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OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



DARLENE GREEN
Comptroller

Internal Audit Section

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St. Louis, Missouri 63101
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November 27, 2006

Edward T. Jones, Executive Director
St. Louis Agency on Training & Employment (SLATE)
1017 Olive Street, First Floor
St. Louis, MO 63101

RE: Fiscal Monitoring Review of St. Louis Community College (Project #2006-SLATE
15)

Dear Mr. Jones:

For the period reviewed, St. Louis Community college did not comply with the contract requirements for amendments of costs. Therefore, we are recommending SLATE:

1. Review sub-recipient's previous reimbursement requests to determine any overpayments due to SLATE.
2. Subtract \$381.94 of questioned costs as outlined in Observation #2 of the sub-recipient's fiscal monitoring report enclosed. We are recommending that this amount is taken from the next request for reimbursement due to non-compliance with the contract.
3. When necessary ensure the sub-recipient submit an amendment to the contract for any modifications to the line item budgets as required by the contract.

If you have any questions, please call Charles Schroeder at (314) 589-6089.

Respectfully,

A handwritten signature in cursive that reads "Sedrick D. Blake".

Sedrick D. Blake, CPA
Internal Audit Executive

Enclosure

cc: Kim Neske, Fiscal Manager, SLATE
Michael McAtee, Accounting Manager II, Federal Grants Section
Judith Holstein, Accounting Supervisor, Federal Grants Section
Thomas J. Bozzo, Deputy Comptroller



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November 27, 2006

Ann Noland, Fiscal Services Specialist
St. Louis Community College
300 S Broadway
St. Louis, MO 63102

RE: Fiscal Monitoring Report of St. Louis Community College
(#2006-SLATE 15)

Dear Ms. Noland:

Enclosed is a report of our fiscal monitoring review of St. Louis Community College (Contracts #706-06, #105-06, and #705-05) for the period December 1, 2004 through June 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 St. Louis Community College. Our fieldwork was completed on October 13, 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 (314) 589-6089.

Sincerely,

Sedrick D. Blake, CPA
Internal Audit Executive

Enclosure

cc: Edward T. Jones, Executive Director, SLATE
Kim Neske, Fiscal Manager, SLATE



CITY OF ST. LOUIS

ST. LOUIS AGENCY ON TRAINING AND EMPLOYMENT (SLATE)

*ST. LOUIS COMMUNITY COLLEGE
CONTRACTS #706-06, #105-06 AND #705-05*

FISCAL MONITORING REVIEW

DECEMBER 1, 2004 THROUGH JUNE 30, 2006

PROJECT #2006-SLATE15

DATE ISSUED: NOVEMBER 27, 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
ST. LOUIS COMMUNITY COLLEGE
CONTRACTS #706-06, #105-06 and #705-05
FISCAL MONITORING REVIEW
DECEMBER 1, 2004 THROUGH JUNE 30, 2006

TABLE OF CONTENTS

<u>Description</u>	<u>Page(s)</u>
INTRODUCTION	
Background	1
Purpose	1
Scope and Methodology	2
CONCLUSION AND SUMMARY OF OBSERVATIONS	
Conclusion	3
Status of Prior Observations	3
A-133 Status	3
Summary of Current Observations	3
DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES	4-7

CITY OF ST. LOUIS
ST. LOUIS AGENCY ON TRAINING AND EMPLOYMENT
ST. LOUIS COMMUNITY COLLEGE
CONTRACTS #706-06, #105-06 and #705-05
FISCAL MONITORING REVIEW
DECEMBER 1, 2004 THROUGH JUNE 30, 2006

INTRODUCTION

Background

Contract Name: St. Louis Community College

Contract Numbers: #706-06, #105-06 and #705-05

Contract Periods: 07/01/05 to 12/31/06, 08/22/05 to 06/30/06, and
12/01/04 to 11/30/07

Contract Amounts: \$85,190.92, modified to \$48,714.15, \$178,008.74 and
\$1,350,000.00

These contracts provide St. Louis Agency on Training and Employment (SLATE) funds to St. Louis Community for three (3) programs.

The funds for contract #706-06 are for St. Louis Community College to recruit, perform eligibility determination, enroll, place into employment and provide various other employment services to laid-off workers from Ford and Lear in the St. Louis Area under the WIA National Emergency Grant known as the St. Louis Auto Industry Project.

The funds for contracts #105-06 are for St. Louis Community College to provide trainers to conduct workshops in Soft Skills, Resume Development, and Job Search for the population served by SLATE. One trainer shall teach a Soft Skills workshop and a Resume Development workshop twice a month. One trainer shall teach a Job Search workshop every week. One trainer shall teach a Job Search workshop at an off-site location twice a month and assist in Soft Skills and resume development workshops that are conducted twice a month at the 1017 Olive location. Each of the three (3) trainers shall perform workshops to businesses, schools, or other requests on an on-call basis in addition to the above workshops.

The goal of contract #705-05 is to provide state-of-the-art high level technology skills training to the workers in the four auto plants in the St. Louis Metropolitan Region over a project period of thirty-six months (December 1, 2004 through November 30, 2007) The training needs they have agreed upon include: 1) integration of automated systems; 2) predictive maintenance for advanced manufacturing systems and technology; 3) enhanced mechanical technology; and 4) enhanced electrical technology. Providing this training to the current auto workforce in the St. Louis Metropolitan Region will assist the employees in job advancement within their current plants. Also, this advanced training will give these employees portable skills.

CITY OF ST. LOUIS
ST. LOUIS AGENCY ON TRAINING AND EMPLOYMENT
ST. LOUIS COMMUNITY COLLEGE
CONTRACTS #706-06, #105-06 and #705-05
FISCAL MONITORING REVIEW
DECEMBER 1, 2004 THROUGH JUNE 30, 2006

INTRODUCTION

Purpose

The purpose of our review was to determine St. Louis Community College's compliance with federal, state and local SLATE requirements for the period December 1, 2004 through June 30, 2006, and make recommendations for improvements.

Scope and Methodology

We made inquiries regarding St. Louis Community College's internal controls relating to the grant administered by the St. Louis Agency on Training and Employment (SLATE), tested evidence supporting the reports the agency submitted to SLATE and performed other procedures considered necessary. Our fieldwork was completed on October 13, 2006. Management's response was received on November 17, 2006 and incorporated into this report.

CITY OF ST. LOUIS
ST. LOUIS AGENCY ON TRAINING AND EMPLOYMENT
ST. LOUIS COMMUNITY COLLEGE
CONTRACTS #706-06, #105-06 and #705-05
FISCAL MONITORING REVIEW
DECEMBER 1, 2004 THROUGH JUNE 30, 2006

CONCLUSION AND SUMMARY OF OBSERVATIONS

Conclusion

We found evidence in two (2) instances where St. Louis Community College did not fully comply with federal, state and local SLATE requirements.

Status of Prior Observations

The Agency's most recent fiscal monitoring report for Contract #105-04, dated May 24, 2004, had no observations. There were no prior fiscal monitoring review reports for Contracts #705-05 or #706-06.

A-133 Status

The Agency's A-133 audit report for the year ended June 30, 2005 which was dated September 29, 2006, did not disclose any findings required to be reported in accordance with OMB Circular A-133. Unqualified opinions were rendered on both the general purpose financial statements and the compliance for major programs.

Summary of Current Observation

We noted two (2) observations during our review as follows:

1. **Contract #705-05**
 - The Agency Did Not Submit Written Notification or a Revised Budget to SLATE when Contract Costs for Performance were Substantially Less Than Estimated.

2. **Contract #105-06**
 - The Salary Reimbursement Percentage Rate used by the Agency did not Agree with the Contract Budget Rate.

CITY OF ST. LOUIS
ST. LOUIS AGENCY ON TRAINING AND EMPLOYMENT
ST. LOUIS COMMUNITY COLLEGE
CONTRACTS #706-06, #105-06 and #705-05
FISCAL MONITORING REVIEW
DECEMBER 1, 2004 THROUGH JUNE 30, 2006

CONCLUSION AND SUMMARY OF OBSERVATIONS

1. The Agency Did Not Submit Written Notification or a Revised Budget to SLATE when Contract Costs for Performance were Substantially Less Than Estimated

Paragraph 15, Page 5, of contract #705-05 states ...the total cost to the City of St. Louis for the performance of the Contract will not exceed the amount set forth in the signed Contract or any appropriate modification thereto. If at any time, the Contractee has reason to believe the total cost to the City of St. Louis for the performance of the Contract will be greater or less than estimated, the Contractee shall notify the Executive Director of the St. Louis Agency on Training and Employment (SLATE) in writing to that effect, and submit a revised estimate of the total cost for the performance of such work.

Contract #705-05 is a three year contract (12/1/2004 – 11/30/2007). As of August 30, 2006, the Agency had expended only \$257,488.25 (19%) of its total \$1,350,000.00 contract budget. This was 58% or twenty-one (21) months out of a thirty-six (36) month contract.

The Agency's accountant stated the following assumptions/challenges (that put them behind in training):

- Additional time was required to update current course material and develop new courses in order to meet the needs of the current Advanced Manufacturing automobile industry.
- Scheduling joint training for the separate auto manufacturers and four separate plant facilities
- Instructor availability and flexibility. Training in block times, (up to 40 hours per week); and irregular times, (6AM)
- Trainee availability and flexibility. Due to manpower needs on plant floor, large numbers of employees from same skilled trade area cannot be released at one time, affecting class size.
- For Assembly Plant closure, decreasing UAW participant pool.
- Grant was written with a \$50/hour cap on instruction for advance manufacturing technical training, most applicable specialized manufacturing training is more expensive.

CITY OF ST. LOUIS
ST. LOUIS AGENCY ON TRAINING AND EMPLOYMENT
ST. LOUIS COMMUNITY COLLEGE
CONTRACTS #706-06, #105-06 and #705-05
FISCAL MONITORING REVIEW
DECEMBER 1, 2004 THROUGH JUNE 30, 2006

CONCLUSION AND SUMMARY OF OBSERVATIONS

1. Continued... ..

Estimated costs are determined to be substantially less than originally estimated. Unless excess funds are returned to SLATE, loss of the unused funds may occur and jeopardize future grant funds for these services. This could negatively impact the City's Operating Budget, future job opportunities and services to City and State residents.

The Agency did not fully comply with the procedures established in the contract for amendment of contract costs when it was determined that the contract performance deliverables could not be met or would be substantially less than anticipated.

Recommendation

The Agency should re-evaluate the costs to complete the contract in the months remaining and submit a revised budget to SLATE.

Management's Response

Management does not believe that the total overall cost to the City will be greater or less than estimated and therefore a revised budget is not appropriate at this time. The project is under spent for the early period of the grant but plans to conduct additional training, utilizing the funds budgeted, in the last year of the grant period, or during an extension period, if required.

Management met with the Executive Director of the St. Louis Agency for Training and Employment (SLATE) on July 11, 2006 in a regularly scheduled quarterly meeting of the Project Leadership Committee, (PLC). Upon the advice of ... (the), Department of Labor Project Manager for this project, the PLC agreed to review the budget situation March 07. If necessary, the PLC will jointly prepare a project extension request to the Department of Labor in addition to a revised budget to SLATE at that time. The PLC plans to utilize all the funding for this program and a revision to reduce the overall budget is not appropriate at this time.

Auditor's Response

We will schedule a fiscal monitoring follow-up review of the Agency on or after March 2007 to ascertain the resolution.

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 ST. LOUIS COMMUNITY COLLEGE
 CONTRACTS #706-06, #105-06 and #705-05
 FISCAL MONITORING REVIEW
 DECEMBER 1, 2004 THROUGH JUNE 30, 2006**

CONCLUSION AND SUMMARY OF OBSERVATIONS

2. The Salary Reimbursement Percentage Rate used by Agency did not Agree with the Contract Budget Rate

Paragraph 18, Page 5, of contract #105-06 states ... no more than the specific amount as stated in the Budget Section may be spent for the performance unit costs or be activity or the outlined costs categories and/or activities on a line-by-line bases as outlined in the contract budget, without prior written approval of the St. Louis Agency on Training and Employment (SLATE).

The Agency charged SLATE 70% reimbursement of the monthly salary for the Workshop Person #1 position, for the month of June 2006. The contract requirement was only 60%.

The Agency's accountant stated that the need to increase the amount the reimbursement percentage rate was discussed with SLATE management; however, a written amendment was not submitted to SLATE to obtain written authorization to change the reimbursement percentage rate.

The Agency did not fully comply with the procedures established in the contract for amendment of contract costs. Therefore, the Agency received \$381.94 overpayment by SLATE for the salary of the Workshop Person #1 position, as follows:

<u>Job Title</u>	<u>Monthly Salary (\$45,832.73/12)</u>	<u>Contract Rate 60%</u>	<u>Agency Rate 70%</u>	<u>Difference Due SLATE</u>
Workshop Person #1	\$3,819.39	\$2,291.63	\$2,673.57	\$381.94

Recommendation

We recommend SLATE review Agency's all previous reimbursement requests to determine any additional overpayments due SLATE and subtract the total amount including \$381.94 above from its next request for reimbursement. In the future, a contract amendment should be submitted to SLATE prior to any modifications to the line item budget, as required by the contract.

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ST. LOUIS AGENCY ON TRAINING AND EMPLOYMENT
ST. LOUIS COMMUNITY COLLEGE
CONTRACTS #706-06, #105-06 and #705-05
FISCAL MONITORING REVIEW
DECEMBER 1, 2004 THROUGH JUNE 30, 2006

CONCLUSION AND SUMMARY OF OBSERVATIONS

2. Continued...

Management's Response

There was a need for the Workshop Person #1 to spend more time than was budgeted to provide services for the SLATE Contract. Management did not submit a budget modification to SLATE because the salary for this position did not exceed the line item nor did it exceed the total cost of the contract. In the future management will follow the recommendation that is made in this review. Total expenses submitted to SLATE will not exceed the original budget. Management does not believe there was an overpayment for this contract.

Auditor's Response

The salary for workshop person #1 and the percentage chargeable to SLATE was specified in the contract. The Agency exceeded the percentage chargeable by 10%. Therefore, we stand by our recommendation.