. The Pilsen Little Village Community Management Organization (P-LVCMO) subsequently rented a portion of the building to Latino Youth, Inc. a separate and distinct entity from P-LVCMHC, Inc. It is our judgment that no disclosure was necessary for the transactions in question during the fiscal year ended June 30, 2006, as there were three boards of directors in place, one for each of the distinct legal entities. ***(See Auditor Comment #4)*** While it is true that the Executive Director was the same for all three entities, each board was independent and could exert control over any of the transactions in question by the OAG report. We relied on SOP 94-6 and the material fact that the purchase of 2001 South California occurred after June 30, 2006. ***(See Auditor Comment #5)*** In fact, as this report indicated, the purchase was completed on August 24, 2006. ***(See Auditor Comment #6)*** Prior to finalizing our June 30, 2007 financial statements, our auditor advised us of the necessity to disclose, and we did disclose, the purchase of the 2001 S. California building by the Pilsen Little Village Management Organization. This was disclosed in our June 30 2007 financial statements because the purchase took place during fiscal year

Pilsen Response (continued)	2007 and on December 1, 2006, P-LVCMHC directly took over various contracts, which were previously contracted with Latino Youth, Inc. ***(See Auditor Comment #7)*** In essence during the fiscal year ended June 30, 2007, P-LVCMHC ended up paying the Pilsen Little Village Community Management Organization rent on the building that was formerly owned by a Limited Liability Company in which a P-LVCMHC board member had a 30 percent interest. Both these events occurred during fiscal year ending June 30, 2007 which was, in our judgment, required to be disclosed, and was disclosed in the June 30, 2007 audited financial statements. ***(See Auditor Comment #8)***
	AUDITOR COMMENTS: *#2: Contrary to Pilsen's assertion, the report is* ***not*** *in error. The December 16, 2005 lease agreement for the property at 2001 S. California, lists the tenant as "Pilsen-Little Village Community Mental Health Center, Inc." and not Latino Youth, Inc. Pilsen's Executive Director signed the lease agreement as the tenant and Pilsen made the lease payments. Relevant pages from the lease agreement are attached to these Auditor Comments in Appendix E (see pages 115-118).* *#3: Financial Accounting Standards (FAS) No. 57 does not require influence to have actually been exerted to result in a related party transaction that is required to be disclosed; rather, FAS No. 57 requires disclosure if significant influence "can" be exerted. Likewise, the audit does not conclude that significant influence was exerted. What the audit does conclude, however, is that relationships existed where influence could be exerted. As Pilsen notes in its response, Pilsen's Executive Director was also the Executive Director of the other two entities. Also, a Pilsen Board member had an ownership interest and was involved in the real estate transactions. Furthermore, at the time of the sale in June 2006, Pilsen had assumed control of the management of the Latino Youth Alternative High School.* *#4: On June 30, 2006, there would not have been a board of directors in place for the Pilsen Little Village Community Management Organization as that organization was not formed until August 24, 2006.* *#5: AICPA Statement of Position 94-6 deals specifically with disclosure of certain significant risks and uncertainties including significant estimates and material concentrations known to management. Related party transactions are a separate disclosure. FAS No. 57 and SAS No. 45 define related parties as a party that "…can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other…" FAS No. 57 requires that financial statements include disclosures of material related party transactions.*

	AUDITOR COMMENTS: (Continued) *#6: While the purchase of the property at 2001 S. California occurred during fiscal year 2007, two other transactions, the leasing of the property at 2001 S. California and the sale of the old Latino Youth building at 2200 S. Marshall, occurred during fiscal year 2006.* *#7: Pilsen's audit of its June 30, 2007 year end financial statements was not completed at the conclusion of our fieldwork, and if it has been subsequently completed, a copy has not been provided to the auditors.* *#8: We find it inconsistent that Pilsen concluded that a related party disclosure needed to be made in its fiscal year 2007 audited financial statements but not its 2006 statements. In citing the need for the disclosure in fiscal year 2007, Pilsen notes that they were making rental payments to the Pilsen-Little Village Community Management Organization for a building formerly owned by a Limited Liability Company in which a Pilsen Board member had a 30 percent interest. However, in 2006 a similar situation existed where Pilsen made lease payments <u>directly</u> to a Limited Liability Corporation in which a Pilsen Board member had a 30 percent interest.*

CORPORATE CREDIT CARD AND OTHER FEES

Pilsen's Financial Procedures Manual specifies that only the Executive Director is entitled to use a corporate credit card. This card is only to be used for legitimate business purposes of the agency such as: travel, meals, auto rental, lodging, etc. The Financial Procedures Manual further specifies that charges of $50.00 or more shall be documented by original receipt.

In our sample review of the agency's expenditures, we reviewed nine expenditures for the corporate credit card. These nine credit card statements contained 42 purchases of $50 or more that required a receipt. Of these 42 purchases, 15 (36%) did not have the required receipts. For example, one expense for $374.84 at a local restaurant lacked a receipt. Another expense for $496.67 for an airline ticket also lacked a receipt.

Receipts that were submitted often lacked detail to be able to determine exactly what was purchased, the purpose of the meal, or who attended. For example, many of the purchases were at restaurants or other food establishments. Often the receipt would show only the total amount and not an itemized listing of the meals or food purchased. Because of this, we were unable to determine the legitimacy of these purchases.

We also noted, based on the receipts, that persons other than the Executive Director used the credit card. In some instances, the name on the receipt was the Executive Director's assistant while in other instances, the name was an unknown third party. As stated previously, the Financial Procedures Manual specifies that only the Executive Director is entitled to use a corporate credit card.

Early Credit Card Payment

One control in place, established in the Financial Procedures Manual, is that increases in credit limit can only be approved by Pilsen's Board President. While reviewing expenditures, we noted that the credit limit for the corporate credit card increased from $1,000 to $2,000 and again to $3,500. Board meeting minutes for that time period did not indicate that increases were approved during Board meetings.

Further, on two occasions, payments were made on the credit card prior to receipt of the credit card bill. Pilsen officials stated that early payment was made to avoid paying over-limit fees. However, early payment circumvents the credit limit control established in the Financial Procedure Manual.

Finance Charges, Late Fees, and Over Limit Fees

In our sample review of the agency's expenditures, we reviewed 14 expenditures that contained $1,383 in finance charges, late fees, or over limit fees. These fees were for expenditures that included credit card payments, telephone charges, property tax payments, loan payments, and lease payments. The majority of these fees were charged to unallocated accounts and not directly to a program. Of the $1,383 in fees, $35.23 was charged to State-funded programs and $317.77 was charged to the Latino Youth High School.

CORPORATE CREDIT CARD AND OTHER FEES	
RECOMMENDATION NUMBER **14**	***Pilsen should take the following actions:*** • ***Pilsen should ensure that the use of the corporate credit card complies with Pilsen's Financial Procedures Manual. The purpose of the credit card purchases should be clearly documented on the receipts or other supporting documentation. Pilsen should also ensure that only the Executive Director uses the corporate credit card.*** • ***Pilsen should ensure that increases in the credit limit for the corporate credit card be approved by the Board President as required in the Financial Procedures Manual. Furthermore, approved credit limits should not be circumvented by making early credit card payments.*** • ***Pilsen should ensure that expenditures are paid promptly to avoid paying finance charges and late fees and also ensure that any fees incurred are not charged to State-funded programs.***
PILSEN RESPONSE **Pilsen Response Continued on Next Page**	With regard to the Executive Assistant's name on some receipts for food purchases, this individual served as the point of contact for restaurant vendor delivery persons. The Financial Procedures Manual will specify any designees, in addition to the Executive Director, permitted to use the corporate credit card for the express purpose of receiving and paying for food purchase

Pilsen Response (continued)	deliveries. The Executive Director's Executive Assistant will also gather detailed credit card receipts in addition to signature receipts and will properly record purchase purposes. This individual will also include and attach any related information and/or supporting documentation. The Quality Assurance Department shall perform random semi-annual reviews of credit card purchases, receipts, and supporting documentation. Any discrepancies found during these reviews will be documented and presented to the Executive Director for action. In keeping with the P-LVCMHC, Inc. Financial Procedures Manual, the Board President approval for credit line increases will be secured prior to acceptance of credit card issuer initiated limit increases. The Accounting Department will continue to make every effort to process payments quickly, which includes the review of fiscal procedures to improve operational efficiencies. The fiscal department will charge any possible resulting penalties to unallocated administration accounts.

OUT-OF-STATE TRAVEL

We reviewed 17 expenditures, totaling $9,613, that involved out-of-state travel. These included travel to Mexico, California, Florida, Georgia, Arizona, and Washington, DC. Travel expenses included airfare, hotel, and per diem. Nine of the expenditures were charged to State-funded programs while seven expenditures were charged to unallocated accounts. For the remaining expenditure, at least part of the amount was charged to State-funded programs but it was unclear how the entire amount was charged. We noted the following concerns:

- Two of the expenditures totaling $1,068, lacked supporting documentation. One was airfare for a trip to Mexico and had no supporting documentation other than the check request form. The other expenditure was a hotel stay for a conference in Orlando. The hotel was prepaid but lacked a receipt from the actual stay.
- For two expenditures, the check request form noted that Pilsen was to be reimbursed for the expense, however, in both cases, the reimbursement did not occur. The amounts to be reimbursed totaled $1,187.
    - One expenditure was for airfare to Mexico for the 2004 Bi-National Health Week Conference. A note on the check request stated that the Mexican Consulate was to reimburse Pilsen for $300 of the total cost of $396. Pilsen was unable to provide documentation that this amount was reimbursed. The expenditure was charged to an administration account that is **allocated to all Pilsen programs,** including those funded by the State. Similar travel costs associated with the Bi-National Health Week Conference were charged to unallocated accounts. We question how this expenditure, which was to be reimbursed by the Mexican Consulate, relates to State-funded programs.

  - The second expenditure was for airfare to Mexico for four individuals. Two of the individuals were not employees at Pilsen. A note on the check request stated that the two non-employees would reimburse Pilsen. However, Pilsen responded that the reimbursement did not occur. The cost of the airfare for the two individuals totaled $791. The expenditure was billed to an unallocated account that is not allocated to State-funded programs.

- For two expenditures, there was a conflicting issue involving the accounts charged. The two expenditures involved a trip to Washington, DC. One expenditure was for airfare for the Executive Director and a Pilsen employee. The other expenditure was the hotel stay for the trip. The airfare was charged to an administration account that is allocated to all Pilsen programs while the other was charged to an unallocated account. The expenditures should have been consistently classified.

Pilsen's Financial Procedures Manual states that all travel in excess of 250 miles out-of-state must be approved in advance by a regulatory agency in writing, prior to making travel arrangements. The expenditure files contained no evidence of such approval for any of the expenditures in our sample.

OUT-OF-STATE TRAVEL	
RECOMMENDATION NUMBER **15**	***Pilsen should ensure that travel expenditures are properly documented, charged to the correct detailed object code, and approved in advance by the funding agency if in excess of 250 miles out-of-state. Pilsen should also implement controls to ensure that owed reimbursements are timely obtained.***
PILSEN RESPONSE	P-LVCMHC, Inc. stresses that all out-of-state travel costs were for agency-related and/or program-related activities. P-LVCMHC, Inc. will consistently document purpose of travel, related activities, and make appropriate allocations. Further, agency staff will secure funding source approvals for travel destinations in excess of 250 miles out-of-state. Lastly, the P-LVCMHC, Inc. Accounting Department will implement new procedures to track all expenditures requiring reimbursement from individuals at the time the check is issued. The fiscal department will perform monthly reviews of pending reimbursements to ensure funds are recouped on a timely and consistent basis.

TUITION REIMBURSEMENT

Pilsen lacks a tuition reimbursement policy that could outline the procedures and conditions for having tuition reimbursed. Pilsen officials stated that tuition reimbursement is evaluated on a case-by-case basis.

In our review of the agency's expenditures, we reviewed three expenditures that involved reimbursement of tuition for Pilsen employees. Two of the expenditures sampled, totaling $4,900, were for tuition payments for the Executive Director's doctoral degree program. At an April 28, 2005 Board meeting, Pilsen's Board President indicated that the Executive Director was interested in pursuing his doctorate degree and suggested the Board consider paying for the tuition. A motion was made and the Board approved paying for the education expenses. Four days later, Pilsen paid the first installment of the tuition costs. Tuition payments were made directly to the school. Expenditure files did not contain documentation verifying actual attendance or successful completion of the courses taken. The expenditures were billed to Unallocated Administration, which is not allocated to State-funded programs.

For the other expenditure, which totaled $999, an employee at Pilsen registered to take a pharmacy tech course. According to Pilsen officials, the course involved pharmacy technical training for the Medication Coordinator position. Pilsen's job description for this position lists successful completion of a "Pharmacy Technician" course as a qualification requirement. Tuition for this employee was paid directly to the school. Pilsen provided a certificate of completion showing this employee completed the course.

This expenditure was charged directly to the Pilsen Inn Residential Program. The job description for the Medication Coordinator position, however, states that the work will be conducted out of the Administration Building and deals with medication utilized throughout any applicable program at Pilsen. In fiscal year 2005, the Pilsen Inn Residential Program was paid for almost entirely by State funds with a small amount of client payments. Also, the expenditure was billed to a Conferences and Meetings account because tuition payments did not have a specific billing code.

TUITION REIMBURSEMENT	
RECOMMENDATION NUMBER **16**	***Pilsen should develop a tuition reimbursement policy that specifies the conditions for having tuition reimbursed and the documentation required to verify the course was completed. Pilsen should also ensure that tuition is billed to the proper programs.***
PILSEN RESPONSE	P-LVCMHC, Inc. will develop a tuition reimbursement policy, which will specify tuition reimbursement conditions as well as documentation requirements verifying successful course completion. P-LVCMHC, Inc. will also ensure allowable tuition costs are billed to appropriate program accounts.

GRATUITIES AND SALES TAX

Pilsen paid gratuities that were charged to State-funded programs. Administrative rules for the Department of Human Services (89 Ill. Adm. Code 509.20(b)(19)) specifically prohibit gratuities as a reimbursable expense unless prior written authorization is received. Office of Management and Budget Circular A-122, Cost Principles for Nonprofit Organizations, also states that gratuities are unallowable.

In our review of the agency's expenditures, we reviewed 13 expenditure files that involved the payment of gratuities. Within these expenditures there were 36 instances, totaling $581.04, where gratuities were paid by Pilsen. These gratuities were all for food and beverage purchases. Four purchases included gratuities totaling $363.34 that were charged directly to State-funded programs. There were also 11 purchases totaling $78.40 in gratuities charged to an administration account that is allocated to all programs. The remaining $139.30 in gratuities were charged to an unallocated account.

Gratuities paid from our sample of expenditures were likely even higher as expenditure files often were missing receipts or lacked detail to determine if gratuities were paid. In 9 of 13 expenditure files reviewed (69%), receipts were either missing or lacked detail.

Also, in the expenditure files reviewed, we noted instances where Pilsen paid sales tax. As a result of their nonprofit status, Pilsen qualifies for sales tax exemptions. Pilsen stated that accounting staff will develop a policy to be included in its Financial Procedures Manual to address the sales tax issue when making purchases from vendors who do not accept Pilsen's tax exemption letter or for recouping sales tax when the tax exemption letter is not available at the time of purchase.

GRATUITIES AND SALES TAX	
RECOMMENDATION NUMBER 17	***Pilsen should ensure that gratuities are not charged to State-funded programs. Pilsen should also not pay sales tax that it is not required to pay due to sales tax exemptions.***
PILSEN RESPONSE	Effective immediately, P-LVCMHC, Inc. will allocate all gratuities to unallocated administration accounts. We will also remind all employees to consistently use the agency's sales tax exemption letter when making purchases for P-LVCMHC, Inc.

WRITTEN AGREEMENTS FOR CONSULTING WORK

Pilsen utilizes consultants or outside contractors to perform a number of functions. In our review of agency expenditures, we noted four expenditures totaling $7,463 for consultants that either lacked written agreements or the agreement lacked detail for the work to be performed.

In three expenditures, there was no written agreement outlining the work to be performed or delineating the payment terms:

- The first expenditure for $1,250 was for consulting services in connection with transition strategies in acquiring Latino Youth, Inc. The supporting documentation for this expenditure was a memorandum written by a Pilsen employee after the work had been performed that stated the hours worked by the vendor (25 hours) and the rate ($50) per hour.
- The second expenditure for $2,400 was for consulting services regarding the evaluation of a special project funded through the Chicago Department of Public Health (CDPH).

Payment documentation showed the vendor being paid $40 per hour for 60 hours of work. The majority of the work was described as data entry. Pilsen officials stated that the vendor was contracted by CDPH to carryout the mandatory reporting requirements, and, that as a subcontractor, a portion of Pilsen's grant award was set aside for this obligatory professional evaluation. However, Pilsen was unable to provide any agreement that delineated these services provided by the vendor.

- The third expenditure for $1,313 was for consulting services regarding focus groups for a special project. The only documentation was an invoice submitted after the work had been performed which showed the vendor was paid $75 per hour for 17.5 hours of work.

A fourth expenditure had a consulting contract but the agreement lacked detail for the work to be performed. The one-page contract specified payments of $2,500 per month for a one year period. The agreement stated that the vendor was "…to provide public relations and consulting services for Pilsen Little Village Community Mental Health Center and its various entities." The agreement contained no further detail on the services to be provided.

When asked about the nature of the services provided for the June 2006 payment of $2,500, Pilsen officials responded that the vendor provided public relation services for the grand opening of a new facility that houses its CILA and Intensive Case Management Programs. Services included collaboration assistance with regard to the invited speakers list and subsequent attendance, press releases, invitations, media advisories, agenda reviews as well as coordinating catering services provided during the Grand Opening event. Pilsen, however, did not provide any documentation for the work performed. In addition, while Pilsen officials specified that the work performed involved the CILA and Intensive Case Management Programs, the expenditure was not charged to these programs. Instead, it was charged to an allocated administration account (40%), an unallocated administration account (40%), and two DUI programs (20%). Also, the grand opening was on August 29, 2006 while this payment was for services in June 2006.

WRITTEN AGREEMENTS FOR CONSULTING WORK	
RECOMMENDATION NUMBER 18	***Pilsen should ensure that written agreements are in place prior to the consulting work being performed. The agreements should specifically outline the services to be performed and the payment terms for those services. Pilsen should also obtain documentation for the work performed.***
PILSEN RESPONSE	P-LVCMHC, Inc. will secure written agreements prior to the onset of consulting work. The agreements will provide sufficient detail regarding performed tasks and reimbursement terms. Further, documentation outlining work results will be required for support of expenditure.

OTHER ISSUES

In our review of the agency's expenditures, we also noted other miscellaneous issues:

Check Issued Prior to Purchase

Pilsen issued an advanced check for $5,000 for the purchase of building materials and supplies. The check request was not accompanied with an estimate of the items to be purchased. The check was issued and used to purchase building materials in the amount of $2,834.81. To make up the remaining amount, the vendor issued two gift cards totaling $2,165.19. According to a memo from the accounting staff, the gift cards were in the possession of three different individuals at Pilsen. When the gift cards were later used, a discrepancy of $479.80 existed between the amount that should have been on the cards and the actual balance on the cards. It was later determined by Pilsen that items were purchased, but the original receipts could not be located. The vendor faxed copies of the receipts in question. The receipts showed the purchase of two nail guns.

In addition to the nail guns, a table saw was also among the items purchased. The items were inappropriately charged to 'Construction in Progress' instead of an equipment account. During asset testing, two of the three items were located, but one of the nail guns could not be accounted for.

Maintenance Work Issues

In our review of the agency's expenditures, we reviewed five expenditures that involved hiring outside individuals to perform maintenance work. Three of the expenditures reviewed involved two projects performed by the same individual. These two projects had signed agreements that detailed the work to be performed and the payment terms for the projects. Both projects were completed during the same time frame. The first project agreement, dated Thursday, April 14, 2005, specified that the work would be completed within 15 days. Payment terms were 50 percent of the total paid at the beginning, 25 percent in the middle, and the remaining 25 percent upon completion. Pilsen, however, paid 50 percent of the amount on April 14 and the remainder was paid four days later on April 18.

The second project agreement, dated Friday, April 15, 2005, also specified that the work would be completed within 15 days. Payment terms were the same as the previous agreement. For this project, Pilsen paid the entire amount on April 18. The amount paid to the individual for the two projects was for labor only and totaled $2,950. Pilsen officials stated that tasks were completed before issuing final payment. We questioned how one individual could complete both projects concurrently in a four-day time frame when both agreements specified the projects would take 15 days to complete.

Pilsen employs a full-time maintenance worker. Auditors also questioned why this employee did not perform the work. Pilsen officials responded that the maintenance staff have the task of the repairs associated with the upkeep of nine buildings and on occasion the maintenance team needs additional help in completing needed repairs.

A review of 1099's from 2004 and 2005 for the three individuals in our expenditure sample showed that they were paid $169,577 during those two years. The bulk of that amount was for one individual who was paid $83,900 during 2004 and $31,525 during 2005.

FOLLOW UP ON AUDIT FINDINGS

Pilsen received 76 percent of its funding from the State during fiscal years 2004 – 2006, primarily from the Department of Human Services. Pilsen also received funding from the Department of Public Health, the Illinois State Board of Education, and the Department of Healthcare and Family Services.

While agencies have conducted reviews of Pilsen activities, none of the agencies have conducted a detailed review of expenditures, as we were directed pursuant to House Resolution Number 1146. Given the deficiencies outlined in this report, the State agencies that provided funding to Pilsen should follow-up on the findings and seek recovery of any inappropriately expended State funds.

Deficit Programs

Some of the programs at Pilsen operated at a deficit; they incurred more expenses than the revenue received to operate the programs. As a result, the programs with a surplus, including State-funded programs, supported these deficit programs. The most profitable programs, such as the Pilsen Inn, were primarily State-funded programs. Overall, Pilsen operated at a deficit of $33,229 in fiscal year 2005. An expense analysis, provided by Pilsen, showed that expenses were charged to 22 cost centers. Of these 22, 9 operated with a surplus while 13 operated at a deficit. For example, the largest deficit was incurred at the Stone Park Methadone facility which operated at a deficit of $262,000. In fiscal year 2005, the Stone Park Methadone facility was funded entirely by client payments, so other funds were used to support this program.

In fiscal year 2006, Pilsen operated at a deficit of $2,747. An expense analysis showed expenses were charged to 32 cost centers. Of these 32, 12 operated with a surplus while 20 operated at a deficit. Again using the Stone Park Methadone facility as an example, the facility operated at a deficit of $77,000. In fiscal year 2006, the facility was supported by both State funds and client fees, but again funding was not sufficient to cover costs and other funds were used to support this program. For programs operating at a deficit, the source of funds used to cover the deficit is unclear.

Pilsen's Board, on at least two occasions, discussed that the Mental Health Division is supporting the Substance Abuse Division. One Board member stated that Pilsen needs to reevaluate its programs and if a program is running a 20 – 30 percent deficit over a three-year period then perhaps it needs modified or cut. Board members have also discussed cash flow issues, managing mortgage payments, and, at one point, it was noted that Pilsen had a zero balance on its line of credit.

Pilsen's fiscal year 2006 financial statements showed notes payable of $2.9 million. In addition, in August 2006, Pilsen borrowed $5.85 million to purchase property at 2001 S.

California for the Latino Youth Alternative High School. A DHS review of Pilsen's 2004 financial statements noted that Pilsen had a fund balance deficit, which is indicative of potential difficulties in meeting long-term obligations. The fund balance deficit was $1,091,494 which had worsened from the previous year's deficit of $770,414. Similarly, a DHS review of Pilsen's 2005 financial statements noted that Pilsen's fund balance deficit was $1,213,980, which had worsened from the previous year's deficit of $1,091,494.

The increase in the number of programs operated by Pilsen has had other consequences for the agency. The independent audit of fiscal year 2006 financial statements contained four findings. Each of the four findings indicated that the cause of the finding was because Pilsen took over the management of another tax exempt organization and added additional programs without a corresponding increase in qualified accounting personnel.

FOLLOW UP BY STATE AGENCIES	
RECOMMENDATION NUMBER **19**	***The Departments of Human Services (DHS), Public Health, and Healthcare and Family Services, as well as the Illinois State Board of Education, should follow up on the questionable expenditures reported in this audit and seek recovery of any inappropriately expended State funds.*** ***DHS should also assess Pilsen's practice of supporting deficit programs with funding intended for other programs.***
AGENCY RESPONSES	**Department of Human Services** Agree. The DHS will follow up on questionable expenditures identified in the audit and will take appropriate action to resolve these expenditures. DHS will also discuss the deficit spending issue cited in the report with Pilsen where deficit spending affects our grants. DHS also requires Pilsen to submit annual independent audit reports (A-133 Audits) and performs a desk review and analysis of the information contained in the report. DHS is currently working with Pilsen to obtain corrective action plans for the most recently submitted report. The DHS Divisions that fund Pilsen through grants will work with the DHS Office of Contract Administration to verify that recovery action has not been previously taken through their A-133 reviews or Grant Report. **Department of Public Health** With respect to DPH's response to Recommendation #19, as specifically stated in our agency's response to Recommendation #1, the department has already sent certified letters to Pilsen Little Village Mental Health Center to recover the unexpended funds from two separate grants provided to this grantee. **Department of Healthcare and Family Services** As stated in the audit, the Department of Healthcare and Family Services (HFS) reimbursed Pilsen for a minimal amount of medical services. These were for fee-for-service community mental health services, with no additional grant or contractual payments. As an enrolled provider, these were payments reimbursed on a fee-for-service basis in accordance with an established fee schedule. HFS payments to Pilsen have no relation to the questionable expenditures documented in the draft report. Thus, there would be no opportunity, or need, for recovery based on the issues raised in the audit. Pilsen is, and will continue to be, subject to service documentation requirements established for all providers. **Illinois State Board of Education** ISBE will review the questionable expenditures reported in the audit in comparison to expenditures reported by the grantee to determine what follow-up is appropriate.

APPENDICES

APPENDIX A

House Resolution Number 1146

STATE OF ILLINOIS
NINETY-FOURTH GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES

House Resolution No. 1146

Offered by Representative Edward J. Acevedo

***WHEREAS**, The Department of Human Services provides funds to private organizations and facilities, including Pilsen-Little Village Community Mental Health Center, Inc., located at 2319 South Damen in Chicago, to provide mental health services to Illinois residents; and*

***WHEREAS**, Pilsen-Little Village Community Mental Health Center, Inc., was the subject of an audit by the Auditor General in 1998-1999 to determine whether State funds received by the Center had been spent according to applicable State laws, regulations, contracts, and grants; and*

***WHEREAS**, The 1998-1999 audit identified findings that ranged from a lack of supporting documentation, to non-compliance, to unauthorized use of grant funds; the pervasiveness of problems raised the possibility that there might be additional areas of non-compliance; and*

***WHEREAS**, Based on current complaints, the Center may be engaging in conduct or practices similar to those that led to the prior audit; therefore, be it*

***RESOLVED, BY THE HOUSE OF REPRESENTATIVES OF THE NINETY-FOURTH GENERAL ASSEMBLY OF THE STATE OF ILLINOIS**, that the Auditor General is directed to conduct an audit of Pilsen-Little Village Community Mental Health Center, Inc., to determine whether funds received by the Center have been spent according to applicable State laws, regulations, contracts, and grants; and be it further*

***RESOLVED**, That the Auditor General is specifically authorized to review and publicly report on any books, records, revenues, expenditures, policies and procedures, and other relevant aspects of entities administering services for people with mental illness which are funded in whole or in part by State funds, and such entities, as well as any State or other entities that may have information relevant to the audit, are directed to cooperate fully and promptly with the Office of the Auditor General in the conduct of the audit; and be it further*

***RESOLVED**, That the Auditor General commence this audit as soon as possible and report his findings and recommendations upon completion in accordance with the provisions of the Illinois State Auditing Act; and be it further*

***RESOLVED**, That a copy of this resolution be delivered to the Auditor General.*

Adopted by the House of Representatives on May 4, 2006.

Michael J. Madigan

Michael J. Madigan, Speaker of the House

Mark Mahoney

Mark Mahoney, Clerk of the House

APPENDIX B

Audit Methodology

Appendix B

AUDIT METHODOLOGY

This audit was conducted in accordance with generally accepted government auditing standards and the audit standards promulgated by the Office of the Auditor General at 74 Ill. Adm. Code 420.310.

The audit objectives for this audit were those as delineated in House Resolution Number 1146 (see Appendix A), which directed the Auditor General to conduct an audit of Pilsen-Little Village Community Mental Health Center, Inc. The audit objectives are listed in the Introduction section of Chapter One. Fieldwork for this audit was conducted between March and July 2007.

In conducting the audit, we reviewed applicable State and federal statutes and rules. We reviewed compliance with those laws to the extent necessary to meet the audit's objectives. Any instances of non-compliance we identified are noted in this report.

We also reviewed management controls and assessed risk related to the audit's objectives. A risk assessment was conducted to identify areas that needed closer examination. Any significant weaknesses in those controls are included in this report.

We interviewed officials at Pilsen, the Department of Human Services, the Department of Public Health, and the State Board of Education. We examined all contract and grant agreements between Pilsen and the State for fiscal years 2004 through 2006. Funding provided to Pilsen, by the State for these three years totaled more than $14 million.

We reviewed a judgmental sample of 220 expenditures at Pilsen from fiscal years 2005 and 2006. Expenditures were selected from numerous programs at Pilsen as well as expenditures charged to administration. The total dollar amount tested was $577,532. Each expenditure file was examined to determine if there was proper documentation for the expenditure, if the invoice matched the check amount, if there were proper approvals for payment, if proper signatures were on the check, if the expenditure was charged to the correct detailed object in the general ledger, and if the expenditure was questionable.

We also reviewed a judgmental sample of 25 personnel files at Pilsen. Employees selected included a mixture of management, case managers, program coordinators, and other staff. For each employee we looked for evidence of performance evaluations, calculated the percent pay increase for each year for the last three years, determined if the salary in the personnel file matched payroll records, and if the employee met the qualifications for the position. In addition, we looked for evidence of background checks.

A judgmental sample of 65 inventory items was tested. Forty items were selected from the fiscal years 2004, 2005 and 2006 fixed asset documentation provided by Pilsen. All of these items were purchased with State funds. An additional 25 asset items were selected for reverse testing to determine if the assets had been tagged and accounted for properly. Inventory high risk areas include items with the characteristics of being small and portable, of high value, in high demand, and items in remote locations. We selected items for sampling that had the above criteria. We conducted our inventory testing at the majority of Pilsen's locations. Results from samples used in this audit have not been projected to the universe and should not be projected.

APPENDIX C

Summary of State Grants

<table>
<tr><th colspan="4">DHS Community Services Agreement</th></tr>
<tr><td>Funding Agency:</td><td colspan="3">Department of Human Services – Division of Mental Health</td></tr>
<tr><td>Description:</td><td colspan="3">Provides funding for Pilsen Division of Mental Health.</td></tr>
<tr><td></td><td><u>FY04</u></td><td><u>FY05</u></td><td><u>FY06</u></td></tr>
<tr><td rowspan="2">Amount:</td><td>$ 2,528,668</td><td>$ 3,135,010</td><td>$ 3,152,417</td></tr>
<tr><td colspan="3">*amounts are estimated payments from the original agreements.</td></tr>
<tr><td>Term:</td><td>7/1/03 – 6/30/04</td><td>7/1/04 – 6/30/05</td><td>7/1/05 – 6/30/06</td></tr>
<tr><td>Reimbursement Rates:</td><td colspan="3">▪ Grant payments are issued in monthly installments.
▪ Fee-for-Service payments are made on the basis of allowable costs incurred.</td></tr>
<tr><td>Pilsen Responsibilities:</td><td colspan="3">▪ Execute an Agency Plan to reflect the ongoing provision of programs and services.
▪ Service reporting shall be submitted monthly.</td></tr>
<tr><td>Performance Measurement:</td><td colspan="3">▪ Number of unduplicated clients served.
▪ Number of service units reported.
▪ Percentage of the following target population receiving services:
o Adults with serious mental illness.
o Children and adolescents with serious emotional disturbances.
o DMH mandated follow-up population.
▪ Percentage of Medicaid services billed.
▪ Percentage of Non-Medicaid services billed.
(Note: There were no performance measures in the FY04 MH agreement.)</td></tr>
</table>

<table>
<tr><th colspan="4">DHS Community Services Agreement</th></tr>
<tr><td>Funding Agency:</td><td colspan="3">Department of Human Services – Office of Alcoholism and Substance Abuse</td></tr>
<tr><td>Description:</td><td colspan="3">Provides funding for Pilsen Division of Substance Abuse.</td></tr>
<tr><td></td><td><u>FY04</u></td><td><u>FY05</u></td><td><u>FY06</u></td></tr>
<tr><td rowspan="2">Amount:</td><td>$ 974,650</td><td>$ 926,123</td><td>$ 1,162,960</td></tr>
<tr><td colspan="3">*amounts are estimated payments from the original agreements.</td></tr>
<tr><td>Term:</td><td>7/1/03 – 6/30/04</td><td>7/1/04 – 6/30/05</td><td>7/1/05 – 6/30/06</td></tr>
<tr><td>Reimbursement Rates:</td><td colspan="3">▪ Grant payments are issued in monthly installments.
▪ Fee-for-Service payments are made on the basis of allowable costs incurred.</td></tr>
<tr><td>Pilsen Responsibilities:</td><td colspan="3">▪ Report service data electronically on a monthly basis.
▪ Submit other reports as specified.</td></tr>
<tr><td>Performance Measurement:</td><td colspan="3">▪ Monthly reporting of DARTS data.
▪ 90% completion rate of closing records.
▪ Minimum of 175 treatment slots billed annually.
▪ Quarterly submission of Expenditure Reports.
(Note: There were no performance measures in the FY04 OASA agreement.)</td></tr>
</table>

DHS Community Services Agreement			
Funding Agency:	Department of Human Services – Office of Prevention		
Description:	Provides funding to Pilsen for addiction prevention programs.		
	FY04	**FY05**	**FY06**
Amount:	$ 54,500	$ 55,900	$ 55,054
	*amounts are estimated payments from the original agreements.		
Term:	7/1/03 – 6/30/04	7/1/04 – 6/30/05	7/1/05 – 6/30/06
Reimbursement Rates:	▪ Grant payments.		
Pilsen Responsibilities:	▪ Complete a work plan. ▪ Document use of funds by providing summary documentation of actual expenditures on a quarterly basis.		
Performance Measurement:	▪ Submit semi-annual and annual Evaluation Progress Reports.		

DHS Community Services Agreement			
Funding Agency:	Department of Human Services – Office of Family Health		
Description:	Provides funding to Pilsen for teen pregnancy prevention programs.		
	FY04	**FY05**	**FY06**
Amount:			$ 70,000
	*amounts are estimated payments from the original agreements.		
Term:			7/1/05 – 6/30/06
Reimbursement Rates:	▪ Grant payments.		
Pilsen Responsibilities:	▪ Complete a work plan. ▪ Document use of funds by providing summary documentation of actual expenditures on a quarterly basis.		
Performance Measurement:	None specified.		

<table>
<tr><th colspan="3">HIV/AIDS Education and Awareness Grant</th></tr>
<tr><td>Funding Agency:</td><td colspan="2">Department of Public Health</td></tr>
<tr><td>Description:</td><td colspan="2">A grant to provide HIV/AIDS education and awareness through outreach initiatives.</td></tr>
<tr><td>Amount:</td><td colspan="2">$ 10,000</td></tr>
<tr><td>Term:</td><td colspan="2">5/1/06 – 6/30/06</td></tr>
<tr><td>Reimbursement Rates:</td><td colspan="2">Grantee is paid in full upon execution of the agreement.</td></tr>
<tr><td>Pilsen Responsibilities:</td><td colspan="2">▪ Submit monthly narrative reports detailing program outcomes and expenditures within 15 days of the end of each month.
▪ Submit monthly numeric progress reports detailing program outcomes and expenditures within 15 days of the end of each month.
▪ Submit a final report detailing program outcomes and expenditures within 45 days of the end of the grant period.
▪ Submit itemized actual expenditures on the Reconciliation Certification Form detailing the vendor or payee, a description of the goods or services, and the amount claimed.</td></tr>
<tr><td rowspan="4">Performance Measurement:</td><td>▪ Outreach to all public high schools, alternative high schools, and community based organizations with information about available workshops.</td><td>➢ Measured through documentation of each individual contact and signed linkage agreements.</td></tr>
<tr><td>▪ Provide education and prevention workshops to 400 Latino men and women.</td><td>➢ Measured through sign-in sheets.</td></tr>
<tr><td>▪ Distribute 400 pieces of literature on HIV and STI's through workshops.</td><td>➢ Measured through sign-in sheets.</td></tr>
<tr><td>▪ Distribute 1,000 packets of preventative materials.</td><td>➢ Measured through the number of packets left over after the grant period.</td></tr>
</table>

Prostate Cancer Awareness Grant		
Funding Agency:	Department of Public Health	
Description:	A grant to conduct a prostate cancer awareness campaign targeting Hispanic males.	
	FY05	**FY06**
Amount:	$20,000	$ 10,000
Term:	2/1/05 – 6/30/05	3/15/06 – 6/30/06
Reimbursement Rates:	Grantee is paid in full upon execution of the agreement.	
Pilsen Responsibilities:	▪ Submit a written report detailing the campaign's activities by July 31, 2005.	▪ Submit monthly progress reports detailing the campaign's activities by July 31, 2006.
	▪ Submit itemized actual expenditures on the Reconciliation Certification Form detailing the vendor or payee, a description of the goods or services, and the amount claimed.	
Performance Measurement:	▪ Increase the awareness about prostate cancer by addressing no fewer than 400 male residents in the target areas.	▪ Increase the awareness about prostate cancer by addressing no fewer than 450 male residents in the target areas.
	▪ Provide counseling to 100 men over 40 years of age about the need to undergo evaluation and testing for early detection.	▪ Provide counseling to 150 men over 40 years of age about the need to undergo evaluation and testing for early detection.
	▪ Refer 100 men to medical clinics/hospitals and/or Department of Public Health facilities for physical exams/treatment.	▪ Refer 150 men to medical clinics/hospitals and/or Department of Public Health facilities for physical exams/treatment.

Breast and Cervical Cancer Education and Awareness Grant		
Funding Agency:	Department of Public Health	
Description:	A grant to provide breast and cervical cancer education and awareness, and breast and cervical cancer screenings and referrals for the targeted population.	
Amount:	$ 35,000	
Term:	3/1/05 – 6/30/05	
Reimbursement Rates:	Grantee is paid in full upon execution of the agreement.	
Pilsen Responsibilities:	▪ Submit monthly progress reports detailing program outcomes and expenditures within 15 days of the end of each month. ▪ Submit a final report detailing program outcomes and expenditures within 45 days of the end of the grant period.	
Performance Measurement:	▪ Increase the awareness about breast and cervical cancer by addressing no fewer than 600 female residents in the target areas.	➢ Distribute educational flyers/materials.
	▪ Provide counseling and pre-screening to 200 women regarding the need to undergo evaluation and testing.	➢ Provide counseling and pre-screening.
	▪ Provide physical evaluation including exam, pap test, and mammography as necessary.	➢ Provide examinations at two area hospitals.
	▪ Refer patients with abnormal tests for further diagnosis and treatment.	➢ Refer to Illinois Breast and Cervical Cancer Program.

Special Events Grant for Minority Health Month and National HIV Counseling and Testing Day	
Funding Agency:	Department of Public Health
Description:	A special events grant to aid in organizing and facilitating events to be held in conjunction with: ▪ Minority Health Month, April 2004; and ▪ National HIV Counseling and Testing Day, June 27, 2004.
Amount:	$ 5,000
Term:	3/3/04 – 6/30/04
Reimbursement Rates:	Grantee will be fully reimbursed upon the receipt of the final report and the submittal of the Reimbursement Certification Form.
Pilsen Responsibilities:	▪ Organize and facilitate special events in conjunction with Minority Health Month and National HIV Counseling and Testing Day. ▪ Ensure that all marketing and promotional items distributed state that the event is being sponsored by the Illinois Department of Public Health Center for Minority Health Services. ▪ Submit a final report detailing project weaknesses, strengths, barriers, accomplishments, and outcomes; dates, locations, total number of participants, and agenda of activities to include presenters no later than July 30, 2004. ▪ Submit with final report, the Department's Reimbursement Certification Form to be reimbursed for allowable expenses.
Performance Measurement:	No specific performance measures noted.

Capacity Building Grant for Development of an HIV Awareness Website	
Funding Agency:	Department of Public Health
Description:	A one-time grant to be used specifically for the development of an HIV/AIDS Awareness website.
Amount:	$ 5,000
Term:	3/3/04 – 6/30/04
Reimbursement Rates:	Grantee is paid in full upon execution of the agreement.
Pilsen Responsibilities:	▪ Develop an HIV/AIDS Awareness website. ▪ Submit a final report, no later than July 30, 2004, detailing website success, including accomplishments and barriers.
Performance Measurement:	▪ Include on the website the following two pages: o One page to provide frequently asked questions about HIV/AIDS and the most up-to-date information available about HIV/AIDS treatment. o One page to provide a resource directory with a listing of agencies in the Chicago Metropolitan area as well as major service providers in Illinois.

Special Purpose Trust Fund Grant	
Funding Agency:	Illinois State Board of Education
Description:	A Special Purpose Trust Fund grant to be used to offset general operating expenses in four of Pilsen's children's programs.
Amount:	$ 250,000
Term:	7/1/05 – 6/30/06
Reimbursement Rates:	▪ Payment for approved services and expenses will be made on a reimbursement-of-claims basis.
Pilsen Responsibilities:	▪ Submit expenditure reports four times a year or fewer based on the receipt date of funds.
Performance Measurement:	▪ Children's Psychiatric Outpatient Program – Increase psychiatrist hours and pay of the children's psychiatric outpatient program proportionately for staff salaries and other operational expenses. Increase clients served from 64 to 85.
	▪ Ounce of Prevention/Teen Moms – pay proportionately for administrative costs, salaries, and supplies. Goal is to accommodate 56 clients after school.
	▪ Childhood After School Development Program – pay for staff salaries. Currently has enrollment of 26, but can accommodate 40 enrollees.

APPENDIX D

Pilsen Revenues and Expenses by Cost Center Fiscal Years 2005 – 2006

PILSEN REVENUES AND EXPENSES BY COST CENTER
Fiscal Years 2005 – 2006

	Allocated Administration			Unallocated Administration		
	FY05	FY06	Difference	FY05	FY06	Difference
Revenues						
DHS - grants	$ -	$ -	$ -	$ -	$ -	$ -
DHS - service fees	-	-	-	-	-	-
Illinois State Board of Education	-	-	-	-	-	-
Chicago Dept. of Public Health	-	-	-	-	-	-
Other government agencies	-	-	-	-	-	-
Alternative School Network	-	-	-	-	-	-
Client/family payments	-	-	-	-	-	-
Management fees	-	-	-	-	133,405	133,405
Other revenue	-	-	-	20,189	89,015	68,826
Total revenues	**$ -**	**$ -**	**$ -**	**$ 20,189**	**$ 222,420**	**$ 202,231**
Expenses						
Salaries & wages	$ 600,631	$ 650,345	$ 49,714	$ -	$ 57,480	$ 57,480
Payroll taxes & benefits	137,702	148,199	10,497	-	3,218	3,218
Consultants & professional services	65,529	168,701	103,172	3,316	15,136	11,820
Occupancy costs	48,153	36,554	(11,599)	205	1,936	1,731
Insurance	9,436	11,368	1,932	-	311	311
Office and supplies	37,103	39,310	2,207	3,247	2,829	(418)
Food & beverages	7,735	1,855	(5,880)	-	6,841	6,841
Travel	996	923	(73)	27	93	66
Vehicle operating costs	4,841	5,031	190	340	279	(61)
Special assistance	-	-	-	-	-	-
Miscellaneous	1,886	1,623	(263)	(1,024)	(838)	186
Equipment	46,068	75,740	29,672	-	6,950	6,950
Depreciation	28,109	600	(27,509)	-	-	-
Printing & advertising	26,048	7,105	(18,943)	-	17,998	17,998
Conferences & meetings	4,885	4,055	(830)	8,444	45,545	37,101
Dues & subscriptions	500	110	(390)	-	-	-
Credit card fees/interest & penalties	30,440	36,522	6,082	408	886	478
Bad debt expense	-	-	-	-	-	-
Total expenses before allocation	**$ 1,050,062**	**$ 1,188,039**	**$ 137,977**	**$ 14,963**	**$ 158,665**	**$ 143,702**
Allocated administration	(1,050,062)	(1,188,039)	(137,977)	-	-	-
Total expenses	**$ -**	**$ -**	**$ -**	**$ 14,963**	**$ 158,665**	**$ 143,702**
Net income after allocation	**$ -**	**$ -**	**$ -**	**$ 5,226**	**$ 63,755**	**$ 58,529**

Source: OAG summary of Pilsen expenses.

PILSEN REVENUES AND EXPENSES BY COST CENTER
Fiscal Years 2005 – 2006

	Outpatient Mental Health			Intensive Case Management		
	FY05	**FY06**	**Difference**	**FY05**	**FY06**	**Difference**
Revenues						
DHS - grants	$ 364,730	$ -	$ (364,730)	$ 336,913	$ -	$ (336,913)
DHS - service fees	93,861	410,921	317,060	106,928	465,587	358,659
Illinois State Board of Education	-	-	-	-	-	-
Chicago Dept. of Public Health	-	-	-	-	-	-
Other government agencies	-	4,311	4,311	-	4,230	4,230
Alternative School Network	-	-	-	-	-	-
Client/family payments	14,020	13,249	(771)	-	-	-
Management fees	-	-	-	-	-	-
Other revenue	100	500	400	854	1,098	244
Total revenues	**$ 472,711**	**$ 428,981**	**$ (43,730)**	**$ 444,695**	**$ 470,915**	**$ 26,220**
Expenses						
Salaries & wages	$ 219,913	$ 207,516	$ (12,397)	$ 192,001	$ 207,836	$ 15,835
Payroll taxes & benefits	51,002	46,894	(4,108)	44,536	46,166	1,630
Consultants & professional services	-	59,260	59,260	-	19,125	19,125
Occupancy costs	14,080	11,570	(2,510)	8,834	6,739	(2,095)
Insurance	3,556	3,762	206	3,187	3,552	365
Office and supplies	7,525	7,108	(417)	10,209	11,181	972
Food & beverages	1,345	700	(645)	3,506	5,428	1,922
Travel	-	560	560	955	1,135	180
Vehicle operating costs	55	464	409	892	150	(742)
Special assistance	-	-	-	-	-	-
Miscellaneous	276	21	(255)	353	642	289
Equipment	5,689	7,710	2,021	4,406	6,896	2,490
Depreciation	7,791	7,972	181	8,285	9,043	758
Printing & advertising	973	87	(886)	607	35	(572)
Conferences & meetings	1,964	696	(1,268)	356	1,101	745
Dues & subscriptions	929	1,462	533	930	1,239	309
Credit card fees/interest & penalties	8,112	7,890	(222)	5,932	5,718	(214)
Bad debt expense	-	11,351	11,351	-	2,686	2,686
Total expenses before allocation	**$ 323,210**	**$ 375,023**	**$ 51,813**	**$ 284,989**	**$ 328,673**	**$ 43,684**
Allocated administration	67,530	77,212	9,681	59,545	67,669	8,124
Total expenses	**$ 390,740**	**$ 452,235**	**$ 61,495**	**$ 344,534**	**$ 396,342**	**$ 51,809**
Net income after allocation	**$ 81,971**	**$ (23,254)**	**$ (105,225)**	**$ 100,161**	**$ 74,573**	**$ (25,589)**

Source: OAG summary of Pilsen expenses.

PILSEN REVENUES AND EXPENSES BY COST CENTER
Fiscal Years 2005 – 2006

	Case Management			CILA Residential		
	FY05	**FY06**	**Difference**	**FY05**	**FY06**	**Difference**
Revenues						
DHS - grants	$ 303,529	$ 41,200	$ (262,329)	$ 350,276	$ 180,232	$ (170,044)
DHS - service fees	55,941	292,986	237,045	97,616	331,483	233,867
Illinois State Board of Education	-	-	-	-	-	-
Chicago Dept. of Public Health	-	-	-	-	-	-
Other government agencies	-	-	-	-	4,230	4,230
Alternative School Network	-	-	-	-	-	-
Client/family payments	1,459	1,612	153	-	-	-
Management fees	-	-	-	-	-	-
Other revenue	90	-	(90)	34,250	25,368	(8,882)
Total revenues	**$ 361,019**	**$ 335,798**	**$ (25,221)**	**$ 482,142**	**$ 541,313**	**$ 59,171**
Expenses						
Salaries & wages	$ 191,003	$ 186,700	$ (4,303)	$ 215,789	$ 223,606	$ 7,817
Payroll taxes & benefits	43,729	41,029	(2,700)	49,534	48,187	(1,347)
Consultants & professional services	-	14,080	14,080	-	19,088	19,088
Occupancy costs	2,975	3,566	591	50,846	48,889	(1,957)
Insurance	3,166	3,522	356	3,896	3,906	10
Office and supplies	3,517	8,142	4,625	10,556	9,817	(739)
Food & beverages	1,723	1,166	(557)	23,354	22,328	(1,026)
Travel	2,468	3,315	847	598	590	(8)
Vehicle operating costs	25	15	(10)	2,429	2,901	472
Special assistance	-	-	-	-	-	-
Miscellaneous	369	39	(330)	594	330	(264)
Equipment	4,386	4,405	19	8,090	3,543	(4,547)
Depreciation	2,220	2,737	517	3,786	3,531	(255)
Printing & advertising	229	74	(155)	1,143	833	(310)
Conferences & meetings	797	1,265	468	30	683	653
Dues & subscriptions	930	1,239	309	930	1,239	309
Credit card fees/interest & penalties	2,931	2,851	(80)	853	778	(75)
Bad debt expense	-	1,415	1,415	-	2,502	2,502
Total expenses before allocation	**$ 260,468**	**$ 275,561**	**$ 15,093**	**$ 372,428**	**$ 392,751**	**$ 20,323**
Allocated administration	54,421	56,734	2,313	77,814	80,862	3,048
Total expenses	**$ 314,889**	**$ 332,295**	**$ 17,406**	**$ 450,242**	**$ 473,612**	**$ 23,370**
Net income after allocation	**$ 46,130**	**$ 3,503**	**$ (42,627)**	**$ 31,900**	**$ 67,701**	**$ 35,801**

Source: OAG summary of Pilsen expenses.

PILSEN REVENUES AND EXPENSES BY COST CENTER
Fiscal Years 2005 – 2006

	Pilsen Inn Residential			Psychosocial Rehabilitation		
	FY05	**FY06**	**Difference**	**FY05**	**FY06**	**Difference**
Revenues						
DHS - grants	$ 721,714	$ 371,352	$ (350,362)	$ 348,566	$ 263,417	$ (85,149)
DHS - service fees	95,821	671,260	575,439	83,609	179,454	95,845
Illinois State Board of Education	-	-	-	-	-	-
Chicago Dept. of Public Health	-	-	-	-	-	-
Other government agencies	108,948	3,563	(105,385)	-	-	-
Alternative School Network	-	-	-	-	-	-
Client/family payments	32,466	13,825	(18,641)	-	-	-
Management fees	-	-	-	-	-	-
Other revenue	7,776	10,195	2,419	35,170	12,501	(22,669)
Total revenues	**$ 966,725**	**$ 1,070,195**	**$ 103,470**	**$ 467,345**	**$ 455,372**	**$ (11,973)**
Expenses						
Salaries & wages	$ 384,084	$ 410,088	$ 26,004	$ 250,576	$ 197,566	$ (53,010)
Payroll taxes & benefits	88,040	89,055	1,015	43,590	39,534	(4,056)
Consultants & professional services	-	7,370	7,370	6,626	27,225	20,599
Occupancy costs	35,020	29,737	(5,283)	29,626	21,659	(7,967)
Insurance	6,460	7,099	639	3,121	3,326	205
Office and supplies	22,741	19,209	(3,532)	10,551	8,714	(1,837)
Food & beverages	39,952	38,640	(1,312)	1,128	2,215	1,087
Travel	187	759	572	989	384	(605)
Vehicle operating costs	184	115	(69)	2,409	1,681	(728)
Special assistance	-	-	-	-	-	-
Miscellaneous	505	227	(278)	182	10	(172)
Equipment	8,134	14,090	5,956	5,155	6,457	1,302
Depreciation	29,182	31,736	2,554	15,425	16,607	1,182
Printing & advertising	1,227	231	(996)	1,161	35	(1,126)
Conferences & meetings	1,522	1,792	270	223	543	320
Dues & subscriptions	1,071	1,239	168	930	1,239	309
Credit card fees/interest & penalties	11,359	11,048	(311)	10,098	9,267	(831)
Bad debt expense	-	2,476	2,476	-	900	900
Total expenses before allocation	**$ 629,668**	**$ 664,911**	**$ 35,243**	**$ 381,790**	**$ 337,362**	**$ (44,428)**
Allocated administration	131,560	136,895	5,335	79,770	69,458	(10,312)
Total expenses	**$ 761,228**	**$ 801,807**	**$ 40,578**	**$ 461,560**	**$ 406,819**	**$ (54,740)**
Net income after allocation	**$ 205,497**	**$ 268,388**	**$ 62,892**	**$ 5,785**	**$ 48,553**	**$ 42,767**

Source: OAG summary of Pilsen expenses.

PILSEN REVENUES AND EXPENSES BY COST CENTER Fiscal Years 2005 – 2006						
	Methadone – OASA			**Methadone – Stone Park**		
	FY05	**FY06**	**Difference**	**FY05**	**FY06**	**Difference**
Revenues						
DHS - grants	$ 621,840	$ 575,815	$ (46,025)	$ -	$ 110,580	$ 110,580
DHS - service fees	62,509	67,219	4,710	-	1,111	1,111
Illinois State Board of Education	-	-	-	-	-	-
Chicago Dept. of Public Health	-	-	-	-	-	-
Other government agencies	-	-	-	-	-	-
Alternative School Network	-	-	-	-	-	-
Client/family payments	52,526	65,974	13,448	124,156	168,234	44,078
Management fees	-	-	-	-	-	-
Other revenue	685	12	(673)	-	50	50
Total revenues	**$ 737,560**	**$ 709,020**	**$ (28,540)**	**$ 124,156**	**$ 279,975**	**$ 155,819**
Expenses						
Salaries & wages	$ 371,791	$ 318,687	$ (53,104)	$ 151,498	$ 103,766	$ (47,732)
Payroll taxes & benefits	86,220	73,207	(13,013)	34,476	23,562	(10,914)
Consultants & professional services	37,572	80,165	42,593	33,035	83,988	50,953
Occupancy costs	10,562	13,006	2,444	20,808	10,115	(10,693)
Insurance	5,991	6,074	83	2,555	1,960	(595)
Office and supplies	37,839	34,318	(3,521)	26,477	25,620	(857)
Food & beverages	1,074	1,295	221	785	221	(564)
Travel	589	1,007	418	180	214	34
Vehicle operating costs	-	-	-	-	-	-
Special assistance	-	-	-	-	-	-
Miscellaneous	755	307	(448)	7,575	5,460	(2,115)
Equipment	25,317	15,878	(9,439)	9,136	7,166	(1,970)
Depreciation	5,581	7,181	1,600	16,452	17,742	1,290
Printing & advertising	626	354	(272)	1,128	-	(1,128)
Conferences & meetings	2,299	1,537	(762)	30	1,768	1,738
Dues & subscriptions	-	-	-	-	-	-
Credit card fees/interest & penalties	4,028	4,073	45	14,967	14,715	(252)
Bad debt expense	-	-	-	-	-	-
Total expenses before allocation	**$ 590,244**	**$ 557,091**	**$ (33,154)**	**$ 319,102**	**$ 296,297**	**$ (22,805)**
Allocated administration	123,323	114,697	(8,627)	66,672	61,003	(5,669)
Total expenses	**$ 713,567**	**$ 671,787**	**$ (41,780)**	**$ 385,774**	**$ 357,300**	**$ (28,474)**
Net income after allocation	**$ 23,993**	**$ 37,233**	**$ 13,240**	**$ (261,618)**	**$ (77,325)**	**$ 184,293**

Source: OAG summary of Pilsen expenses.

PILSEN REVENUES AND EXPENSES BY COST CENTER
Fiscal Years 2005 – 2006

	Methadone – Private			IMPACTO		
	FY05	**FY06**	**Difference**	**FY05**	**FY06**	**Difference**
Revenues						
DHS – grants	$ -	$ -	$ -		$ -	$ -
DHS - service fees	-	-	-		-	-
Illinois State Board of Education	-	-	-		-	-
Chicago Dept. of Public Health	-	-	-		98,118	98,118
Other government agencies	-	-	-		-	-
Alternative School Network	-	-	-		-	-
Client/family payments	116,236	103,139	(13,097)		-	-
Management fees	-	-	-		-	-
Other revenue	-	-	-		3	3
Total revenues	**$ 116,236**	**$ 103,139**	**$ (13,097)**		**$ 98,121**	**$ 98,121**
Expenses						
Salaries & wages	$ 76,388	$ 46,034	$ (30,354)		$ 83,894	$ 83,894
Payroll taxes & benefits	17,900	10,750	(7,150)		19,035	19,035
Consultants & professional services	8,867	17,816	8,949		10,322	10,322
Occupancy costs	3,921	2,241	(1,680)		3,855	3,855
Insurance	1,352	890	(462)		1,500	1,500
Office and supplies	13,783	12,158	(1,625)		3,989	3,989
Food & beverages	-	1,211	1,211		-	-
Travel	-	-	-		23	23
Vehicle operating costs	6	-	(6)		-	-
Special assistance	-	-	-		-	-
Miscellaneous	7,108	3,533	(3,575)		17	17
Equipment	5,674	3,780	(1,894)		4,874	4,874
Depreciation	1,924	2,021	97		-	-
Printing & advertising	225	59	(166)		118	118
Conferences & meetings	344	818	474		110	110
Dues & subscriptions	-	-	-		-	-
Credit card fees/interest & penalties	1,667	2,024	357		-	-
Bad debt expense	-	-	-		-	-
Total expenses before allocation	**$ 139,159**	**$ 103,335**	**$ (35,824)**		**$ 127,738**	**$ 127,738**
Allocated administration	29,075	21,275	(7,800)		26,299	26,299
Total expenses	**$ 168,234**	**$ 124,610**	**$ (43,624)**		**$ 154,037**	**$ 154,037**
Net income after allocation	**$ (51,998)**	**$ (21,471)**	**$ 30,527**		**$ (55,916)**	**$ (55,916)**

Source: OAG summary of Pilsen expenses.

PILSEN REVENUES AND EXPENSES BY COST CENTER
Fiscal Years 2005 – 2006

	OMI			DUI		
	FY05	**FY06**	**Difference**	**FY05**	**FY06**	**Difference**
Revenues						
DHS - grants	$ -	$ -	$ -	$ -	$ -	$ -
DHS - service fees	-	-	-	-	-	-
Illinois State Board of Education	-	-	-	-	-	-
Chicago Dept. of Public Health	108,907	93,276	(15,631)	-	-	-
Other government agencies	-	-	-	-	-	-
Alternative School Network	-	-	-	-	-	-
Client/family payments	-	26	26	308,281	272,702	(35,579)
Management fees	-	-	-	-	-	-
Other revenue	300	3	(297)	-	-	-
Total revenues	**$ 109,207**	**$ 93,305**	**$ (15,902)**	**$ 308,281**	**$ 272,702**	**$ (35,579)**
Expenses						
Salaries & wages	$ 37,773	$ 43,842	$ 6,069	$ 172,110	$ 116,683	$ (55,427)
Payroll taxes & benefits	8,836	9,870	1,034	38,550	25,888	(12,662)
Consultants & professional services	16,939	13,537	(3,403)	13,923	5,370	(8,553)
Occupancy costs	1,607	2,088	481	7,649	6,606	(1,042)
Insurance	604	811	207	2,818	2,070	(748)
Office and supplies	9,177	8,427	(750)	6,358	5,078	(1,280)
Food & beverages	1,755	2,510	755	55	33	(22)
Travel	10,099	3,417	(6,682)	41	-	(41)
Vehicle operating costs	78	-	(78)	6	-	(6)
Special assistance	-	-	-	-	-	-
Miscellaneous	1,562	1,277	(285)	1,582	378	(1,204)
Equipment	11,372	3,258	(8,114)	9,720	4,236	(5,484)
Depreciation	3,392	3,552	160	3,023	3,192	169
Printing & advertising	55	-	(55)	27,922	11,995	(15,927)
Conferences & meetings	638	6,082	5,444	1,306	890	(416)
Dues & subscriptions	-	10	10	-	-	-
Credit card fees/interest & penalties	550	584	34	1,464	1,182	(282)
Bad debt expense	-	-	-	-	-	-
Total expenses before allocation	**$ 104,437**	**$ 99,265**	**$ (5,172)**	**$ 286,527**	**$ 183,602**	**$ (102,925)**
Allocated administration	21,821	20,437	(1,383)	59,866	37,801	(22,065)
Total expenses	**$ 126,258**	**$ 119,703**	**$ (6,555)**	**$ 346,392**	**$ 221,403**	**$ (124,990)**
Net income after allocation	**$ (17,051)**	**$ (26,398)**	**$ (9,347)**	**$ (38,111)**	**$ 51,299**	**$ 89,411**

Source: OAG summary of Pilsen expenses.

PILSEN REVENUES AND EXPENSES BY COST CENTER
Fiscal Years 2005 – 2006

	DUI – Melrose Park			MI/SA		
	FY05	**FY06**	**Difference**	**FY05**	**FY06**	**Difference**
Revenues						
DHS - grants		$ -	$ -	$ 145,076	$ 164,878	$ 19,802
DHS - service fees		-	-	-	-	-
Illinois State Board of Education		-	-	-	-	-
Chicago Dept. of Public Health		-	-	-	-	-
Other government agencies		-	-	-	-	-
Alternative School Network		-	-	-	-	-
Client/family payments		84,799	84,799	-	5	5
Management fees		-	-	-	-	-
Other revenue		-	-	-	3,000	3,000
Total revenues		**$ 84,799**	**$ 84,799**	**$ 145,076**	**$ 167,883**	**$ 22,807**
Expenses						
Salaries & wages		$ 72,323	$ 72,323	$ 79,974	$ 80,028	$ 54
Payroll taxes & benefits		15,857	15,857	18,405	18,981	576
Consultants & professional services		150	150	13,658	13,604	(55)
Occupancy costs		5,793	5,793	2,035	1,799	(236)
Insurance		1,259	1,259	1,232	1,664	432
Office and supplies		3,942	3,942	2,041	1,611	(430)
Food & beverages		47	47	192	-	(192)
Travel		-	-	736	69	(667)
Vehicle operating costs		-	-	-	10	10
Special assistance		-	-	-	-	-
Miscellaneous		1,027	1,027	433	204	(229)
Equipment		1,919	1,919	2,453	878	(1,575)
Depreciation		177	177	1,667	1,916	249
Printing & advertising		11,774	11,774	142	118	(24)
Conferences & meetings		-	-	87	-	(87)
Dues & subscriptions		-	-	-	-	-
Credit card fees/interest & penalties		502	502	702	683	(19)
Bad debt expense		-	-	-	-	-
Total expenses before allocation		**$ 114,770**	**$ 114,770**	**$ 123,757**	**$ 121,565**	**$ (2,192)**
Allocated administration		23,629	23,629	25,857	25,028	(829)
Total expenses		**$ 138,399**	**$ 138,399**	**$ 149,614**	**$ 146,593**	**$ (3,021)**
Net income after allocation		**$ (53,600)**	**$ (53,600)**	**$ (4,538)**	**$ 21,290**	**$ 25,828**

Source: OAG summary of Pilsen expenses.

PILSEN REVENUES AND EXPENSES BY COST CENTER
Fiscal Years 2005 – 2006

	SBIRT			Drug Free		
	FY05	**FY06**	**Difference**	**FY05**	**FY06**	**Difference**
Revenues						
DHS - grants	$ -	$ -	$ -	$ 154,740	$ 159,382	$ 4,642
DHS - service fees	26,813	26,982	169	26,533	7,978	(18,555)
Illinois State Board of Education	-	-	-	-	-	-
Chicago Dept. of Public Health	-	-	-	-	-	-
Other government agencies	-	-	-	-	-	-
Alternative School Network	-	-	-	-	-	-
Client/family payments	-	-	-	17,997	27,226	9,229
Management fees	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-
Total revenues	**$ 26,813**	**$ 26,982**	**$ 169**	**$ 199,270**	**$ 194,586**	**$ (4,684)**
Expenses						
Salaries & wages	$ 17,921	$ 32,295	$ 14,374	$ 117,027	$ 123,418	$ 6,391
Payroll taxes & benefits	4,130	4,568	438	27,127	28,948	1,821
Consultants & professional services	-	-	-	9,202	15,646	6,444
Occupancy costs	1,892	1,364	(528)	3,979	3,608	(371)
Insurance	285	388	103	1,770	2,261	491
Office and supplies	902	655	(247)	2,125	2,879	754
Food & beverages	-	-	-	-	33	33
Travel	45	-	(45)	41	-	(41)
Vehicle operating costs	-	-	-	6	-	(6)
Special assistance	-	-	-	-	-	-
Miscellaneous	-	-	-	6,533	3,960	(2,574)
Equipment	1,683	673	(1,010)	5,464	2,622	(2,842)
Depreciation	1,217	1,379	162	3,258	3,699	441
Printing & advertising	83	-	(83)	257	59	(198)
Conferences & meetings	87	-	(87)	500	500	-
Dues & subscriptions	-	-	-	-	-	-
Credit card fees/interest & penalties	702	683	(19)	1,707	1,816	109
Bad debt expense	-	-	-	-	-	-
Total expenses before allocation	**$ 28,947**	**$ 42,005**	**$ 13,058**	**$ 178,996**	**$ 189,449**	**$ 10,453**
Allocated administration	6,048	8,648	2,600	37,399	39,005	1,606
Total expenses	**$ 34,995**	**$ 50,654**	**$ 15,659**	**$ 216,395**	**$ 228,454**	**$ 12,059**
Net income after allocation	**$ (8,182)**	**$ (23,672)**	**$ (15,490)**	**$ (17,125)**	**$ (33,868)**	**$ (16,743)**

Source: OAG summary of Pilsen expenses.

PILSEN REVENUES AND EXPENSES BY COST CENTER
Fiscal Years 2005 – 2006

	HIV/AIDS – Other			HIV – Counseling & Testing		
	FY05	**FY06**	**Difference**	**FY05**	**FY06**	**Difference**
Revenues						
DHS - grants	$ -	$ -	$ -	$ 54,054	$ 55,676	$ 1,622
DHS - service fees	94,934	84,273	(10,661)	-	-	-
Illinois State Board of Education	-	-	-	-	-	-
Chicago Dept. of Public Health	-	-	-	-	-	-
Other government agencies	127,346	138,500	11,154	-	-	-
Alternative School Network	-	-	-	-	-	-
Client/family payments	-	-	-	-	-	-
Management fees	-	-	-	-	-	-
Other revenue	13,908	37,206	23,298	-	-	-
Total revenues	**$ 236,188**	**$ 259,979**	**$ 23,791**	**$ 54,054**	**$ 55,676**	**$ 1,622**
Expenses						
Salaries & wages	$ 157,438	$ 181,048	$ 23,610	$ 35,893	$ 34,069	$ (1,824)
Payroll taxes & benefits	35,923	40,167	4,244	8,163	7,401	(762)
Consultants & professional services	-	-	-	-	-	-
Occupancy costs	2,501	4,426	1,925	1,531	1,431	(100)
Insurance	2,515	2,967	452	585	607	22
Office and supplies	5,059	3,562	(1,497)	897	856	(41)
Food & beverages	530	595	65	-	-	-
Travel	2,527	3,489	962	243	-	(243)
Vehicle operating costs	-	-	-	-	-	-
Special assistance	14,708	15,106	398	-	-	-
Miscellaneous	127	52	(75)	-	-	-
Equipment	8,741	4,257	(4,484)	1,607	475	(1,132)
Depreciation	5,752	9,103	3,351	718	697	(21)
Printing & advertising	760	141	(619)	68	59	(9)
Conferences & meetings	1,184	460	(724)	549	512	(38)
Dues & subscriptions	-	35	35	-	-	-
Credit card fees/interest & penalties	1,323	1,287	(36)	601	584	(17)
Bad debt expense	-	-	-	-	-	-
Total expenses before allocation	**$ 239,088**	**$ 266,695**	**$ 27,607**	**$ 50,855**	**$ 46,691**	**$ (4,164)**
Allocated administration	49,954	54,909	4,954	10,625	9,613	(1,012)
Total expenses	**$ 289,042**	**$ 321,603**	**$ 32,561**	**$ 61,480**	**$ 56,304**	**$ (5,176)**
Net income after allocation	**$ (52,854)**	**$ (61,624)**	**$ (8,770)**	**$ (7,426)**	**$ (628)**	**$ 6,798**

Source: OAG summary of Pilsen expenses.

PILSEN REVENUES AND EXPENSES BY COST CENTER
Fiscal Years 2005 – 2006

	ASAP			Comprehensive Prevention		
	FY05	FY06	Difference	FY05	FY06	Difference
Revenues						
DHS - grants		$ 103,000	$ 103,000	$ -	$ 55,054	$ 55,054
DHS - service fees		-	-	-	-	-
Illinois State Board of Education		-	-	-	-	-
Chicago Dept. of Public Health		-	-	55,900	-	(55,900)
Other government agencies		-	-	-	-	-
Alternative School Network		-	-	-	-	-
Client/family payments		-	-	-	-	-
Management fees		-	-	-	-	-
Other revenue		-	-	3,920	13,020	9,100
Total revenues		**$ 103,000**	**$ 103,000**	**$ 59,820**	**$ 68,074**	**$ 8,254**
Expenses						
Salaries & wages		$ 61,101	$ 61,101	$ 42,631	$ 33,296	$ (9,335)
Payroll taxes & benefits		12,829	12,829	9,692	7,575	(2,117)
Consultants & professional services		-	-	-	-	-
Occupancy costs		1,189	1,189	1,126	651	(475)
Insurance		941	941	678	545	(133)
Office and supplies		2,301	2,301	3,207	3,873	666
Food & beverages		27	27	286	357	71
Travel		2	2	144	448	304
Vehicle operating costs		-	-	-	-	-
Special assistance		-	-	-	-	-
Miscellaneous		114	114	3,233	1,674	(1,559)
Equipment		3,684	3,684	1,863	1,690	(173)
Depreciation		1,075	1,075	1,227	1,283	56
Printing & advertising		125	125	150	64	(86)
Conferences & meetings		950	950	165	150	(15)
Dues & subscriptions		100	100	-	-	-
Credit card fees/interest & penalties		-	-	601	584	(17)
Bad debt expense		-	-	-	-	-
Total expenses before allocation		**$ 84,437**	**$ 84,437**	**$ 65,003**	**$ 52,190**	**$ (12,813)**
Allocated administration		17,384	17,384	13,581	10,745	(2,836)
Total expenses		**$ 101,822**	**$ 101,822**	**$ 78,584**	**$ 62,935**	**$ (15,649)**
Net income after allocation		**$ 1,178**	**$ 1,178**	**$ (18,764)**	**$ 5,139**	**$ 23,903**

Source: OAG summary of Pilsen expenses.

PILSEN REVENUES AND EXPENSES BY COST CENTER
Fiscal Years 2005 – 2006

	VOICES			TOYS		
	FY05	**FY06**	**Difference**	**FY05**	**FY06**	**Difference**
Revenues						
DHS - grants	$ -	$ -	$ -	$ 160,000	$ -	$ (160,000)
DHS - service fees	-	-	-	23,130	86,479	63,349
Illinois State Board of Education	-	-	-	-	151,308	151,308
Chicago Dept. of Public Health	150,841	128,544	(22,297)	55,000	-	(55,000)
Other government agencies	-	-	-	-	-	-
Alternative School Network	-	-	-	-	-	-
Client/family payments	-	-	-	2,061	2,979	918
Management fees	-	-	-	-	-	-
Other revenue	-	-	-	4,015	650	(3,365)
Total revenues	**$ 150,841**	**$ 128,544**	**$ (22,297)**	**$ 244,206**	**$ 241,416**	**$ (2,790)**
Expenses						
Salaries & wages	$ 61,670	$ 51,709	$ (9,961)	$ 78,939	$ 107,173	$ 28,234
Payroll taxes & benefits	13,615	12,329	(1,286)	17,611	24,649	7,038
Consultants & professional services	45,436	23,734	(21,702)	21,726	29,087	7,361
Occupancy costs	1,597	1,963	366	17,033	18,044	1,011
Insurance	1,070	988	(82)	1,026	2,075	1,049
Office and supplies	6,496	5,649	(847)	12,418	9,361	(3,057)
Food & beverages	1,698	1,069	(629)	1,511	1,051	(460)
Travel	1,810	1,490	(320)	2,058	420	(1,638)
Vehicle operating costs	57	-	(57)	-	-	-
Special assistance	-	-	-	5,093	1,756	(3,337)
Miscellaneous	1,257	1,032	(225)	163	79	(84)
Equipment	2,991	4,983	1,992	15,478	6,340	(9,138)
Depreciation	2,495	2,738	243	6,012	14,287	8,275
Printing & advertising	55	-	(55)	1,376	692	(684)
Conferences & meetings	452	2,091	1,639	80	1,318	1,238
Dues & subscriptions	-	-	-	1,010	1,239	229
Credit card fees/interest & penalties	601	584	(17)	7,017	10,295	3,278
Bad debt expense	-	-	-	-	598	598
Total expenses before allocation	**$ 141,300**	**$ 110,360**	**$ (30,940)**	**$ 188,551**	**$ 228,467**	**$ 39,916**
Allocated administration	29,523	22,721	(6,801)	39,395	47,038	7,643
Total expenses	**$ 170,823**	**$ 133,081**	**$ (37,741)**	**$ 227,946**	**$ 275,504**	**$ 47,558**
Net income after allocation	**$ (19,982)**	**$ (4,537)**	**$ 15,444**	**$ 16,260**	**$ (34,088)**	**$ (50,348)**

Source: OAG summary of Pilsen expenses.

PILSEN REVENUES AND EXPENSES BY COST CENTER
Fiscal Years 2005 – 2006

	ATOD			Teen Pregnancy		
	FY05	FY06	Difference	FY05	FY06	Difference
Revenues						
DHS - grants	$ -	$ -	$ -		$ 70,000	$ 70,000
DHS - service fees	-	-	-		-	-
Illinois State Board of Education	-	16,800	16,800		-	-
Chicago Dept. of Public Health	16,667	52,053	35,386		-	-
Other government agencies	-	-	-		-	-
Alternative School Network	-	-	-		-	-
Client/family payments	-	-	-		-	-
Management fees	-	-	-		-	-
Other revenue	-	-	-		-	-
Total revenues	**$ 16,667**	**$ 68,853**	**$ 52,186**		**$ 70,000**	**$ 70,000**
Expenses						
Salaries & wages	$ 4,247	$ 37,692	$ 33,445		$ 35,816	$ 35,816
Payroll taxes & benefits	857	7,977	7,120		7,609	7,609
Consultants & professional services	-	-	-		-	-
Occupancy costs	-	651	651		864	864
Insurance	-	783	783		591	591
Office and supplies	-	8,123	8,123		6,632	6,632
Food & beverages	-	3,409	3,409		160	160
Travel	-	-	-		113	113
Vehicle operating costs	-	-	-		-	-
Special assistance	-	-	-		-	-
Miscellaneous	-	-	-		16	16
Equipment	-	4,607	4,607		8,579	8,579
Depreciation	-	22	22		30	30
Printing & advertising	-	38	38		47	47
Conferences & meetings	-	85	85		81	81
Dues & subscriptions	-	-	-		-	-
Credit card fees/interest & penalties	-	-	-		-	-
Bad debt expense	-	-	-		-	-
Total expenses before allocation	**$ 5,104**	**$ 63,387**	**$ 58,283**		**$ 60,539**	**$ 60,539**
Allocated administration	1,066	13,051	11,984		12,464	12,464
Total expenses	**$ 6,170**	**$ 76,438**	**$ 70,267**		**$ 73,003**	**$ 73,003**
Net income after allocation	**$ 10,497**	**$ (7,585)**	**$ (18,081)**		**$ (3,003)**	**$ (3,003)**

Source: OAG summary of Pilsen expenses.

PILSEN REVENUES AND EXPENSES BY COST CENTER
Fiscal Years 2005 – 2006

	Ounce of Prevention			VISION		
	FY05	**FY06**	**Difference**	**FY05**	**FY06**	**Difference**
Revenues						
DHS - grants		$ -	$ -	$ -	$ -	$ -
DHS - service fees		-	-	-	-	-
Illinois State Board of Education		21,892	21,892	-	-	-
Chicago Dept. of Public Health		-	-	93,233	72,501	(20,732)
Other government agencies		240,014	240,014	-	-	-
Alternative School Network		-	-	-	-	-
Client/family payments		-	-	-	-	-
Management fees		-	-	-	-	-
Other revenue		23,803	23,803	-	-	-
Total revenues		**$ 285,709**	**$ 285,709**	**$ 93,233**	**$ 72,501**	**$ (20,732)**
Expenses						
Salaries & wages		$ 171,259	$ 171,259	$ 37,347	$ 37,181	$ (166)
Payroll taxes & benefits		31,339	31,339	8,641	8,888	247
Consultants & professional services		25,592	25,592	23,637	15,850	(7,787)
Occupancy costs		1,408	1,408	1,543	833	(710)
Insurance		7,531	7,531	607	721	114
Office and supplies		10,100	10,100	2,018	830	(1,188)
Food & beverages		5,368	5,368	551	670	119
Travel		4,996	4,996	2,701	327	(2,374)
Vehicle operating costs		100	100	-	-	-
Special assistance		-	-	-	-	-
Miscellaneous		449	449	-	18	18
Equipment		6,309	6,309	4,517	520	(3,997)
Depreciation		4,617	4,617	694	1,078	384
Printing & advertising		2,209	2,209	114	1	(113)
Conferences & meetings		659	659	612	352	(260)
Dues & subscriptions		-	-	-	-	-
Credit card fees/interest & penalties		66	66	601	584	(17)
Bad debt expense		-	-	-	-	-
Total expenses before allocation		**$ 272,003**	**$ 272,003**	**$ 83,583**	**$ 67,852**	**$ (15,731)**
Allocated administration		56,001	56,001	17,464	13,970	(3,494)
Total expenses		**$ 328,004**	**$ 328,004**	**$ 101,047**	**$ 81,822**	**$ (19,224)**
Net income after allocation		**$ (42,295)**	**$ (42,295)**	**$ (7,814)**	**$ (9,321)**	**$ (1,508)**

Source: OAG summary of Pilsen expenses.

PILSEN REVENUES AND EXPENSES BY COST CENTER
Fiscal Years 2005 – 2006

	Domestic Violence			DCFS/SA		
	FY05	FY06	Difference	FY05	FY06	Difference
Revenues						
DHS - grants		$ 51,500	$ 51,500		$ 51,500	$ 51,500
DHS - service fees		-	-		-	-
Illinois State Board of Education		-	-		-	-
Chicago Dept. of Public Health		-	-		-	-
Other government agencies		-	-		-	-
Alternative School Network		-	-		-	-
Client/family payments		-	-		-	-
Management fees		-	-		-	-
Other revenue		-	-		-	-
Total revenues		**$ 51,500**	**$ 51,500**		**$ 51,500**	**$ 51,500**
Expenses						
Salaries & wages		$ 20,883	$ 20,883		$ 14,105	$ 14,105
Payroll taxes & benefits		4,433	4,433		3,008	3,008
Consultants & professional services		-	-		-	-
Occupancy costs		1,214	1,214		1,214	1,214
Insurance		492	492		306	306
Office and supplies		960	960		851	851
Food & beverages		-	-		-	-
Travel		284	284		135	135
Vehicle operating costs		-	-		-	-
Special assistance		-	-		-	-
Miscellaneous		42	42		21	21
Equipment		2,223	2,223		895	895
Depreciation		-	-		-	-
Printing & advertising		232	232		110	110
Conferences & meetings		250	250		125	125
Dues & subscriptions		-	-		-	-
Credit card fees/interest & penalties		-	-		-	-
Bad debt expense		-	-		-	-
Total expenses before allocation		**$ 31,014**	**$ 31,014**		**$ 20,769**	**$ 20,769**
Allocated administration		6,385	6,385		4,276	4,276
Total expenses		**$ 37,400**	**$ 37,400**		**$ 25,046**	**$ 25,046**
Net income after allocation		**$ 14,100**	**$ 14,100**		**$ 26,454**	**$ 26,454**

Source: OAG summary of Pilsen expenses.

PILSEN REVENUES AND EXPENSES BY COST CENTER
Fiscal Years 2005 – 2006

	Latino Youth Alternative High School[1]			Medical Director		
	FY05	FY06	Difference	FY05	FY06	Difference
Revenues						
DHS - grants		$ -	$ -	$ 221,114		$ (221,114)
DHS - service fees		-	-	-		-
Illinois State Board of Education		-	-	-		-
Chicago Dept. of Public Health		-	-	-		-
Other government agencies		-	-	-		-
Alternative School Network		211,627	211,627	-		-
Client/family payments		-	-	-		-
Management fees		-	-	-		-
Other revenue		15,406	15,406	-		-
Total revenues		**$ 227,033**	**$ 227,033**	**$ 221,114**		**$ (221,114)**
Expenses						
Salaries & wages		$ 151,536	$ 151,536	$ -		$ -
Payroll taxes & benefits		30,772	30,772	-		-
Consultants & professional services		12,629	12,629	228,547		(228,547)
Occupancy costs		12,255	12,255	-		-
Insurance		12,391	12,391	-		-
Office and supplies		11,007	11,007	-		-
Food & beverages		57	57	-		-
Travel		372	372	-		-
Vehicle operating costs		474	474	-		-
Special assistance		-	-	-		-
Miscellaneous		14,399	14,399	-		-
Equipment		3,902	3,902	-		-
Depreciation		6,658	6,658	-		-
Printing & advertising		-	-	-		-
Conferences & meetings		-	-	-		-
Dues & subscriptions		24	24	-		-
Credit card fees/interest & penalties		114	114	-		-
Bad debt expense		-	-	-		-
Total expenses before allocation		**$ 256,590**	**$ 256,590**	**$ 228,547**		**$ (228,547)**
Allocated administration		52,828	52,828	47,752		(47,752)
Total expenses		**$ 309,418**	**$ 309,418**	**$ 276,299**		**$ (276,299)**
Net income after allocation		**$ (82,385)**	**$ (82,385)**	**$ (55,185)**		**$ 55,185**

Note: [1]The Latino Youth Alternative High School is a combination of four cost centers.

Source: OAG summary of Pilsen expenses.

APPENDIX E

Agency Responses

Note: This Appendix contains the complete written responses of the Pilsen-Little Village Community Mental Health Center and the State funding agencies. There are eight numbered Auditor Comments that address matters raised in Pilsen's response. The numbers for the comments appear in the margin of Pilsen's response and comments appear following Pilsen's response.

PILSEN-LITTLE VILLAGE COMMUNITY MENTAL HEALTH CENTER, INC.

2319 South Damen Avenue • Chicago, Illinois 60608 • www.pilsenmh.org

Francisco Cisneros, Executive Director
fcisneros1@aol.com
fcisneros@pilsenmh.org

ADMINISTRATION

2319 South Damen Avenue
Chicago, Illinois 60608
Phone: 773.579.0832
Fax: 773.579.0762

DIVISION OF MENTAL HEALTH

Outpatient Recovery Center
Psychosocial Rehabilitation Program
Adult Mental Health Outpatient Program
Case Management Program

HIV/AIDS Services

HOLAA Program
VISION Counseling Program
Home Advocacy Program

2015 West Cermak Road
Chicago, Illinois 60608
Phone: 773.890.0645
Fax: 773.890.1257

Therapeutic Outpatient Youth & family Services (TOYS) Program

1407 South 49th Court
Cicero, Illinois 60804
Phone: 708.683.5500
Fax: 708.683.5505

CILA Residential Program
Intensive Case Management Program

2316 South Damen Ave.
Chicago, Illinois 60608
Phone: 773.927.6987
Fax: 773.927.7685

Pilsen Inn Residential Program
Art Therapy Program *

2635 West 23rd Street
Chicago, Illinois 60623
Phone: 773.927.1228, 773.927.7833 *
Fax: 773.927.0237

DIVISION OF EDUCATION

Latino Youth High School

2001 South California Avenue
Chicago Illinois 60608
Phone: 773.648.2130
Fax: 773.648.2098

DIVISION OF SUBSTANCE ABUSE

Outpatient Methadone Treatment–DASA/Private
Opioid Maintenance Initiative Program
HIV/AIDS Early Intervention Program
IMPACTO Program
ATR Program
MI/SA Program
SBIRT Program
Alcance Program
Drug-Free Program
DUI Program (Little Village)

3113 West Cermak Road
Chicago, Illinois 60623
Phone: 773.277.3413
Fax: 773.277.3517

DUI Program (Pilsen)

2319 South Damen Avenue
Chicago, Illinois 60608
Phone: 888.255.5523
Fax: 773.648.2202

DUI Program (Melrose Park)

1633 North 37th Avenue
Melrose Park, Illinois 60160
Phone: 708.343.7860
Fax: 708.343.7895

Methadone Treatment Program

1548 North Mannheim Road
Stone Park, Illinois 60165
Phone: 708.410.0856
Fax: 708.410.0884

YOUTH SERVICES

Illinois Steps Ahead/GEAR-UP Program
ATOD Prevention Program
Teen Pregnancy Prevention Program
Unidos Formando Un Futuro –
Parents Too Soon/Healthy Families Illinois
Adolescent Substance Abuse Program

2319 South Damen Avenue
Chicago, Illinois 60608
Phone: 773.579.0832
Fax: 773.579.0762

January 4, 2008

The Honorable William G. Holland
Auditor General
Office of the Auditor General
Iles Park Plaza
740 East Ash Street
Springfield, Illinois 62703-3154

Dear Mr. Holland:

Enclosed please find Pilsen-Little Village Community Mental Health Center, Inc.'s (P-LVCMHC) responses to the recent OAG audit completed for our organization. Thank you for the extension granted by your office concerning the submission deadline. We appreciated the courtesy and professionalism demonstrated by the OAG team during the auditing process.

As a not-for-profit organization serving families for over 40 years, P-LVCMHC remains committed to providing quality services to the local communities we have long served. We believe the audit recommendations reflect what we have for some time recognized, namely the "*growing pains*" associated with our expansion during recent years.

Please be assured that P-LVCMHC remains committed to consistently implementing policies and developing organizational structures, which will effectively address gaps discovered during the year-long audit process.

P-LVCMHC has already instituted a number of measures as evidence of this commitment. These cost reducing measures include restructuring the fiscal department, reducing Administration-related overhead costs, conducting fiscal and programming evaluations of deficit programs which resulted in down-sizing departments and consolidating responsibilities.

Lastly, the agency hired a Corporate Compliance Officer charged with the task of providing oversight for consistent adherence to policies and procedures governing human resources related activities, program and reporting compliance, board member involvement, accounting practices involving supporting documentation, as well as CARF accreditation mandates.

Please do not hesitate to contact Dr. Monica Masana, the P-LVCMHC corporate compliance officer, regarding any additional information you may require at (773) 579-0832, extension 229.

Respectfully submitted,

Francisco Cisneros, M.A., C.A.D.C.
Executive Director

a CARF accredited organization

UNALLOCATED EXPENSES

Recommendation Number 3: Pilsen should ensure that expenses are appropriately classified to unallocated accounts when the costs are unallowable or are not associated with services Pilsen provides to State programs. Pilsen should also ensure that salary expenses for time spent performing other functions classified as unallocated activities are not charged to Pilsen's programs

Pilsen Response:

P-LVCMHC, Inc. will review the current percentage of unallocated salary expenses and determine, based on an informed internal review, a subsequent adjustment to the current 1.2 percent of unallocated salary amounts. This will include any necessary adjustments for salary expense amounts for staff time spent on mission-related agency services not directly associated with state-funded programs. Further, P-LVCMHC, Inc. will conduct semi-annual reviews of the agency's Cost Allocation Plan to validate all allocated amounts are consistent with changing revenue streams, shifts or changes in employees' duties and responsibilities, and within the guidelines of state-funded programs.

Of important note, the strategic managing agent services provided to Latino Youth, Inc., specifically to the Latino Youth Alternative High School, have allowed a vitally important education alternative for area youth to remain within the local community. LYAHS, now a cornerstone of our educational programming, strengthens and improves our comprehensive program services array.

With regard to the Bi- national Health Week Policy Forum coordinated by P-LVCMHC, the event represents an extraordinary, but atypical undertaking. The event supported organizational efforts to improve culturally competent services provision to P-LVCMHC, Inc. program participants. Establishing collaborative partnerships with mental health professionals currently serving Latino-origin populations, addresses the need for culturally appropriate services. The cultural appropriateness of mental health services may be the most important factor in the accessibility of services by persons of color. The workshops and plenary sessions offered during the Policy Forum provided a rich source of information and facilitated discussion involving state-of-the art, cutting edge research across multiple service dimensions for the purpose of reducing barriers to effective treatment. These efforts ultimately sought to facilitate access to holistic and comprehensive, culturally appropriate services delivery for our program participants.

HEALTHCARE AND DENTAL EXPENSES

Recommendation Number 4: Pilsen should ensure that healthcare and dental expenses are charged directly to the program that incurred the expense to prevent other programs from being charged a disproportionate share of expenses.

Pilsen Response:

P-LVCMHC, Inc. will not include any Healthcare and Dental expenses for employees charged directly to a specific program from any administration allocations. P-LVCMHC, Inc. will review fringe benefit allocations and ensure that allocation methods employed reflect fair and rational expense shares.

PERSONNEL ISSUES

Recommendation Number 5: Pilsen should ensure that all employees are qualified for their position and that employees receive performance appraisals.

Pilsen Response:

In making decisions to hire potential job candidates, P-LVCMHC, Inc. considers all relevant job related experience that job applicants possess prior to employment with the organization. The individual cited by the OAG audit report did not begin work at the organization as a counselor, but rather as a part-time, third-shift CILA program staff person. The individual possessed valuable job-related experience from employment with another not-for-profit in the same capacity. Moving through the ranks and gaining valuable experience, this individual, after a number of years with the agency, applied for a position within the Substance Abuse Division. The employee in question possesses a C.A.D.C. (Certified Alcohol and other Drugs Counselor) and has had this important certification for more than four years, since May 2003. The C.A.D.C. is a requirement for counselors providing substance abuse treatment services, after two-years of substance abuse treatment-related experience. **1**

P-LVCMHC, Inc. Human Resources Department will incorporate the use of database calendar software to provide reminders to alert HR staff one-month prior to when performance appraisals are due. HR staff will then send e-mail reminders to respective supervisors, coordinators, and/or directors to inform them of upcoming submission requirement deadlines.

The Quality Assurance Director will perform semi-annual reviews of HR files to insure files include resumes, performance appraisals, supporting documentation and/or proof of credentials, background checks (if applicable), job descriptions etc. Any discrepancies found during HR reviews will be documented and presented to the HR Director for action.

With regard to the issue of the P-LVCMHC, Inc. employee "promoted" after six days of employment, this individual transferred to the Development Department upon management's determination of this employee' exceptional writing talents supported by a dual background in both psychology and education. The salary was adjusted accordingly as the new position carried greater responsibilities, a significantly increased workload, higher intellectual demands, as well as flexible and extended hours to meet tight grant and proposal deadlines targeting children's programming expansion efforts. Both supervisors for the employee in question unexpectedly terminated employment with the organization and did not complete the required performance appraisals. Of important note, no further salary adjustments were made during the period in question.

INVENTORY

Recommendation Number 6: Pilsen should ensure a physical inventory is conducted on an annual basis as required by its Financial Procedures Manual. Pilsen should also be more consistent in tagging assets and should consider a lower dollar threshold for tagging assets especially for items susceptible to theft. Lastly, Pilsen should develop procedures to ensure that employees turn in property upon leaving employment, as well as develop procedures on notification of when assets are moved from one location to another.

Pilsen Response:

P-LVCMHC, Inc. will revise the Financial Procedures Manual section pertaining to inventory procedures. The new procedure incorporates a lower dollar threshold of $100. The revised Financial Procedures Manual will indicate:

"*… Assets over $100 shall be tagged and inventoried within 30 calendar days of receipt.*"

P-LVCMHC has implemented the use of new inventory software (Mobile Asset), which incorporates scanning/barcode technologies. The new Asset Tag System facilitates the rapid inventorying of organizational assets as well as subsequent accurate identification of assets, which may have shifted to different locations as a result of program or staff movements.

The Business Director will track asset movements through the "*Maintenance Work Order*" forms. Maintenance personnel have the charge of moving staff office equipment, files, and furniture when needed. The Business Director must approve all maintenance requests prior to personnel beginning any assigned task. The maintenance work order has a section where requesting staff persons must specify which items shall be moved and to which locations.

The HR Department will alert the business department of new employee hires and terminations for the purpose of updating asset lists. Further, P-LVCMHC, Inc. will track the inventory of all fixed assets over $100 dollars by conducting annual reviews of assets assigned to individual employees and locations and requiring sign-off from employees and their respective supervisors.

The Business Department will generate reports, which specify what assets were assigned to beginning and departing employees. During the exit interview process, asset reports can be reviewed and returns and reassignments can be accurately completed.

VEHICLES

Recommendation Number 7: Pilsen should ensure that policies and procedures governing the use of its vehicle fleets are followed. Procedures should be updated to include defining allowable expenses, and requiring submission of receipts for gas purchases. Pilsen should also maintain an accurate listing of its vehicles and ensure that all vehicles are included on its property and equipment listing.

Pilsen Response:

P-LVCMHC, Inc. has updated its "*Transportation Policy and Emergency Procedures*" document. The revised policies address gas receipt requirements and allowable purchases.

The Business Director will consistently maintain an updated list of all agency-owned vehicles. The listing will provide details regarding make and model number information, year, color, loan repayment status, Vehicle Identification Numbers, License Plate Numbers, Insurance Expiration dates, etc.

Concerns raised regarding conflicting odometer entries may be attributable to the use of a gas card for multiple agency vehicles. To address this issue, P-LVCMHC, Inc. will implement the use of a Gas Purchase Log for each agency vehicle. Authorized agency drivers will document gas purchases, vehicle operation details, and what method was used to purchase gas (i.e. assigned gas card or in the case of extenuating circumstances personal credit card or cash).

Further, each agency vehicle has been assigned its respective gas purchase card. This should resolve conflicting odometer readings and corresponding gas mileage purchases. The Quality Assurance Director will provide quarterly reviews of gas card invoices to ensure corresponding documentation requirements concur with billed gas purchases.

With regard to expenses incurred for detailed car washes, averaging two per fiscal year, P-LVCMHC, Inc considers these costs as related maintenance and upkeep. The vehicle in question has transported visiting dignitaries, government officials, and other important guests to our organization. It provides an initial, and possibly lasting, impression of the organization. As such, P-LVCMHC, Inc. considers this type of comprehensive maintenance cost, typically on a semi-annual basis, a reasonable expense.

The updated *Transportation Policy and Emergency Procedures* document includes a provision for this allowable expense, however, specifies a requirement for the Business Director's approval prior to incurring these related maintenance and upkeep costs.

PILSEN VAN

Recommendation Number 8: Pilsen should ensure that property purchased with State funds is properly controlled and accounted for and not transferred to a third party without documentation of proper consideration received in return. Pilsen should follow-up with DHS regarding the specifics of this transaction to see if any further action needs to be taken.

Pilsen Response:

P-LVCMC, Inc. will ensure all property purchased with state funds is properly controlled and accounted for and not transferred to a third party without documentation of proper consideration received in return.

Of important note, the car dealings in question cited in the current OAG report, specifically the reimbursement of the former executive director and the transfer of title, took place during June 1999 to August 1999, a full 6 to 8 months prior to the present Executive Administration assuming organizational leadership.

The Interim Executive Director (July 30, 1999 until March 3, 2000) would have been the individual most directly responsible with ensuring and determining the whereabouts of the vehicle in question. Given his prior working relationship with the former Executive Director and as the second highest in command during that time, the Interim E.D. would have been the most familiar with the vehicle's disposition.

In keeping with OAG recommendations, P-LVCMHC, Inc. will follow-up with DHS regarding the specifics of this transaction to see if any further action needs to be taken.

OBTAINING MULTIPLE BIDS

Recommendation Number 9: Pilsen should comply with its policy, which requires a minimum of two bids be obtained when procuring major maintenance or capital expense items. In cases where it is determined that only one bid is needed, Pilsen should document that the authorized personnel agreed to this decision, with an explanation as to why obtaining only one bid was justified.

Pilsen Response:

P-LVCMHC, Inc Business Department staff will document justifications for exceptions to the competitive bidding process made by the Executive Management and/or the Chairman of the Finance Committee as allowed by the Financial Procedures Manual when it has been determined that the goods or services to be obtained are both unusual in nature and time is of the essence; or when they have determined an individual source procurement is in the best interest of the organization, with cost being a secondary factor.

The P-LVCMHC, Inc. Business Director will maintain an updated vendors list, which will include past, present, and potential contractors. An updated agency vendors list will support and facilitate an expedited process to secure multiple bids for future contracted services and projects.

EXPENDITURE APPROVAL PROCESS

Recommendation Number 10: Pilsen should ensure that Check Request forms are properly completed and contain all approvals that are required. Pilsen should also specify in its financial procedures Manual the review required by the Board Treasurer.

Pilsen Response:

P-LVCMHC corporate compliance officer will schedule and facilitate reviews of disbursements by indicated Board Members. Accounting personnel will make disbursements available as needed for review by Board Treasurer. Lastly, P-LVCMHC will specify in its Financial Procedures Manual the review by the Board Treasurer and follow procedures as indicated.

CELL PHONE USAGE

Recommendation Number 11: Pilsen should examine its cell phone usage and packages to determine the optimal number of phones and the types of packages needed. Pilsen should also explore combining its cell phones with one provider to realize efficiencies and minimize charges.

Pilsen Response:

P-LVCMHC, Inc. Business Director has begun examination of cell phone usage rates and has identified packages that can be eliminated without incurring termination penalties. After completion of an informed internal assessment, phone carriers will be consolidated as needed and packages renegotiated to optimize savings and minimize charges.

Of important note a number of cell phones are used for emergency and on-call purposes only and are a mandatory program component. Low minute totals reflect few emergency calls and/or minimal calls necessitating after hours contact by assigned program staff.

PROPERTY TAXES

Recommendation Number 12: Pilsen should obtain tax-exempt status for qualified properties. Pilsen should also seek a refund of any property taxes inappropriately paid for and charged to State-funded programs and repay the State any monies due.

Pilsen Response:

An application for tax-exemption cannot be submitted until after closing on a Real Estate Property purchase. Processing and acceptance of such applications by involved government bodies may be completed well beyond the time period when property taxes are due.

The process for securing tax-exempt status for all qualified P-LVCMHC, Inc. properties has been completed, specifically the Stone Park Methadone Treatment Facility and the TOYS Children Mental Health program in Cicero, Illinois. Applications for all remaining tax refunds involving the aforementioned properties have been submitted. The refunds remain pending with the Cook County Assessor's Office.

RELATED PARTY TRANSACTIONS

Recommendation Number 13: Pilsen management and Board of Directors should assess the nature of its transaction with its Board members and determine whether such transactions should be disclosed as related party transaction in its audit report, pursuant to professional accounting standards.

Pilsen Response:

P-LVCMHC, Inc. respectfully disagrees with recommendation 13 and related comments noted on pages 2 and 22 of the OAG report. AICPA SOP 94-6 discusses the matter of control in the matter of not-for-profit entities. Pursuant to the guidance provided for in SOP 94-6, specifically relating to the matter of control of not-for-profit organization, it was our judgment that disclosure as a related party transaction was not necessary given the facts and circumstances.

The Auditor General's report clearly indicated it was P-LVCMHC that entered into leases with
the building located at 2001 South California Avenue. This is in error. Latino Youth Inc., a **2**
separate legal entity with its own Board of Directors, entered into the original leases. The new
P-LVCMHC board member cited by the OAG report purchased the old Latino Youth High
School Building directly from Latino Youth, Inc. in June 2006. No influence was exerted by the
P-LVCMHC or its executive director in the sale of the old Latino Youth building to the **3**
purchaser who is a successful and experienced real estate investor.

In August 2006, after the fiscal year in question of June 30, 2006, the Pilsen Little Village Community Management Organization, a distinct legal entity not under the control of Pilsen Little Village Community Mental Health Center, purchased the building at 2001 S. California Avenue. The Pilsen Little Village Community Management Organization (P-LVCMO) subsequently rented a portion of the building to Latino Youth, Inc. a separate and distinct entity from P-LVCMHC, Inc.

It is our judgment that no disclosure was necessary for the transactions in question during the fiscal year ended June 30, 2006, as there were three boards of directors in place, one for each of 4
the distinct legal entities. While it is true that the Executive Director was the same for all three entities, each board was independent and could exert control over any of the transactions in 5
question by the OAG report. We relied on SOP 94-6 and the material fact that the purchase of 2001 South California occurred after June 30, 2006. In fact, as this report indicated, the purchase was completed on August 24, 2006. 6

Prior to finalizing our June 30, 2007 financial statements, our auditor advised us of the necessity to disclose, and we did disclose, the purchase of the 2001 S. California building by the Pilsen Little Village Management Organization. This was disclosed in our June 30 2007 financial 7
statements because the purchase took place during fiscal year 2007 and on December 1, 2006, P-LVCMHC directly took over various contracts, which were previously contracted with Latino Youth, Inc. In essence during the fiscal year ended June 30, 2007, P-LVCMHC ended up paying the Pilsen Little Village Community Management Organization rent on the building that was formerly owned by a Limited Liability Company in which a P-LVCMHC board member had 8
a 30 percent interest. Both these events occurred during fiscal year ending June 30, 2007 which was, in our judgment, required to be disclosed, and was disclosed in the June 30, 2007 audited financial statements.

CORPORATE CREDIT CARD AND OTHER FEES

Recommendation Number 14: Pilsen should take the following actions:

- Pilsen should ensure that the use of the corporate credit card complies with Pilsen's Financial Procedures Manual. The purpose of the credit card purchases should be clearly documented on the receipts or other supporting documentation. Pilsen should also ensure that only the Executive Director uses the corporate credit card.

- Pilsen should ensure that increases in the credit line for the corporate credit card be approved by the Board President as required in the Financial Procedures Manual. Furthermore, approved credit limits should not be circumvented by making early credit card payments.

- Pilsen should ensure that expenditures are paid promptly to avoid paying finance charges and late fees and also ensure that any fees incurred are not charged to state-funded programs.

Pilsen Response:

With regard to the Executive Assistant's name on some receipts for food purchases, this individual served as the point of contact for restaurant vendor delivery persons.

The Financial Procedures Manual will specify any designees, in addition to the Executive Director, permitted to use the corporate credit card for the express purpose of receiving and paying for food purchase deliveries. The Executive Director's Executive Assistant will also gather detailed credit card receipts in addition to signature receipts and will properly record purchase purposes. This individual will also include and attach any related information and/or supporting documentation.

The Quality Assurance Department shall perform random semi-annual reviews of credit card purchases, receipts, and supporting documentation. Any discrepancies found during these reviews will be documented and presented to the Executive Director for action.

In keeping with the P-LVCMHC, Inc. Financial Procedures Manual, the Board President approval for credit line increases will be secured prior to acceptance of credit card issuer initiated limit increases.

The Accounting Department will continue to make every effort to process payments quickly, which includes the review of fiscal procedures to improve operational efficiencies. The fiscal department will charge any possible resulting penalties to unallocated administration accounts.

OUT-OF-STATE TRAVEL

Recommendation Number 15: Pilsen should ensure that travel expenditures are properly documented, charged to the correct detailed object code, and approved in advance by the funding agency if in excess of 250 miles out-of-state. Pilsen should also implement controls to ensure that owned reimbursements are timely obtained.

Pilsen Response:

P-LVCMHC, Inc. stresses that all out-of-state travel costs were for agency-related and/or program-related activities.

P-LVCMHC, Inc. will consistently document purpose of travel, related activities, and make appropriate allocations. Further, agency staff will secure funding source approvals for travel destinations in excess of 250 miles out-of-state.

Lastly, the P-LVCMHC, Inc. Accounting Department will implement new procedures to track all expenditures requiring reimbursement from individuals at the time the check is issued. The fiscal department will perform monthly reviews of pending reimbursements to ensure funds are recouped on a timely and consistent basis.

TUITION REIMBURSEMENT

Recommendation Number 16: Pilsen should develop a tuition reimbursement policy that specifies the conditions for having tuition reimbursed, and the documentation required to verify the course was completed. Pilsen should also ensure that tuition is billed to the proper programs.

P-LVCMHC, Inc. will develop a tuition reimbursement policy, which will specify tuition reimbursement conditions as well as documentation requirements verifying successful course completion. P-LVCMHC, Inc. will also ensure allowable tuition costs are billed to appropriate program accounts.

GRATUITIES AND SALES TAX

Recommendation Number 17: Pilsen should ensure that gratuities are not charged to State-funded programs. Pilsen should also not pay sales tax that it is not required to pay due to sales tax exemptions.

Pilsen Response:

Effective immediately, P-LVCMHC, Inc. will allocate all gratuities to unallocated administration accounts. We will also remind all employees to consistently use the agency's sales tax exemption letter when making purchases for P-LVCMHC, Inc.

WRITTEN AGREEMENTS FOR CONSULTING WORK

Recommendation Number 18: Pilsen should ensure that written agreements are in place prior to the consulting work being performed. The agreements should specifically outline the services to be performed and the payment terms for those services. Pilsen should also obtain documentation for the work performed.

Pilsen Response:

P-LVCMHC, Inc. will secure written agreements prior to the onset of consulting work. The agreements will provide sufficient detail regarding performed tasks and reimbursement terms. Further, documentation outlining work results will be required for support of expenditure.

AUDITOR COMMENTS

1 Pilsen's job description for the position of Program Coordinator for the Drug-Free Program requires a "Bachelor Degree in Counseling, Psychology, Social Work, **and** 3-5 years of Supervisory/Administrative experience." As stated in the audit, the personnel file did not contain documentation that the individual met the established job requirements. Personnel files should be complete and accurate and demonstrate an individual meets the job requirements.

2 Contrary to Pilsen's assertion, the report is **not** in error. The December 16, 2005 lease agreement for the property at 2001 S. California, lists the tenant as "Pilsen-Little Village Community Mental Health Center, Inc." and not Latino Youth, Inc. Pilsen's Executive Director signed the lease agreement as the tenant and Pilsen made the lease payments. Relevant pages from the lease agreement are attached to these Auditor Comments.

3 Financial Accounting Standards (FAS) No. 57 does not require influence to have actually been exerted to result in a related party transaction that is required to be disclosed; rather, FAS No. 57 requires disclosure if significant influence "can" be exerted. Likewise, the audit does not conclude that significant influence was exerted. What the audit does conclude, however, is that relationships existed where influence could be exerted. As Pilsen notes in its response, Pilsen's Executive Director was also the Executive Director of the other two entities. Also, a Pilsen Board member had an ownership interest and was involved in the real estate transactions. Furthermore, at the time of the sale in June 2006, Pilsen had assumed control of the management of the Latino Youth Alternative High School.

4 On June 30, 2006, there would not have been a board of directors in place for the Pilsen Little Village Community Management Organization as that organization was not formed until August 24, 2006.

5 AICPA Statement of Position 94-6 deals specifically with disclosure of certain significant risks and uncertainties including significant estimates and material concentrations known to management. Related party transactions are a separate disclosure. FAS No. 57 and SAS No. 45 define related parties as a party that "*…can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other…*" FAS No. 57 requires that financial statements include disclosures of material related party transactions.

6 While the purchase of the property at 2001 S. California occurred during fiscal year 2007, two other transactions, the leasing of the property at 2001 S. California and the sale of the old Latino Youth building at 2200 S. Marshall, occurred during fiscal year 2006.

7 Pilsen's audit of its June 30, 2007 year end financial statements was not completed at the conclusion of our fieldwork, and if it has been subsequently completed, a copy has not been provided to the auditors.

AUDITOR COMMENTS

8 We find it inconsistent that Pilsen concluded that a related party disclosure needed to be made in its fiscal year 2007 audited financial statements but not its 2006 statements. In citing the need for the disclosure in fiscal year 2007, Pilsen notes that they were making rental payments to the Pilsen-Little Village Community Management Organization for a building formerly owned by a Limited Liability Company in which a Pilsen Board member had a 30 percent interest. However, in 2006 a similar situation existed where Pilsen made lease payments directly to a Limited Liability Corporation in which a Pilsen Board member had a 30 percent interest.

2001 ODYSSEY, LLC
STANDARD FORM
BUILDING LEASE
(Multi-Tenant)

1. **BASIC TERMS**. This **Section 1** contains the Basic Terms of this Lease between Landlord and Tenant, named below. Other Sections of the Lease referred to in this **Section 1** explain and define the Basic Terms and are to be read in conjunction with the Basic Terms.

1.1. **Date of Lease: December 16 , 2005**

1.2. **Landlord:** 2001 ODYSSEY, LLC

1.3. **Tenant:** Pilsen-Little Village Community Mental Health Center, Inc.

1.4. **Premises:** Approximately 14,400 rentable square feet (as depicted in the attached Exhibit C) on the first floor of the 43,400 square foot building commonly known as 2001 South California Avenue, Chicago, Illinois (the "**Building**").

THE PREMISES SIZES IN THIS SECTION 1.4 ARE SUBJECT TO VERIFICATION BY LANDLORD'S ARCHITECT

1.5. **Property:** See **Exhibit A**.

1.6. **Lease Term:** Seven (7) years ("**Term**"), commencing January 1, 2006 ("**Commencement Date**") and ending December 31, 2012 ("**Expiration Date**").

1.7. **Permitted Uses:** (See **Section 4**) General education, office, and administrative uses.

1.8. **INTENTIONALLY OMITTED.**

1.9. **Brokers:** (See **Section 23**)
(A) Tenant's Broker: None
(B) Landlord's Broker: Arthur J. Rogers and Company

1.10. **Security Deposit:** (See **Section 4**) $12,498 (One month's average rent)

1.11. **Base Rent Payable by Tenant:**

Period	*Payment/Month*	*Payment/Year*
Months 1 to 12	$ 12,155.84	$ 145,870.13
Months 18 to 24	$ 12,520.52	$ 150,246.23
Months 25 to 36	$ 12,896.14	$ 154,753.62
Months 37 to 48	$ 13,283.02	$ 159,396.23
Months 49 to 60	$ 13,681.51	$ 164,178.12
Months 61 to 72	$ 14,091.95	$ 169,103.46
Months 73 to 84	$ 14,514.71	$ 174,176.56

1.12. **Initial Estimated Additional Rent Payable by Tenant:** $0 per month

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and Additional Rent, if delinquent or not paid by Tenant and received by Landlord when due hereunder, shall bear interest at the rate of 5% per annum above the "prime" or "reference" or "base" rate (on a per annum basis) of interest publicly announced as such, from time to time, by Bank One, Chicago, from the due date thereof until paid, and such interest shall be and constitute Additional Rent and be due and payable upon Landlord's or Agent's submission of an invoice therefor. Upon the breach or threatened breach by Tenant, or any persons claiming through or under Tenant, of any term, covenant or condition of this Lease, Landlord shall have the right to enjoin such breach and to invoke any other remedy allowed by law or in equity as if re-entry, summary proceedings and other special remedies were not provided in this Lease for such breach. The various rights, remedies and elections of Landlord reserved, expressed or contained herein are cumulative and no one of them shall be deemed to be exclusive of the others or of such other rights, remedies, options or elections as are now or may hereafter be conferred upon Landlord by law.

22.4. <u>**Event of Bankruptcy**</u>. In addition to, and in no way limiting the other remedies set forth herein, Landlord and Tenant agree that if Tenant ever becomes the subject of a voluntary or involuntary bankruptcy, reorganization, composition, or other similar type proceeding under the federal bankruptcy laws, as now enacted or hereinafter amended, then: (a) "adequate assurance of future performance" by Tenant and/or any assignee of Tenant pursuant to Bankruptcy Code Section 365 will include (but not be limited to) payment of an additional/new security deposit in the amount of three times the then current Base Rent payable hereunder; (b) any person or entity to which this Lease is assigned, pursuant to the provisions of the Bankruptcy Code, shall be deemed, without further act or deed, to have assumed all of the obligations of Tenant arising under this Lease on and after the effective date of such assignment. Any such assignee shall, upon demand by Landlord, execute and deliver to Landlord an instrument confirming such assumption of liability; (c) notwithstanding anything in this Lease to the contrary, all amounts payable by Tenant to or on behalf of Landlord under this Lease, whether or not expressly denominated as "Rent", shall constitute "rent" for the purposes of Section 502(b)(6) of the Bankruptcy Code; and (d) if this Lease is assigned to any person or entity pursuant to the provisions of the Bankruptcy Code, any and all monies or other considerations payable or otherwise to be delivered to Landlord or Agent (including Base Rent, Additional Rent and other amounts hereunder), shall be and remain the exclusive property of Landlord and shall not constitute property of Tenant or of the bankruptcy estate of Tenant. Any and all monies or other considerations constituting Landlord's property under the preceding sentence not paid or delivered to Landlord or Agent shall be held in trust by Tenant or Tenant's bankruptcy estate for the benefit of Landlord and shall be promptly paid to or turned over to Landlord.

23. <u>**BROKER**</u>. Tenant covenants, warrants and represents that the broker set forth in **Section 1.9(A)** was the only broker to represent Tenant in the negotiation of this Lease ("**Tenant's Broker**"). Landlord covenants, warrants and represents that the broker set forth in **Section 1.9(B)** was the only broker to represent Landlord in the negotiation of this Lease ("**Landlord's Broker**"). Landlord shall be solely responsible for paying the commission of Landlord's Broker and Tenant's Broker. Each party agrees to and hereby does defend, indemnify and hold the other harmless against and from any brokerage commissions or finder's fees or claims therefor by a party claiming to have dealt with the indemnifying party and all costs, expenses and liabilities in connection therewith, including, without limitation, reasonable attorneys' fees and expenses, for any breach of the foregoing. The foregoing indemnification shall survive the termination of this Lease for any reason.

24. <u>**MISCELLANEOUS**</u>.

24.1. <u>**Merger**</u>. All prior understandings and agreements between the parties are merged in this Lease, which alone fully and completely expresses the agreement of the parties. No agreement shall be effective to modify this Lease, in whole or in part, unless such agreement is in writing, and is signed by the party against whom enforcement of said change or modification is sought.

24.2. <u>**Notices**</u>. Any notice required to be given by either party pursuant to this Lease, shall be in writing and shall be deemed to have been properly given, rendered or made only if personally delivered, or if sent by Federal Express or other comparable commercial overnight delivery service, addressed to the other party at the addresses set forth below (or to such other address as Landlord or Tenant may designate to each other from time to time by written notice), and shall be deemed to have been given, rendered or made on the day so delivered or on the first business day after having been deposited with the courier service:

If to Landlord:	2001 ODYSSEY, LLC 676 North Orleans Street Chicago, Illinois 60610 Attn: Managing Member
If to Tenant:	Pilsen-Little Village Community Mental Health Center, Inc. Francisco Cisneros, Executive Director 2319 South Damen Avenue Chicago, Illinois 60608
With a Copy to:	Pioretti & Lower, Ltd. 39 South LaSalle Street Chicago, Illinois 60603

24.3. Non-Waiver. The failure of either party to insist, in any one or more instances, upon the strict performance of any one or more of the obligations of this Lease, or to exercise any election herein contained, shall not be construed as a waiver or relinquishment for the future of the performance of such one or more obligations of this Lease or of the right to exercise such election, but the Lease shall continue and remain in full force and effect with respect to any subsequent breach, act or omission. The receipt and acceptance by Landlord or Agent of Base Rent or Additional Rent with knowledge of breach by Tenant of any obligation of this Lease shall not be deemed a waiver of such breach.

24.4. Legal Costs. Any party in breach or default under this Lease (the "**Defaulting Party**") shall reimburse the other party (the "**Nondefaulting Party**") upon demand for any legal fees and court (or other administrative proceeding) costs or expenses that the Nondefaulting Party incurs in connection with the breach or default, regardless whether suit is commenced or judgment entered. Such costs shall include legal fees and costs incurred for the negotiation of a settlement, enforcement of rights or otherwise. Furthermore, in the event of litigation, the court in such action shall award to the party in whose favor a judgment is entered a reasonable sum as attorneys' fees and costs, which sum shall be paid by the losing party. Tenant shall pay Landlord's attorneys' reasonable fees incurred in connection with Tenant's request for Landlord's consent under provisions of this Lease governing assignment and subletting, or in connection with any other act which Tenant proposes to do and which requires Landlord's consent.

24.5. Parties Bound. Except as otherwise expressly provided for in this Lease, this Lease shall be binding upon, and inure to the benefit of, the successors and assignees of the parties hereto. Tenant hereby releases Landlord named herein from any obligations of Landlord for any period subsequent to the conveyance and transfer of Landlord's ownership interest in the Property. In the event of such conveyance and transfer, Landlord's obligations shall thereafter be binding upon each transferee (whether Successor Landlord or otherwise). No obligation of Landlord shall arise under this Lease until the instrument is signed by, and delivered to, both Landlord and Tenant.

24.6. Recordation of Lease. Tenant shall not record or file this Lease (or any memorandum hereof) in the public records of any county or state.

24.7. Survival of Obligations. Upon the expiration or other termination of this Lease, neither party shall have any further obligation nor liability to the other except as otherwise expressly provided in this Lease and except for such obligations as, by their nature or under the circumstances, can only be, or by the provisions of this Lease, may be performed after such expiration or other termination.

24.8. Governing Law; Construction. This Lease shall be governed by and construed in accordance with the laws of the state in which the Property is located. If any provision of this Lease shall be invalid or unenforceable, the remainder of this Lease shall not be affected but shall be enforced to the extent permitted by

IN WITNESS WHEREOF, Landlord and Tenant have duly executed this Lease as of the day and year first above written.

LANDLORD:

2001 ODYSSEY, LLC,
an Illinois Limited Liability Company

By: ______________________

Its: MANAGER

TENANT:

Pilsen-Little Village Community Mental Health Center, Inc.
an Illinois ______________________

By: ______________________

Its: Ext. Director

Rod R. Blagojevich, *Governor*

Illinois Department of Human Services

Carol L. Adams, Ph.D., *Secretary*

100 South Grand Avenue, East • Springfield, Illinois 62762
401 South Clinton Street • Chicago, Illinois 60607

December 28, 2007

Joe Butcher, Performance Audit Manager
Office of the Auditor General
Iles Park Plaza
740 East Ash
Springfield, Illinois 62703-3154

Dear Mr. Butcher:

Thank you for the opportunity to respond to your management audit of the Pilsen-Little Village Community Mental Health Center.

Our response to recommendation Number 19 is:

Finding #19: Follow Up By State Agencies
Recommendation #19: The Departments of Human Services (DHS), Public Health, and Healthcare and Family Services, as well as the Illinois State Board of Education, should follow up on the questionable expenditures reported in this audit and seek recovery of any inappropriately expended State funds.

DHS should also assess Pilsen's practice of supporting deficit programs with funding intended for other programs.

Department Response: Agree. The DHS will follow up on questionable expenditures identified in the audit and will take appropriate action to resolve these expenditures. DHS will also discuss the deficit spending issue cited in the report with Pilsen where deficit spending affects our grants. DHS also requires Pilsen to submit annual independent audit reports (A-133 Audits) and performs a desk review and analysis of the information contained in the report. DHS is currently working with Pilsen to obtain corrective action plans for the most recently submitted report. The DHS Divisions that fund Pilsen through grants will work with the DHS Office of Contract Administration to verify that recovery action has not been previously taken through their A-133 reviews or Grant Report.

Joe Butcher
Page Two

If you have any questions, please feel free to contact Mary Fritz at 217/785- 9624.

Sincerely,

Carol L. Adams

Carol L. Adams, Ph.D.
Secretary

cc: Grace Hou, Assistant Secretary
Catalina Soto, Assistant Secretary
Jerome Butler, Chief Operating Officer
Lorrie Rickman-Jones, Ph.D., Director, Division of Mental Health
Ivonne Sambolin-Jones, Director, Division of Community Health & Prevention
Sally Hardwick Adams, Manager, Office of Contract Administration
Dan Blair, DCHP, Chief Bureau of Fiscal Support Services
Joan Westfall, DMH, Assistant Director of Fiscal Services, Acting
Robert Stanek, Chief Financial Officer
Solomon Oriaikhi, Director, Office of Fiscal Services
Mary Fritz, Audit Liaison
Albert Okwuegbunam, Audit Liaison

Illinois Department of
PUBLIC HEALTH

Rod R. Blagojevich, Governor
Damon T. Arnold, M.D., M.P.H., Director

525-535 West Jefferson Street • Springfield, Illinois 62761-0001 • www.idph.state.il.us

December 27, 2007

Mr. Joe Butcher
Performance Audit Manager
Office of the Auditor General
Iles Park Plaza
740 East Ash
Springfield, IL 62703-3154

Dear Mr. Butcher:

Per your request, concerning the management audit of the Pilsen-Little Village Community Mental Health Center, enclosed is the department's response to Recommendation Number 1.

If you have questions, please feel free to contact my office.

Sincerely,

Damon T. Arnold, MD, MPH

Damon T. Arnold, MD, MPH
Director of Public Health

cc: Doris Turner

Enclosure

Improving public health, one community at a time

printed on recycled paper

The Illinois Department of Public Health concurs with the Auditor General's management audit of Pilsen Little Village Mental Health Center with respect to recommendation #1.

The Department has contacted Pilsen Little Village Mental Health Center by certified letter and requested the unexpended funds from the Breast and Cervical Cancer grant #50180096 in the amount of $16,798 and unexpended funds from the Prostate Cancer Awareness grant #63284040 in the amount of $863 be returned to the Department. The Department has instituted additional reporting procedures that include a more thorough process for the review of monthly and final program and fiscal reports. Lastly, the Department has developed a uniform program progress report form to be utilized by all grantees. This report will augment the required narrative progress reports.

With respect to DPH's response to Recommendation #19, as specifically stated in our agency's response to Recommendation #1, the department has already sent certified letters to Pilsen Little Village Mental Health Center to recover the unexpended funds from two separate grants provided to this grantee.

Illinois State Board of Education

100 North First Street • Springfield, Illinois 62777-0001
www.isbe.net

Rod Blagojevich
Governor

Jesse H. Ruiz
Chairman

Christopher A. Koch, Ed.D.
State Superintendent of Education

December 14, 2007

Mr. Joe Butcher
Performance Audit Manager
Office of the Auditor General
Iles Park Plaza
740 East Ash
Springfield, IL 62703-3154

Dear Mr. Butcher:

I have received the Office of The Auditor General's draft Audit Report on Pilsen-Little Village Community Mental Health Center dated November 30, 2007.

Enclosed is the Illinois State Board of Education's response to the recommendations included in the report.

If you require further information or clarification, please contact Lisa LaBonte, Chief Internal Auditor at 217-782-2237.

Sincerely,

Christopher A. Koch, Ed.D.
State Superintendent of Education

Enclosure

Illinois State Board of Education

Response to Recommendations in the
Office of the Auditor General's Management Audit of
Pilsen-Little Village Mental Health Center
Pursuant to House Resolution 1146

Recommendation 2

The Illinois State Board of Education should ensure that grant funds are spent according to the grant agreement by obtaining adequate documentation that supports expenditure amounts.

ISBE Response

The Illinois State Board of Education (ISBE) has taken steps to strengthen controls over member initiative grants in fiscal year 2007, since this type of grant is not subject to the standard level of grant monitoring performed on established programs.

The grant agreement for member initiative grants was modified to require the grantee to acquire the services of a Certified Public Accountant to perform certain agreed upon procedures, including procedures to ensure that the amounts reported to ISBE agree to the grantee's accounting records and to test expenditure transactions to ensure they are for the intended purpose of the grant, in accordance with the requirements of the grant agreement, and supported by the grant recipient's underlying records.

Recommendation 19

The Departments of Human Services, Public Health, Healthcare and Family Services, as well as the State Board of Education, should follow up on up questionable expenditures reported in this audit and seek recovery of any inappropriately expended State funds.

ISBE Response

ISBE will review the questionable expenditures reported in the audit in comparison to expenditures reported by the grantee to determine what follow-up is appropriate.

ILLINOIS DEPARTMENT OF Healthcare and Family Services

Rod R. Blagojevich, Governor
Barry S. Maram, Director

201 South Grand Avenue East
Springfield, Illinois 62763-0002

Telephone: (217) 782-1200
TTY: (800) 526-5812

December 21, 2007

Office of the Auditor General
Attn: Joe Butcher, Performance Audit Manager
740 East Ash Street
Springfield, Illinois 62763

Re: Draft Audit Report: Pilsen-Little Village Community Mental Health Center

Dear Mr. Butcher:

Thank you for providing an opportunity to comment on your draft audit report. The sole audit recommendation (number 19) that references the Department of Healthcare and Family Services states, "The Departments of Human Services (DHS), Public Health, and Healthcare and Family Services, as well as the Illinois State Board of Education, should follow up on the questionable expenditures reported in this audit and seek recovery of any inappropriately expended State funds."

As stated in the audit, the Department of Healthcare and Family Services (HFS) reimbursed Pilsen for a minimal amount of medical services. These were for fee-for-service community mental health services, with no additional grant or contractual payments. As an enrolled provider, these were payments reimbursed on a fee-for-service basis in accordance with an established fee schedule. HFS payments to Pilsen have no relation to the questionable expenditures documented in the draft report. Thus, there would be no opportunity, or need, for recovery based on the issues raised in the audit. Pilsen is, and will continue to be, subject to service documentation requirements established for all providers.

Sincerely,

Barry S. Maram/kay

Barry S. Maram
Director

E-mail: hfswebmaster@illinois.gov

Internet: http://www.hfs.illlinois.gov/