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REPORT GUIDE SHEET

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REPORT TITLE: Fiscal Monitoring Review PROJECT NUMBER: 2008-SLATE3

SCOPE: July 1, 2007 through October 31, 2007 CONTRACT PERIOD: July 1, 2007-June 30, 2008

AGENCY: Productive Futures, Inc. Contract: #113-08 and #213-08

| | Signature | Date |
|---|---|----------------|
| R | Initial Submission: <u><i>[Signature]</i></u> | <u>6/19/08</u> |
| E | Audit Supervisor Review: _____ | _____ |
| P | Audit Manager Review: <u><i>[Signature]</i></u> | <u>6/19/08</u> |
| O | Proof Reading: _____ | _____ |
| R | Audit Manager Sign-Off: <u><i>[Signature]</i></u> | <u>6/19/08</u> |
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REPORT DISTRIBUTION

DELIVERABLES

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| (1) | <u>Hon. Darlene Green, Comptroller</u> | Report | <input checked="" type="checkbox"/> |
| (2) | <u><i>[Signature]</i> Lily Qiu, President/CEO Productive futures</u> | Flowcharts | <input type="checkbox"/> |
| (3) | <u><i>[Signature]</i> Tom Jones, Director, SLATE</u> | Survey Results | <input type="checkbox"/> |
| (4) | <u><i>[Signature]</i> Kim Neske, Fiscal Manager, SLATE</u> | IAS Survey | <input type="checkbox"/> |
| (5) | <u>Mohammad Adil, IAS Manager</u> | | |
| (6) | _____ | | |

FINAL REPORT RELEASE

The report(s) described above was (were) released by me after all appropriate levels of review were complete.

Signature Date

8/16/99

(Bind with file copy of report)



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



DARLENE GREEN
Comptroller

Internal Audit Section

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June 19, 2008

Ms. Lily Qiu, President/CEO
Productive Futures, Inc.
5225 Delmar Boulevard
St. Louis, MO 63108

RE: Fiscal Monitoring Report of Productive Futures, Inc., Adult/Youth Employment & Training programs, CFDA #17.258 & #17.259 (Project #2008-SLATE3)

Dear Ms. Qiu:

Enclosed is a report of our fiscal monitoring review of Productive Futures Inc., Adult and Youth Employment & Training programs (contract #113-08 and #213-08) for the period July 1, 2007 through October 31, 2007. The scope of a fiscal monitoring review is substantially less than an audit, and as such, we do not express an opinion on the financial operations of Productive Futures, Inc. Our fieldwork was completed on December 31, 2007.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised and has been conducted in accordance with the *International Standards for Professional Practice of Internal Auditing* and through an agreement with the St. Louis Agency on Training and Employment (SLATE) to provide fiscal monitoring to all grant sub-recipients.

If you have any questions, please contact Ishmael Ikpeama at (314) 589-6113.

Sincerely,

Mohammad H. Adil, CPA
Internal Audit Manager

Enclosure

cc: Tom Jones, Director, SLATE
Kim Neske, Fiscal Manager, SLATE



CITY OF ST. LOUIS

*ST. LOUIS AGENCY ON TRAINING AND EMPLOYMENT (SLATE)
WORKFORCE INVESTMENT ACT (WIA)*

*PRODUCTIVE FUTURES, INC.
ADULT PROGRAM CFDA #17.258, CONTRACT #113-08
YOUTH PROGRAM CFDA #17.259, CONTRACT #213-08*

*FISCAL MONITORING REVIEW
JULY 1, 2007 THROUGH OCTOBER 31, 2007*

PROJECT #2008-SLATE3

DATE ISSUED: JUNE 19, 2008

*PREPARED BY:
INTERNAL AUDIT SECTION*



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

CITY OF ST. LOUIS
ST. LOUIS AGENCY ON TRAINING AND EMPLOYMENT (SLATE)
PRODUCTIVE FUTURES, INC.
ADULT & YOUTH EMPLOYMENT & TRAINING PROGRAMS
CFDA #17.258, CFDA #17.259
CONTRACT #113-08, CONTRACT #213-08
FISCAL MONITORING REVIEW
JULY 1, 2007 THROUGH OCTOBER 31, 2007

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INTRODUCTION

Background

Contract Name: Productive Futures, Inc. (Agency)

Contract Number: 113-08 Adult Program, CFDA #17.258

Contract Number: 213-08 Youth Program, CFDA #17.259

Contracts Periods: July 1, 2007 through June 30, 2008

Contracts Amounts: \$241,100.00 and \$362,742.00

These contracts provide Workforce Investment Act funds through the St. Louis Agency on Training and Employment (SLATE) to the Agency for its Workforce Investment Act, Adult and Youth programs.

The Adult Program provides services to at least ninety-five (95) adults who are seeking assistance with job development/placement. Clients are placed into regular, full-time employment and receive follow-up services at 30, 90 day and 6, 9, and 12 months' intervals.

The Youth Program provides services to one hundred (100) out-of-school youths. The services assist youths in achieving basic skills, work readiness or occupational skills, and in accomplishing unsubsidized employment.

Purpose

The purpose of our review was to determine the Agency's compliance with federal, state and local SLATE requirements for the period July 1, 2007 through October 31, 2007 and make recommendations for improvement, if necessary.

Scope and Methodology

We made inquiries regarding the Agency's internal controls relating to the grant administered by SLATE, tested evidence supporting the reports the agency submitted to SLATE and performed other procedures considered necessary. Our fieldwork was completed on December 31, 2007.

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INTRODUCTION

Management's response to the observation noted in the report, was received on May 2, 2008, and has been incorporated into the report.

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CONCLUSION AND SUMMARY OF OBSERVATIONS

Conclusion

The Agency did not fully comply with federal, state and local SLATE requirements due to having inadequate accounting controls.

Status of Prior Observations

A fiscal monitoring review completed on March 23, 2007 found no observations.

A-133 Status

The Agency's A-133 audit for the fiscal year 2007 was reviewed. For the year ending December 31, 2006, the Agency expended \$494,348.00 in funds and did not exceed the \$500,000.00 threshold. The A-133 audit did not identify any deficiencies or items of concerns.

Summary of Current Observations

We made recommendations for the following observation, which, if implemented, could assist the Agency in fully complying with federal, state, and local SLATE requirements:

- Inadequate Separation of Duties.

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DETAILED OBSERVATIONS, RECOMMENDATIONS
AND MANAGEMENT'S RESPONSES

Inadequate Separation of Duties

Paragraph 14, Fiscal Administration, of the SLATE's contracts with the Agency states the following:

"The contractee will assure that program or activities have adequate administrative and accounting controls, personnel standards, evaluation procedures, availability of in-service training, and technical assistance programs, and other policies as may be necessary to promote the effective use of funds. The contractee will establish in accordance with WIA Section 184, fiscal control and fund accounting procedures that may be necessary to ensure the proper disbursement of and accounting for funds made available by this contract."

Sound internal controls require that at the most basic level, no single individual should have control over two or more phases of a transaction or operation. Management should assign responsibilities to ensure a crosscheck of duties. For example, separate individuals should perform the functions of receiving cash, recording the receipt, depositing the monies, and performing bank reconciliation.

The Agency has inadequate separation of accounting duties. At this time, the Agency does not have a bookkeeper or financial officer and all accounting functions are being performed by the Agency's president/CEO. The Agency has attempted within the past year to hire a bookkeeper, but has not been successful in hiring and retaining one for long.

If an adequate segregation of duties does not exist, it could result in errors and irregularities that are not detected in a timely manner by employees in the normal course of business.

Recommendation

We recommend that the Agency hire a bookkeeper or financial officer as soon as possible and in the meantime establish and implement compensating controls whereby, work of the president/CEO is reviewed by a board member in order to ensure the reliability of the accounting information.

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DETAILED OBSERVATIONS, RECOMMENDATIONS
AND MANAGEMENT'S RESPONSE

Management's Response

"The report states that at the time of audit Productive Futures has inadequate separation of accounting duties and recommends hiring a bookkeeper or financial officer to do the accounting duties. The report also mentions that Productive Futures hired a bookkeeper on January 22, 2008 solving the problem.

I would like to clarify some facts about this issue not addressed in your report. Actually, since Last year, I have been doing all that I could do to find and hire a qualified bookkeeper for Productive Futures. I placed advertisements for this position on my web sites. I interviewed many applicants and tried hiring several people. Last year, I hired a part-time bookkeeper, who is a CPA. But, this person had too many daily personal business commitments and his work was not careful. So, he didn't work out and left. Then, I hired another part-time bookkeeper, who was a controller of another company before. However, he soon felt that his QuickBooks knowledge was not good enough for this position and resigned. Later, I hired a full-time bookkeeper who had good QuickBooks skills. In less than 2 months, he got a job offer from another company and resigned. Now, I have hired another full-time bookkeeper who has a MBA degree. I hope that she will do a good job and stay for a long time. It can be seen from the above that there were various reasons why Productive Futures didn't have bookkeeper at the time of the audit. It was not because I omitted or neglected the requirements by federal, state and local SLATE on these Programs. I have put every effort into finding a good bookkeeper since last year. I hope that these facts will become a part of the report for this audit."