

REPORT DIGEST

PERFORMANCE AUDIT OF

PAYMENTS TO THE ILLINOIS HISPANIC CHAMBER OF COMMERCE BY STATE AGENCIES

Released: August 2007



State of Illinois
Office of the Auditor General

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SYNOPSIS

The State paid \$1.77 million to the Illinois Hispanic Chamber of Commerce (IHCC) from Fiscal Years 2003 through 2006. Eighty-six percent of that amount was spent by the IHCC for program administration/operations. With the remaining 14 percent of State funding, the IHCC distributed \$45,740 (2.6 percent) to nine Hispanic partners related to one of the programs for which it receives State funding. IHCC also distributed \$100,000 (5.6 percent) to businesses as matching grants in Fiscal Years 2006 and 2007. Another \$100,000 (5.6 percent) to businesses as matching grants had not yet been distributed.

State expenditures were primarily from three different State agencies: the Departments of Commerce and Economic Opportunity (DCEO), Human Services (DHS), and Transportation (IDOT). The spending was paid in relation to 16 contracts. In addition, a total of \$130,490 was paid by State agencies for participation in the Illinois Hispanic Chamber of Commerce's Hispanic Business Expo (Expo). We identified problems at the IHCC, at DCEO and at DHS including:

- The IHCC had problems with its financial management system and its ability to adequately track expenditures by program.
- The IHCC also had issues tracking performance for the various State agency contracts.
- DCEO had problems monitoring expenditures including: in-kind expenditures that were less than required; IHCC monthly and close-out reports that matched exactly to grant amounts; and time spent on grants by IHCC staff being less than was proposed in the contract.
- DCEO also had problems related to monitoring performance including: performance measures not established in all the contracts even though performance data was reported; incomplete performance data submitted; and IHCC only meeting a few of many performance measures which were established.
- DHS had weaknesses related to monitoring or maintaining documentation for its two IHCC grant agreements.

PERFORMANCE AUDIT OF
STATE MONEYS PROVIDED TO THE ILLINOIS HISPANIC CHAMBER OF COMMERCE

REPORT CONCLUSIONS

The State paid \$1.77 million to the Illinois Hispanic Chamber of Commerce from Fiscal Years 2003 through 2006. Eighty-six percent of that amount was spent by the IHCC for program administration/operations. With the remaining 14 percent of State funding, the IHCC distributed \$45,740 (2.6 percent) to nine Hispanic partners related to one of the programs for which it receives State funding. IHCC also distributed \$100,000 (5.6 percent) to businesses as matching grants in Fiscal Years 2006 and 2007. Another \$100,000 (5.6 percent) to businesses as matching grants had not yet been distributed.

State expenditures were from five different State agencies: the Departments of Commerce and Economic Opportunity, Human Services, Transportation, and Central Management Services, and the Office of the Treasurer. Most of the spending was from the first three agencies and was paid in relation to 16 contracts.

In addition, a total of \$130,490 was paid by State agencies for participation in the Illinois Hispanic Chamber of Commerce's Hispanic Business Expo (Expo). Conclusions about the three major agencies are discussed in the following sections. Of the two other agencies, Central Management Services paid a total of \$4,000 related to three years' participation in the Expo, and the Office of the Treasurer paid \$2,500 for Expo participation in Fiscal Year 2003.

ILLINOIS HISPANIC CHAMBER OF COMMERCE

The Illinois Hispanic Chamber of Commerce has had problems with its financial management system and its ability to adequately track expenditures by program. It has also had issues tracking performance for the various State agency contracts. Because several State agency contracts with the IHCC have purposes which are similar, it is important for IHCC to be able to ensure that services related to the various contracts fulfill the performance requirements of each of the contracts.

For Calendar Year 2006 the three top executives of the Illinois Hispanic Chamber of Commerce were paid salaries totaling \$236,308. During that year there were a total of 11 IHCC staff. In addition to salaries, a total of \$41,102 in bonuses had been paid to employees from 2003 to 2006, with the majority going to management employees.

COMMERCE AND ECONOMIC OPPORTUNITY

The Department of Commerce and Economic Opportunity had 12 contracts with the Illinois Hispanic Chamber of Commerce from Fiscal Years 2003 through 2006 and paid the IHCC a total of \$1,440,308. The moneys were to operate four programs: an Entrepreneurship Center; a Small Business Development Center; a Procurement Technical Assistance

Center; and the Minority Contractor Training Initiative. Payments for the 12 contracts totaled \$1,320,318. DCEO paid an additional \$119,990 for four years' participation in the IHCC Hispanic Business Expo.

OAG analysis of IHCC documentation showed that \$91,192 in payments made by DCEO to the IHCC for its contracts were unsupported by documentation provided. When we reviewed documentation related to contracts at the IHCC, officials provided transaction detail listings that showed expenditures that had been charged to the DCEO contracts. The IHCC charges were less than the amount that DCEO had paid.

DCEO had problems related to its monitoring of expenditures on its contracts with the IHCC. Problems we noted included: reported in-kind expenditures that were less than required; having monthly and close-out reports from the IHCC that matched exactly to grant amounts; and having percentage of time spent on grants by IHCC staff be less than was proposed in the contract.

DCEO also had problems related to monitoring the performance of the IHCC on its contracts. Problems we noted with monitoring performance included: not having performance measures established in all the contracts even though performance data were reported; having incomplete performance data submitted; and IHCC only meeting a few of many performance measures which were established.

HUMAN SERVICES

The Illinois Department of Human Services had two contracts and paid \$172,500 to the IHCC during Fiscal Years 2003 to 2006. The contracts were to provide Drug Free Workplace prevention programs and services for small businesses.

OAG analysis of transaction detail summaries provided by IHCC showed that DHS had paid the IHCC a total of \$19,670 more than was documented for the two contracts. When we reviewed documentation related to contracts at the IHCC, they provided transaction detail listings that showed expenditures that had been charged to the DHS contracts. The IHCC charges were less than the amount that DHS had paid.

DHS had weaknesses related to monitoring or maintaining documentation for the IHCC grant agreements. For Fiscal Year 2006, DHS paid the IHCC \$137,500. For that same time period IHCC quarterly expenditure reports submitted to DHS showed \$136,203 expended. For that same contract, IHCC transaction detail listings showed \$122,136 in expenditures.

TRANSPORTATION

The Illinois Department of Transportation had two contracts and paid \$151,013 to the IHCC during Fiscal Years 2003 to 2006. The contracts with IHCC were to provide business development assistance to Disadvantaged Business Enterprises (DBEs) for the purpose of increasing DBE participation in all federal aid and State transportation contracts. In addition, IDOT paid a total of \$4,000 for two years' participation in the IHCC Expo.

IDOT did a thorough job of monitoring the two contracts that it had with the IHCC. For both contracts, the IHCC was required to submit invoices for reimbursement of program costs incurred on a monthly basis. IDOT's contracts were different than other State agency contracts because payments were made to reimburse IHCC for the actual cost of services that had been provided.

When we reviewed IHCC documentation related to contracts, IHCC officials provided transaction detail listings that showed expenditures that had been charged to the IDOT contracts. For these contracts, the IHCC had charged more to the contracts than IDOT had paid.

BACKGROUND

On April 6, 2006, the Illinois Senate adopted Resolution Number 631. The Resolution directed the Auditor General to conduct a performance audit of the State moneys provided by or through State agencies to the Illinois Hispanic Chamber of Commerce, Inc., and/or the Mexican American Chamber of Commerce of Illinois, Inc., under contracts or grant agreements in Fiscal Years 2003, 2004, 2005, and 2006. The audit is to include, but need not be limited to, the following determinations:

- (i) The purposes for which State moneys were provided to the Chamber, for each State agency and for each amount transferred;
- (ii) The nature and extent of monitoring by State agencies of how the Chamber used the State-provided moneys;
- (iii) The actual use of State moneys by the Chamber including the identity of any sub-recipients and the amounts and purposes of any such pass-throughs;
- (iv) Whether, through a review of available documentation, the Chamber has met or is meeting the purposes for which the State moneys were provided, with specific information

concerning the Chamber's staffing levels and its compensation of management employees; and

- (v) Whether the Chamber is in compliance with the applicable laws, regulations, contracts, and grant agreements pertaining to the Chamber's receipt of State moneys.

ILLINOIS HISPANIC CHAMBER OF COMMERCE

Eighty-six percent of payments to the IHCC by State agencies were spent by the IHCC for program administration/operations.

The State paid \$1.77 million to the Illinois Hispanic Chamber of Commerce from Fiscal Years 2003 through 2006. Eighty-six percent of that amount was spent by the IHCC for program administration/operations. The remaining 14 percent was for distribution to Hispanic partners or to businesses as matching grants. Digest Exhibit 1 shows the portion of State funding at the IHCC which was used for program administration/operations and the portions distributed or to be distributed.

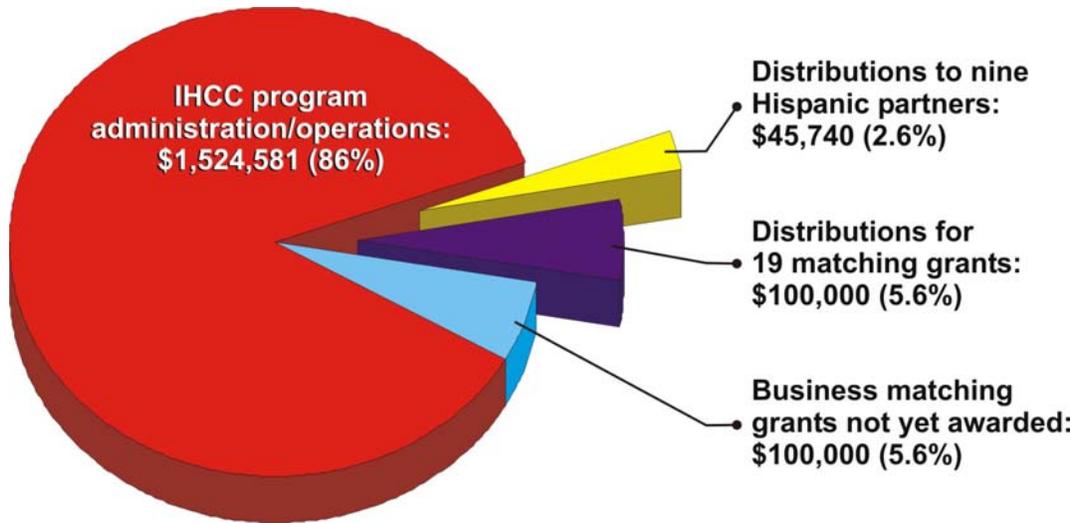
With the 14 percent, the IHCC distributed \$45,740 (2.6 percent) to nine Hispanic partners related to one of the State programs it runs. It also had distributed \$100,000 (5.6 percent) to businesses as matching grants in Fiscal Years 2006 and 2007. Another \$100,000 is required to be distributed by the IHCC as business matching grants but had not been awarded when we completed our audit work.

Agencies and Programs

State expenditures are from five different agencies. Most of the spending was from three agencies and was paid in relation to 16 contracts. The three State agencies with contracts were the Departments of Commerce and Economic Opportunity, Human Services, and Transportation. In addition to expenditures under contract, payments were made by agencies not under contract. These expenditures were for various State agencies' participation in the Illinois Hispanic Chamber of Commerce's Hispanic Business Expo in Fiscal Years 2003 to 2006. The adjacent exhibit shows acronyms for the programs by agency. (pages 5-6)

Acronyms, Agencies, and Programs	
<i>MCTI</i> <i>DCEO</i>	<i>Minority Contractor Training Initiative</i>
<i>SBDC</i> <i>DCEO</i>	<i>Small Business Development Center</i>
<i>PTAC</i> <i>DCEO</i>	<i>Procurement Technical Assistance Center</i>
<i>IHEC</i> <i>DCEO</i>	<i>Illinois Hispanic Entrepreneurship Center</i>
<i>DFW</i> <i>DHS</i>	<i>Drug Free Workplace</i>
<i>DBE</i> <i>IDOT</i>	<i>Disadvantaged Business Enterprise Program Outreach</i>
<i>Expo</i> <i>Various</i>	<i>Annual Hispanic Business Expo sponsored by the IHCC</i>

Digest Exhibit 1
STATE FUNDING FOR IHCC BY USE TYPE
Fiscal Years 2003 to 2006



	<u>FY03</u>	<u>FY04</u>	<u>FY05</u>	<u>FY06</u>	<u>Total Dollars</u>	<u>Percent of Total</u>
State Payments to IHCC	\$54,990	\$295,671	\$748,764	\$670,896	\$1,770,321	100.0%
Less IHCC distributions:						
Total IHCC distributions to nine Hispanic partners	—	—	\$45,740	—	\$45,740	2.6%
Total IHCC distributions for business matching grants	—	—	—	\$100,000 ₁	\$100,000 ¹	5.6%
Total IHCC business matching grants not yet awarded	—	—	—	<u>\$100,000</u> ₂	<u>\$100,000</u> ²	<u>5.6%</u>
Total IHCC for program administration/operations	<u>\$54,990</u>	<u>\$295,671</u>	<u>\$703,024</u>	<u>\$470,896</u>	<u>\$1,524,581</u>	<u>86.1%</u> ³

Notes:

- ¹ Only \$20,000 of the \$100,000 total had been distributed by the end of FY06. The balance was distributed in FY07.
- ² None of the matching grants had been distributed by the end of our audit fieldwork.
- ³ Total does not add due to rounding.

Source: IHCC data summarized by OAG.

The IHCC had problems with its financial management system and its ability to adequately track expenditures by program.

The IHCC has had problems with its financial management system and its ability to adequately track expenditures by program. This has resulted in the IHCC not being able to provide documentation of expenditure data that it submitted to State agencies.

Although the IHCC submitted expenditure reports for all of its contracts, for some of its contracts, officials certified that they have documentation for expenditures that they could not produce for us in our reviews. We recommended that the IHCC assure that it has a financial management system that allows it to document expenditures related to various State grants.

The IHCC also had issues related to tracking performance for the various State agency contracts. Because several State agency contracts with the IHCC have similar purposes, it is important to ensure that services related to the various contracts fulfill the performance requirements of each of the contracts. We recommended that the IHCC assure that it has a performance management system that allows it to document progress made toward the purposes of its various State grants.

For Calendar Year 2006, the top three executives of the Illinois Hispanic Chamber of Commerce were paid salaries totaling \$236,308 plus bonuses of \$8,750. Auditors noted that during the audit period, the IHCC incorrectly reported \$41,102 in bonuses to its employees on Internal Revenue Service IRS 1099-MISC forms instead of on IRS W-2 forms. There were 14 instances where 10 different employees had bonus amounts incorrectly reported on 1099-MISC forms during the tax years 2003 through 2006. We recommended that the IHCC report employee bonuses as wages on W-2 forms as required by the Internal Revenue Service. (pages 15-23)

DCEO

The Department of Commerce and Economic Opportunity had 12 contracts with the Illinois Hispanic Chamber of Commerce from Fiscal Years 2003 through 2006 and paid the IHCC a total of \$1,440,308. The moneys were to operate four programs: an Entrepreneurship Center; a Small Business Development Center; a Procurement Technical Assistance Center; and the Minority Contractor Training Initiative. Payments for the 12 contracts totaled \$1,320,318. DCEO paid an additional \$119,990 for four years' participation in the IHCC Hispanic Business Expo.

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showed expenditures that had been charged to the DCEO contracts. The IHCC charges were less than the amount that DCEO had paid.

In addition, DCEO had problems related to its monitoring of expenditures on its contracts with the IHCC. Problems we noted included: reported in-kind expenditures that were less than required; having monthly and close-out reports from the IHCC that matched exactly to grant amounts; and having percentage of time spent on grants by IHCC staff be less than was proposed in the contract. We recommended that DCEO assure that its contracts are carefully monitored, follow up when submitted material is questionable, and assure that all payments to grantees are supported by required grantee expenditures. Additionally, inappropriate payments should be recovered if necessary.

DCEO had problems related to its monitoring of expenditures and performance on its contracts with the IHCC.

DCEO also had problems related to monitoring the performance of the IHCC on its contracts. Problems we noted with monitoring performance included: not having performance measures established in all the contracts even though performance data were reported; having incomplete performance data submitted; and only meeting a few of many performance measures which were established. We recommended that DCEO continue its efforts to assure that performance on its contracts is carefully monitored. Consideration should be given to coordinating monitoring work when one grantee has grants from multiple programs. (pages 25-43)

DHS

The Illinois Department of Human Services had two contracts with the Illinois Hispanic Chamber of Commerce and paid the IHCC \$172,500 during Fiscal Years 2003 through 2006. The first contract began March 2005 and ended June 30, 2005. The contract total amount and the amount paid by DHS was \$35,000 in Fiscal Year 2005. The second contract period covered Fiscal Year 2006, was for \$150,000, and \$137,500 was paid by DHS. The purpose of these two grants was to provide Drug Free Workplace prevention programs and services for small businesses.

DHS had weaknesses related to monitoring of its two contracts with the IHCC.

Although DHS only had two contracts with the IHCC, there were still weaknesses related to monitoring of the contracts. For the 2005 grant, DHS did not receive any of the required expenditure report documentation and did not go through the close-out process. For the 2006 grant, quarterly expenditure reports were received late and DHS had granted a filing extension for the required 2006 revenue and expense data until September 2007. Additionally, no evaluation of IHCC, as a new contractor, had been performed even though DHS was approaching the third year of contracting with IHCC. We recommended that DHS assure that contracts are monitored properly, including receiving and reviewing

required monitoring documents, assuring that provider performance is evaluated, and assuring that all grant funds are spent for appropriate purposes and properly documented. (pages 45-53)

IDOT

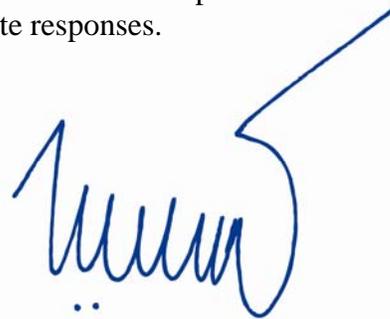
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RECOMMENDATIONS

The audit report contains six recommendations, all of which are noted in this digest. Three recommendations are for the IHCC, two for DCEO, and one for DHS. The agencies generally agreed with the recommendations. Appendix D to the audit report contains the IHCC's and the State agencies' complete responses.



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Auditor General

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August 2007