



**WISCONSIN LEGISLATIVE AUDIT BUREAU
LETTER OF TRANSMITTAL**

October 23, 1998

**Senator Mary A. Lazich and
Representative Carol Kelso, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702**

Dear Senator Lazich and Representative Kelso:

We have completed a review of Career Youth Development (CYD), as directed by the Joint Legislative Audit Committee. CYD is a nonprofit agency that provides a variety of services to youth in Milwaukee County, including substance abuse prevention and treatment programs, alternative schooling, and mental health services. CYD is funded primarily by grants from governments and other agencies. It spent approximately \$3.5 million on programs in 1997.

Recent audits conducted by the state Department of Health and Family Services, Milwaukee County, and Milwaukee Public Schools have questioned \$361,000 in charges CYD made to five of its grants. Our review of agency records for 1997 and the first six months of 1998 confirmed the problems identified in earlier audits and found they exist in other grants as well. Most of the agency's 31 grant programs have unreliable financial records. In addition, we found inadequate financial management and inadequate procedures to safeguard cash and other assets.

CYD has recently taken some steps to improve its financial operations, including engaging an accounting firm to develop financial controls and provide interim financial management, hiring a program compliance manager, expanding the size of its governing board, and increasing fund-raising efforts. Because most of these efforts have just begun, we could not determine whether they will be sufficient to correct all of the problems identified. Consequently, we have included a number of recommendations to improve financial control and reporting. In addition, because CYD's expenditures have exceeded revenues in three of the past four years by a total of \$231,400, we include a number of suggestions for addressing the agency's deteriorating financial condition in the future.

Respectfully submitted,

Janice Mueller

State Auditor

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Enclosure

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