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OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



DARLENE GREEN
Comptroller

Internal Audit Section

Carnahan Courthouse Building
1114 Market St., Room 608
St. Louis, Missouri 63101
(314) 622-4723
Fax: (314) 613-3004

September 18, 2006

Ms. Louise Reeves, Executive Director
Project JESS (dba Jess, Inc.)
7020 Chippewa
St. Louis, Missouri 63119

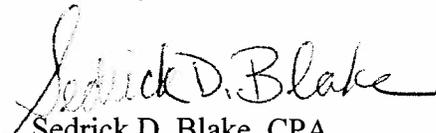
RE: Fiscal Monitoring Report of Project JESS (dba JESS, Inc.)
(#2006-SLATE 12)

Dear Ms. Reeves:

Enclosed is a report of our fiscal monitoring review of JESS, Inc. (Contract #224-06) for the period July 1, 2005 through May 30, 2006. 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 JESS, Inc. Our fieldwork was substantially complete on July 14, 2006.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and an agreement with St. Louis Agency on Training and Employment (SLATE) to provide fiscal monitoring to all grant subrecipients. If you have any questions, please contact Charles Schroeder at 589-6089.

Sincerely,


Sedrick D. Blake, CPA
Internal Audit Executive

Enclosure

cc: Honorable Darlene Green, Comptroller
Tom Jones, Director, SLATE
Kim Neske, Fiscal Manager, SLATE



CITY OF ST. LOUIS

ST. LOUIS AGENCY ON TRAINING AND EMPLOYMENT (SLATE)

*PROJECT JESS (DBA JESS, INC.)
CONTRACT #224-06*

SPECIAL FISCAL MONITORING REVIEW

JULY 1, 2005 THROUGH MAY 30, 2006

PROJECT #2006-SLATE12

DATE ISSUED: SEPTEMBER 18, 2006

*Prepared by:
The Internal Audit Section*



OFFICE OF THE COMPTROLLER

Honorable Darlene Green, Comptroller

CITY OF ST. LOUIS
ST. LOUIS AGENCY ON TRAINING AND EMPLOYMENT
PROJECT JESS (dba JESS, INC.)
CONTRACT #224-06
FISCAL MONITORING REVIEW
JULY 1, 2005 THROUGH MAY 31, 2006

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ST. LOUIS AGENCY ON TRAINING AND EMPLOYMENT
PROJECT JESS (dba JESS, INC.)
CONTRACT #224-06
FISCAL MONITORING REVIEW
JULY 1, 2005 THROUGH MAY 30, 2006

INTRODUCTION

Background

Contract Name: Project JESS (dba JESS, Inc.)
Contract Number: 224-06
Contract Period: July 1, 2005 through June 30, 2006
Contract Amount: \$24,798.00

This contract provides Workforce Investment Act funds through the St. Louis Agency on Training and Employment (SLATE) to JESS, Inc. for its youth program. The program focus is on serving youth 15 – 18 years of age who are in school, enrolled in special education in the St. Louis Public School high schools, and who have been diagnosed with a developmental disability. The contract is designed to service 25 in school youth participants over the course of the Agency's fiscal year.

Purpose

The purpose of our review was to determine JESS, Inc.'s compliance with federal, state and local SLATE requirements for the period July 1, 2005 through May 30, 2006, and make recommendations for improvements.

Scope and Methodology

We made inquiries regarding JESS, Inc. 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 substantially complete on July 14, 2006. Management's response received August 31, 2006 has been incorporated into the report.

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Conclusion

JESS, Inc. did not fully comply with federal, state and local SLATE requirements.

Status of Prior Observations

JESS, Inc. most recent fiscal monitoring report dated April 4, 2005 identified no observations.

A-133 Status

According to a letter received from Agency management, JESS, Inc. was not required to obtain an A-133 audit for the period ended June 30, 2005 because they did not expend \$500,000 or more in federal funds.

Summary of Current Observations

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

1. The Agency has a going concern issue.
2. The Agency did not have proper supervisor review and approval of timesheets.

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**DETAILED OBSERVATIONS, RECOMMENDATIONS,
AND MANAGEMENT'S RESPONSES**

1. The Agency has a Going Concern Issue

Contract #224-06 page 4 paragraph 14b states that the contractee must be a fiscally viable entity without receipt of this contract.

IAS noted the Treasurer's Report in the March 22, 2006 Board Meeting minutes stated that the Agency had an overall deficit of approximately \$35,000. IAS also noted that the Agency's Balance Sheet ending May 30, 2006 showed working capital as negative (\$117,063.63). Per the Business Manager and Executive Director this was due to loss of funding from one (1) MR&/DD Contract. The Agency is currently using the proceeds from a line of credit with Midwest Bank to cover the short-fall until other fund raising and financial plans can be negotiated.

Recommendation

We recommend the Agency secure additional funding resources and return working capital to a positive position to comply with SLATE contractual requirements.

Management's Response

Jess continues to work to secure additional funding for services which are not fully funded by a contracting source – such as the St. Louis Office of MR&/DD. For fiscal year 2006 (I was informed of this, by my predecessor, the day I started work at JESS, August 15, 2005) the contract with the St. Louis Office of MR&/DD was modified to require reimbursement for face-to-face contacts only. This had a negative impact on the agency's projected revenue because there are services, and preparation for services (appointment, follow up calls, etc.) which are provided to clients that cannot be counted as face-to-face; yet they require time and we must pay employees for providing those services. They are legitimate program expenses. Our records reflect our efforts to work out a different reimbursement arrangement with MR&/DD; yet nothing allowed us to come close to collecting a significant portion of the amount contracted with them.

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**DETAILED OBSERVATIONS, RECOMMENDATIONS,
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1. (continued)... ..

Management's Response (continued)

We provided approximately 80 percent of the services required by the contract, however, could only bill for approximately 25 percent of the cost. While the JESS Board is committed to serving St. Louisans with developmental disabilities, they realize we can neither continue to operate under the restrictive billing requirements of the contract nor subsidize it as heavily as we did during fiscal year 2006. When the Board acts on this issue and communicates their decision to the MR&/DD Board, we will also advise your office.

With regard to your recommendation to raise additional funds, our efforts have increased four-fold and we have received funding to hire a development coordinator with this increased effort. As a Certified Fund Raising Executive (CFRE), I spend a significant amount of my time advancing the organization and raising funds. This will continue and increase.

Concurrent with our increased efforts to raise more private funds, due to the inability to bill for all services provided under the contract with MR&/DD, we have had to reduce expenses. Most of these have occurred through attrition.

2. The Agency did not have Proper Supervisor Review and Approval of Time Sheets

The Agency's Fiscal Planning and Management Policies and Procedures – Internal Billing Review – page 4 Section 16 paragraph 1 states the billing work group, headed by the Business Manager, conducts quarterly review of all client files for which billing was made during that period.

IAS judgmentally selected three (3) employee's timesheets for the month of April 2006 and found two (2) with no evidence of supervisor review and/or approval. If review procedures are not consistently documented and cannot be substantiated, the validity of billings may be questionable and an opportunity for questionable cost can occur and not be detected.

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**DETAILED OBSERVATIONS, RECOMMENDATIONS,
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2. (continued)... ..

Recommendation

We recommend the Agency require supervisors to document their review and approval of employee hours worked on time sheets by dating and signing time sheets at the end of each pay period.

Management Response

As you have recommended, JESS will require all supervisors to document their review and approval of employee hours worked on the time sheet; the supervisor will also sign the time sheet at the end of each pay period. The Director of Youth Programs is responsible for making sure this occurs.