



Office of the Comptroller

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March 30, 2001

Ref: Revenue & Cost Division

Mr. Jeff McAlister
OIC of Greater Milwaukee, Inc.
3030 N Martin Luther King Dr.
Milwaukee, WI 53212


Dear Mr. McAlister:

RE: Fiscal Site Review of Opportunities
Industrialization Center of Greater
Milwaukee, Inc.
CDBG Year 25 & 26 Contracts
- CDBG Year 25 & 26 HOME Contracts

We have reviewed the records of OIC of Greater Milwaukee, Inc. for the months of January 1999 to June 2000. Our review included tests of the accounting records and other review procedures, as we considered necessary under the circumstances. The costs incurred by OIC-GM were reviewed with the provisions of the contracts. Our review findings are attached. A written response to these findings is required within 30 days of the date of this letter. Failure to respond will result in the suspension of all future Cost Report processing.

If you have any questions, please call Estela C. Prust at 286-2517.

Very truly yours,



W. MARTIN MORICS
Comptroller

WMM:ECP:ecp ✓

cc: Ms. Juanita Hawkins - CBGA
Ms. Cordelia Ekweme - OIC of Greater Milwaukee, Inc.

Ref: 01FSR01

The following comments and recommendations are submitted for your consideration:

I. Payroll
CDBG & HOME Programs

Our review of payroll revealed that gross salaries were claimed in the cost reports. The agency utilizes a tax filing service for payroll tax payments. Included in the gross payroll, however, are other salary related deductions such as pension, 401K, life insurance premium, union pay, and child support, for which dates and check numbers related to their remittance were not provided under the personnel category in the cost reports. In order to claim gross salaries, all salary related deductions must be remitted in the period in which the payroll is paid and the corresponding dates and check numbers must be indicated in all cost reports.

We, therefore, require that the dates and check numbers for the remittance of other payroll-related deductions be indicated in all future cost reports.

We also noted that the salaries and fringes for one employee budgeted at 25 percent were claimed and reimbursed at 100 percent from January 2000 to October 2000. The Agency was reimbursed a total of \$36,746.42 over the budgeted amount.

We, therefore, require the agency to return the amount of \$36,746.42 to the City of Milwaukee payable to Mr. Wayne F. Whittow, City Treasurer.

II. Cash Disbursement
CDBG & HOME Programs

The following checks were reimbursed at more than the amounts indicated on the canceled checks:

- Check #1682 for \$4,135 dated 03/26/99 was reimbursed under Home cost report #3 in the amount of \$2,192 and also on CDBG cost report #3 & #3-final for \$2,192 and \$3,959, respectively.

We require the return of the difference of \$4,208 to the City of Milwaukee.

- Check #1687 dated 03/26/99 for \$19,769 was reimbursed on Home cost report #3 for a total of \$15,323.76. The same check was claimed on CDBG cost report #5 for \$16,012 and CDBG extension cost report #3 for \$3,341.68.

We require the return of the difference of \$14,908.44 to the City of Milwaukee.

- Check #1768 dated 06/08/99 for \$2,768.53 was reimbursed on Home cost report #7 in the amount of \$1,920.06 and also on CDBG cost reports #3,4, & 5 for a total of \$1,641.19.

We require the return of the difference of \$792.72 to the City of Milwaukee.

- Check #1773 dated 06/08/99 for \$937.96 was reimbursed on Home cost report #7 in the amount of \$381.20 and also on CDBG cost report #4 & 5 for a total of \$1,113.52.

We require the return of the difference of \$556.76 to the City of Milwaukee.

- Check #1622 dated 01/02/99 for \$15,405 was reimbursed for \$10,861.46 on Home cost report #5. The same check was claimed on CDBG cost reports #2 final and cost report #5 for a total of \$5,326.58.

We require the return of the difference of \$783.04 to the City of Milwaukee.

- Check #1691 dated 03/26/99 for \$2,630 was reimbursed on Home cost report #3 for \$218.92 and also on CDBG cost report #3 for \$2,630.

We require the return of the difference of \$218.92 to the City of Milwaukee.

- Check #1675 dated 03/17/99 for \$15,830 was reimbursed on Home cost reports #3 & 4 for a total of \$13,625. The same check was claimed on CDBG cost report #3-final for a total of \$4,645.

We require the return of the difference of \$2,440 to the City of Milwaukee.

- Check #1746 dated 05/13/99 for \$6,500 was claimed on Home cost reports #4 & 5 for a total of \$13,000.

We require the return of the difference of \$6,500 to the City of Milwaukee.

- Check #1823 dated 08/06/99 for \$12,899.60 was reimbursed on Home cost report #7 for a total of \$18,053.55.

We require the return of the difference of \$5,153.95 to the City of Milwaukee.

The following checks were claimed twice on the 1998 Home cost reports:

- Check #1545 dated 10/16/98 was claimed on 1998 HOME cost report #10 for \$829.32 and on cost report #11 for \$829.32. Both amounts were for June worker's compensation.

We require the return of the difference of \$829.32 to the City of Milwaukee.

- Check #1530 dated 10/08/98 was claimed on 1998 Home cost report #10 for \$1,658.64 and on cost report #11 for \$1,658.64. The amounts claimed pertained to April and May 1998 worker's compensation.

We require the return of \$1,658.64 to the City of Milwaukee.

Based on our review of the general ledger and checks included in our test sample, we found that the following checks that were reimbursed on various cost reports were voided:

<u>Check No.</u>	<u>Check Date</u>	<u>Project</u>	<u>Cost Report #</u>	<u>Amount Reimbursed</u>
1708	04/16/99	HOME	4	4,570.00
1740	05/13/99	HOME	4	172.76
1766	05/13/99	HOME	7	27.62
1779	06/09/99	HOME	5	10,400.00
1787	06/10/99	HOME	5	13,800.00
1913	10/28/99	HOME	10	8,870.40
1913	10/28/99	CDBG	1	3,251.10
				<u>\$41,091.88</u>

We require the return of the total of \$41,091.88 to the City of Milwaukee.

- We also noted that several disbursements were supported with copies of invoices instead of the original invoices. In addition, several invoices were not canceled after payment.

We, therefore, recommend that disbursements be supported with original invoices and canceled after payment.

The following checks were originally claimed under Home cost reports, but were disallowed and resubmitted under the CDBG cost reports wherein they were reimbursed:

<u>Check No.</u>	<u>Check Date</u>	<u>CDBG Cost Report #</u>	<u>Amount Reimbursed</u>
1688	03/26/99	3	12,350.00
1687	03/26/99	3 & 5	19,353.68
1698	03/31/99	2-Final & 5	9,829.00
1689	03/26/99		5,090.00
1691	03/26/99	3	2,630.00

Housing and Urban Development regulations and requirements for Home programs and CDBG-NIP projects vary. Therefore, we require the agency to provide our office with proof that all the costs pertaining to the several properties claimed under the CDBG cost reports were eligible under the HUD CDBG-NIP program regulations.

III. Others

- The Agency's administrative cost rate per approved cost allocation plan is 10.84%. This rate is to be multiplied by the total CDBG and HOME direct costs to arrive at the administrative cost allowable for reimbursement. The total adjusted CDBG direct costs as of November 2000 amounted to \$186,933 and the HOME direct costs including accrued costs amounted to \$685,745. While the computed administrative cost allowable for reimbursement is \$94,598, the agency was reimbursed a total of \$110,955.

We, therefore, require the return of the difference of \$16,357 to the City of Milwaukee.

- We also noted that OIC hired crew employees as carpenters, painters, and roofers. These employees were paid full time wages with benefits. However, based on the review of the costs submitted by OIC, several of the contracted services costs pertained to jobs that could have been performed by the crew employees.

We, therefore, recommend OIC and the CBGA office to review the activities of the crew employees.

- The HUD regulations and requirements vary between the HOME program and CDBG-NIP program. We were not able to verify whether the homes included in our tests were eligible properties funded under Home or CDBG-NIP grants.

We, therefore, recommend that OIC and the CBGA office make sure that the lists of homes funded under the two programs be kept separately and readily available for audit.

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