



Office of Mayor Lawrence J. Morrissey

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**PRESS RELEASE**

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**FOR IMMEDIATE RELEASE:**

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***CITY RELEASES REPORT IN RESPONSE TO STIMULUS GRANT FUND AUDIT FINDINGS***

**Rockford, IL** – Mayor Morrissey released an internal report (attached to this press release) today in response to the U.S. Department of Health and Human Services Office of Inspector General July 2013 Report ("OIG Report") regarding Community Services Block Grant dollars that were provided under the federal stimulus Recovery Act. At the directive of Mayor Morrissey, an internal review of the OIG Report was conducted to make recommendations for internal corrective action as well as make recommendations to the City Council for improved policies and procedures within the Rockford Human Services Department.

Highlights of the Report include the following:

- The OIG Report found that \$205,296 were “unallowable costs” according to applicable federal requirements. This included \$123,530 in grant funds that were inadequately documented, \$72,669 in costs that were incurred outside the budget period, and \$9,097 in entertainment costs that were not allowable according to federal grant guidelines.
- In addition, the OIG Report found that \$141,796 in costs that “may not have been allocable” to the CSBG-R grant award. The OIG Report also recommended that Rockford Human Services revises its policies and procedures regarding documentation, charging of costs, and monitoring procedures to ensure that costs charged comply with applicable Federal requirements.
- In total, the City and state have agreed with the OIG Report that Rockford Human Services should return a total of \$298,671.84 to the Federal Government.
- It should be noted that nothing in the OIG Report suggested intentional wrongdoing, fraudulent practices, illegal activities, or self-dealing by any City staff or sub-grantee with regard to the funds in question. In fact, all program fund expenditures were approved in advance by the State of Illinois DCEO staff.
- The failures identified within the OIG Report focus on a lack of adequate documentation, lack of program administration, expending funds outside the grant period, and expending funds not deemed allowable according to federal guidelines.

In the 20-page report, management recommendations include:

**1. Return \$298,671.84 in CSBG-R monies back to the U.S. Department of Health & Human Services via the Illinois DCEO.** While the State of Illinois DCEO, who administered the CSBG-R grant program, gave no indication that there was a problem with the contracts or the reporting that Rockford Human Services was submitting in support of the program until after the OIG Audit, mistakes were made, not only by the City of Rockford and Rockford Human Services Department but the agencies that were sub-grantees under the CSBG-R program.

“During the time of the CSBG-R grant, both the City and State of Illinois along with the nation were in severe economic crisis, which left our capacity to administer and deliver basic services stretched to the limit for our basic programs, much less be responsible for administering new grant programs and deploying \$7.5 million in Human Services’ stimulus funding in a very short timeframe (May 2009-September 2010,” stated Mayor Morrissey.

“While the dollars in question only amount to 4% of the grant funds administered by Human Services, mistakes were made, and policies and grant requirements were not adequately followed by the City and some subgrantees.”

**2. Establish a Grant Program Compliance Section within the Rockford Finance Department, with direct support from the Rockford Legal Department.** The City currently does not have the structure and capacity to adequately respond to this increasing federal regulatory environment. The City Report recommends the formation of a Grant Program Compliance Section focusing on financial accounting, training, reporting, and auditing of grant agreements and programs for adherence to Federal and State rules, as well as local purchasing and contracting procedures. Part of the recommendation also includes dedicating a large portion of a City Attorney, or outside contractual legal services, to support the Grant Program Compliance Section.

“This new Grant Program Compliance Section will be required to report on a quarterly basis, including at RockStat meetings, as to our progress to improve accountability and transparency within the realm of Federal and State grant compliance,” stated Mayor Morrissey.

**3. Restructure the Rockford Human Services Department.** The City Report highlights that Federal funding is continuing to decline, even as federal oversight and regulatory control is increasing. Consequently, the Report recommends that the Rockford Human Services Department be consolidated into the City’s Community & Economic Development Department.

As part of the restructuring, the Report also calls for the formation of an "Early Childhood Committee" to be established between the City, Rockford School District 205, local leaders, and leaders in early childhood to develop conceptual plans for restructuring and improving the current Head Start programs to the U.S. Department of Health & Human Services.

“As a community, nothing is more important than developing a more comprehensive and effective early childhood program in order to have children be able to meet standard achievement levels in reading and mathematics by the 3rd grade,” stated Mayor Morrissey. “It is our community’s best long-term path out of the structural poverty that stifles our prosperity.”

The City's approach to the OIG Report is consistent with the way the City has responded throughout Mayor Morrissey's administration to improve the organization.

Mayor Morrissey stated, "Our organizational values drive us to continuously strive to improve our operations through ongoing review of our performance every month through our RockStat process. When we identify problems, we put forward solutions. We will continue that tradition in this matter."

"I commend our City Administrator, Jim Ryan, on a thorough and comprehensive review of the OIG Report. We've taken into account the input from our City Council and we'll use this report to guide our efforts to improve performance, improve compliance, and increase value to our citizens."