



Office of the County Auditor
Shelly A. Banks, C.P.A.

Cook County Auditor
69 West Washington, Suite 2200 • Chicago, Illinois 60602 • (312) 603-1500

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January 7, 2015

The Honorable Toni Preckwinkle, President
And Board of Cook County Commissioners
118 N. Clark Street, Room 537
Chicago, Illinois 60602

Dear President Preckwinkle and Board of Commissioners:

We have conducted an audit of the Cook County Planning and Development Department – CDBG Program. We conducted our audit in accordance with the [Cook County Auditor Ordinance](#).

Our objectives for this examination were to assess the record keeping and internal control procedures of the Planning and Development Department – CDBG Program for the program years of October 1, 2012 to September 30, 2013 and October 1, 2013 to September 30, 2014.

Please refer to the following audit report for the results of the audit. The audit report contains two audit findings. The [Executive Summary](#) provides an overview of the audit with the main finding areas.

We express our appreciation for the assistance of the Planning and Development staff extended to Ms. Julie Stack during the course of our audit. We have discussed our findings with the Planning and Development staff and would be pleased to discuss our recommendations in greater detail in order to assist Planning and Development with their implementation of our recommendations.

Respectfully Submitted,

Shelly A. Banks, CPA
Cook County Auditor

cc: Herman Brewer, Bureau Chief, Economic Development
Michael Jasso, Director, Planning and Development



COOK COUNTY GOVERNMENT
OFFICE OF THE COUNTY AUDITOR

Planning and Development-Community Development Block Grants (CDBG)
Program

Internal Audit Report

Report Date: January 2015

Issued By:
Shelly A. Banks, County Auditor

Audit Conducted By:
Julie Stack, Field Auditor V
Nancy Campanella, Audit Supervisor

EXECUTIVE SUMMARY

We have examined the program records of the Cook County Planning and Development Department-CDBG Program for the period ended September 30, 2014.

The purpose of the federal Community Development Block Grant Program (CDBG) is to undertake eligible activities that will carry out the primary objectives of Title 1 of the Housing and Community Development Act of 1974, as amended. These objectives are designed to provide decent housing, a suitable living environment, and to expand economic opportunities primarily for persons of low and moderate income. At least seventy-percent (70%) of CDBG funds must be utilized to support activities that benefit low- and moderate-income persons. To achieve these goals, the CDBG regulations set forth eligible activities and the national objectives that each activity must meet. As a recipient of CDBG funds, Cook County and its funding recipients are charged with ensuring that these requirements are met.

The scope and objectives of the Planning and Development - CDBG Audit were designed to assess the record keeping and internal control procedures. This was accomplished by gathering, reviewing and testing relevant and sufficient supporting documentation to reach a conclusion on each of our audit objectives.

During our audit of the Planning and Development Department - CDBG Program, our testing confirmed that the following internal controls were in place:

- Written agreements are signed before funds are committed or disbursed including funding for any sub recipient agreements.
- Requirements for record retention are met.

As a result of our testing we noted the following findings:

- Planning and Development does not conduct an annual risk assessment or develop an annual monitoring plan of County's CDBG funded activities as per the Department's written policies and procedures. ([Finding #1](#))
- Missing documentation to support subrecipient monitoring. ([Finding #2](#))

The findings noted were presented and discussed with the Department of Planning and Development. Please refer to the [Findings](#) section of this report for additional details on the findings, recommendations, management responses, corrective action plans and estimated completion dates.

BACKGROUND

The Community Development Block Grant (CDBG) Program provides funding to address the community and economic development needs of the suburban communities in Cook County. In suburban Cook County, CDBG funds have been used to build senior centers, improve multi-family and single-family housing, provide clean drinking water, demolish abandoned buildings, house the homeless, improve and develop local infrastructure and provide new low cost housing to our neediest senior citizens.

The CDBG Program utilizes funds made available by the U.S. Department of Housing and Urban Development (HUD), for which Cook County is the Grantee, and for which the County has qualified as an "Urban County Entitlement". Accordingly, Cook County is entitled to receive a specified amount of funds based upon population, poverty and age of housing stock. In turn, the County may sub grant funds to eligible municipalities and organizations for various community and economic development purposes.

These funds must be used for eligible activities that meet the national objectives of the CDBG Program. The purpose of the CDBG Program is to develop viable urban communities by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income.

Additionally, funding has been used to provide: educational, recreational, and outreach programs for youth, housing counseling, social and support services for women and children, domestic violence awareness and prevention programs, alcohol and drug addiction treatment and predatory lending prevention programs.

Not included in the Cook County CDBG program are communities that receive funds directly from HUD and do not participate in the County's programs, including: Arlington Heights, Berwyn, Chicago, Cicero, Des Plaines, Elgin, Evanston, Hoffman Estates, Mount Prospect, Oak Lawn, Oak Park, Palatine, Schaumburg and Skokie. Cook County CDBG funds may not be used, directly or indirectly, in areas not included in this program.

AUDIT SCOPE AND OBJECTIVES

Our audit was designed to assess and evaluate the administration and monitoring of the sub recipient grants in order to reach a conclusion on our audit objectives. Our objectives were to analyze and evaluate:

- Planning and Development performs their risk assessment annually.
- High risk projects identified have on-site monitoring completed.
- All projects and programs have at least a minimum level annual desk audit performed.
- Written agreements are signed before funds are committed or disbursed including for any sub recipient agreements.
- The minimum requirements for record retention are met.

FINDINGS

Finding #1

Planning and Development does not conduct an annual risk assessment of the County's CDBG funded activities or develop an annual monitoring plan as stated in Section 8-Monitoring Policies of the Department's policies and procedures manual. The risk analysis would help Cook County target its monitoring resources effectively by identifying those funded entities that pose the greatest risk to the integrity of its programs. The policy continues to note that this assessment would help Cook County identify which funded entities should be monitored on-site and which can be monitored remotely. Since projects have not been classified as high or low risk, Planning and Development attempts to perform on-going and on-site monitoring for all projects which does not utilize their resources in the most effective manner.

Recommendation

We recommend Planning and Development comply with their written policies and procedures by conducting a risk assessment and developing an annual monitoring plan. By performing an annual risk assessment, resources could be utilized more efficiently. The risk assessment would help identify those subrecipients and activities that represent the greatest liability to noncompliance, fraud, waste, and mismanagement. Once identified, staff resources could be utilized to perform "desk audits" on less risky subrecipients rather than on-site audits.

Management Response

The Department of Planning and Development (DPD) recently received technical assistance funded by the U.S Department of Housing and Urban Development (HUD), the federal funder of the Community Development Block Grant (CDBG) program. As part of this technical assistance engagement, a consultant team worked with DPD to revise and update our Policies and Procedures Manual. The manual was delivered to DPD in early 2014. The manual incorporated recommended best practices, including some practices that DPD had not yet implemented. Risk-based monitoring is one of the best practices that DPD did not yet have in place. DPD has been discussing how a CDBG risk assessment would work and for which project types it would be applicable. Different types of monitoring are required for different project types, and some projects may not be suitable for remote monitoring due to data privacy concerns. DPD expects to complete its assessment of risk-based monitoring for CDBG in early 2015 and finalize its risk assessment policy and an annual monitoring plan for projects underway in 2015.

Estimated Completion Date

February 28, 2015

Finding #2

During the audit testing, it was noted that support documentation for on-site monitoring was incomplete. We found that out of the 14 projects selected 7 projects or 50% did not include a monitoring checklist. Out of the 7 projects, there were 3 for which CDBG later provided the monitoring checklist and stated that the checklists had not been maintained in the project file. In addition, there was 1 project that did not include a Monitoring Compliance Letter. If the proper monitoring documentation is not maintained, this can lead to a lack of support that grant funds are being used properly and lack of support to prevent future funding for noncompliant subrecipients. In addition, it is important to inform subrecipients in a timely manner of any noncompliance issues to ensure the issues are resolved.

Recommendation

We recommend that Planning and Development obtain supervisor review and sign-off on each project to ensure that all documentation is present, each checklist has been completed and the Monitoring Compliance Letter has been sent to each subrecipient. In addition, we recommend that Planning & Development require the subrecipients to provide project before and after pictures to support the spending of grant funds and to document the project's progress.

Management Response

The Department of Planning and Development (DPD) has had inconsistent CDBG monitoring practices in recent years, and we have been updating our forms and procedures during 2014 to resolve these issues. For the seven projects that were missing a monitoring checklist, the checklist did exist for three of those projects but were not maintained in the project file. DPD is taking steps – described further below – to ensure all appropriate documentation is included in the project file. The remaining checklists (for four projects) were missing due to the inconsistent practices noted above and staff turnover. One project file did not contain a monitoring compliance letter. To address these issues, DPD is implementing a monitoring tracking spreadsheet that will include key information relating to the monitoring of each project: date of the monitoring, indication of findings/concerns, date of the compliance letter. This spreadsheet will be a tool for the supervisors to track monitoring progress. In addition, a file review will be conducted at the end of the program year to ensure that all required documentation is contained in the project files. While DPD has typically collected “before” pictures of projects during the application phase and “after” pictures during construction, DPD will implement a specific requirement for before and after pictures on all construction projects and include copies in the project file.

Estimated Completion Date

December 31, 2014