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OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



DARLENE GREEN
Comptroller

Internal Audit Section

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September 12, 2008

Steve Mastin II, Vice President/CFO
Provident, Inc.
2650 Olive Street
St. Louis, MO 63103

RE: Review of Provident, Inc., Workforce Investment Act Youth Program,
Contract #228-08, CFDA # 17.259 (Project #2008-SLATE2)

Dear Mr. Mastin:

Enclosed is a report of our fiscal monitoring review of Provident, Inc.'s (Agency), a not-for-profit organization, Workforce Investment Act Youth Program, for the period July 1, 2007 through September 30, 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 Provident, Inc. Our fieldwork was completed on December 20, 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 Internal Audit Section at (314) 622-4723.

Sincerely,

A handwritten signature in cursive script that reads "Kenneth M. Stone".

Dr. Kenneth M. Stone
Internal Audit Executive

Enclosure

cc: Michael Holmes, Director, St. Louis Agency on Training and Employment
Kim Neske, Fiscal Manager, St. Louis Agency on Training and Employment



CITY OF ST. LOUIS

ST. LOUIS AGENCY ON TRAINING AND EMPLOYMENT

*PROVIDENT, INC.
WORKFORCE INVESTMENT ACT YOUTH PROGRAM
CONTRACT #228-08
CFDA # 17.259*

*FISCAL MONITORING REVIEW
JULY 1, 2007 THROUGH SEPTEMBER 30, 2007
PROJECT #2008-SLATE2*

DATE ISSUED: SEPTEMBER 12, 2008

*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
PROVIDENT, INC.
WORKFORCE INVESTMENT ACT YOUTH PROGRAM
FISCAL MONITORING REVIEW
JULY 1, 2007 THROUGH SEPTEMBER 30, 2007**

TABLE OF CONTENTS

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

**CITY OF ST. LOUIS
ST. LOUIS AGENCY ON TRAINING AND EMPLOYMENT
PROVIDENT, INC.
WORKFORCE INVESTMENT ACT YOUTH PROGRAM
FISCAL MONITORING REVIEW
JULY 1, 2007 THROUGH SEPTEMBER 30, 2007**

INTRODUCTION

Background

Contract Name: Provident, Inc.

Contract Number: 228-08

CFDA Number: 17.259

Contract Period: July 1, 2007 through June 30, 2008

Contract Amount: \$233,448.00

This contract provides Workforce Investment Act funds through the St. Louis Agency on Training and Employment (SLATE) to Provident, Inc. (Agency) for its Workforce Investment Act youth program – Transitions to Work for Youth. The Agency is responsible for the recruitment of clients by engaging a pool of 320 youths between the ages of 16 and 21, to reach the final performance target of 80. Their goal is to provide wrap-around services to alleviate the clients' barriers to employment. Such services include clinical case management, job readiness training and mentoring, emergency housing, substance abuse treatment, vocational training, and GED and remedial education and training. Milestones will be achieved over a two-year performance period.

Purpose

The purpose of our review was to determine the Agency's compliance with federal (OMB Circular A-133), state and local SLATE requirements for the period July 1, 2007 through September 30, 2007, and make recommendations for improvements.

Scope and Methodology

We made inquiries regarding the Agency'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 December 20, 2007. Management's Responses were received on February 14, 2008, and have been incorporated into this report.

**CITY OF ST. LOUIS
ST. LOUIS AGENCY ON TRAINING AND EMPLOYMENT
PROVIDENT, INC.
WORKFORCE INVESTMENT ACT YOUTH PROGRAM
FISCAL MONITORING REVIEW
JULY 1, 2007 THROUGH SEPTEMBER 30, 2007**

INTRODUCTION

Exit Conference

We conducted an exit conference at the Agency on January 24, 2008. The Agency was represented by Steve Mastin, Vice President/CFO; Johanna Wharton, Vice President of Community Services; Cassandra Pinkston, Director of Grants Administration; and James Rice, Jr., Vice President of Marketing & Institutional Advancement. The Internal Audit Section was represented by Ishmael Ikpeama, Internal Audit Supervisor and Anchaleeya Thompson, Auditor I.

Management's Responses

Management's responses to the observations noted in the report were received on January 24, 2008 and have been incorporated into the report.

**CITY OF ST. LOUIS
ST. LOUIS AGENCY ON TRAINING AND EMPLOYMENT
PROVIDENT, INC.
WORKFORCE INVESTMENT ACT YOUTH PROGRAM
FISCAL MONITORING REVIEW
JULY 1, 2007 THROUGH SEPTEMBER 30, 2007**

SUMMARY OF OBSERVATIONS

Conclusion

The Agency did not fully comply with federal (OMB Circular A-133), state and local SLATE requirements.

Status of Prior Observations

There were no observations in the prior audit conducted by the Internal Audit Section.

A-133 Status

The Agency was not required to have an A-133 audit for the period ended December 31, 2006 because they did not expend \$500,000 or more in federal funds.

Summary of Current Observations

We made recommendations for the following observations with the associated questioned costs, which if implemented, could assist the Agency in fully complying with federal (OMB Circular A-133), state and local SLATE requirements.

1. The Agency has going concern issues.
2. The Agency provided inadequate supporting documentation for reimbursement.
3. The Agency changed their percentage of salary without written approval from SLATE.

CITY OF ST. LOUIS
ST. LOUIS AGENCY ON TRAINING AND EMPLOYMENT
PROVIDENT, INC.
WORKFORCE INVESTMENT ACT YOUTH PROGRAM
FISCAL MONITORING REVIEW
JULY 1, 2007 THROUGH SEPTEMBER 30, 2007

DETAILED OBSERVATIONS, RECOMMENDATIONS
AND MANAGEMENT'S RESPONSES

1. The Agency has going concern issues

Working capital, the excess of total current assets over total current liabilities, is a measure of an organization's ability to realize assets and satisfy liabilities in the normal course of business.

With total current assets of \$758,044.00 and total current liabilities of \$1,676,794.00, from its September 30, 2007 balance sheet, the Agency had a negative working capital of (\$918,750). In reviewing the Agency's September 25, 2007 board minutes, it was observed that there were several times throughout the year when their payday fell one day before they received their United Way checks and the Agency's bank had agreed to loan funds to the Agency for that one day.

Recommendation

We recommend that the Agency continue to work toward reducing their deficit by generating additional revenues and reducing its liabilities to attain a positive working capital.

Management's Response

Provident, Inc. submitted a Balance Sheet dated September 30, 2007 that inter alia, listed in excess of \$8M under the "Other Assets" header. Those assets could have been included under the header "Current Assets"; specifically, the assets are marketable securities held in our endowment account. Reclassifying those assets would have resulted in a positive working capital ratio thusly alleviating any concern.

Provident believes that the funds allocated in our endowment should be used either for normally authorized or other more significant expenditures thusly resulting in the "Other Asset" classification. Therefore, Provident has recently experienced some timing issues related to payroll. Moving forward, we believe this problem will be averted with increased revenue and more stringent cash controls.

**CITY OF ST. LOUIS
ST. LOUIS AGENCY ON TRAINING AND EMPLOYMENT
PROVIDENT, INC.
WORKFORCE INVESTMENT ACT YOUTH PROGRAM
FISCAL MONITORING REVIEW
JULY 1, 2007 THROUGH SEPTEMBER 30, 2007**

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

1. (Continued...)

Auditor's Comments

Endowment funds are generally restricted use funds with principle used to generate earnings. Unless specifically stated in the terms of the endowment that there is allowance for unrestricted current operations, endowment funds should not be considered current assets.

CITY OF ST. LOUIS
ST. LOUIS AGENCY ON TRAINING AND EMPLOYMENT
PROVIDENT, INC.
WORKFORCE INVESTMENT ACT YOUTH PROGRAM
FISCAL MONITORING REVIEW
JULY 1, 2007 THROUGH SEPTEMBER 30, 2007

DETAILED OBSERVATIONS, RECOMMENDATIONS
AND MANAGEMENT'S RESPONSES

2. The Agency provided inadequate supporting documents for the reimbursement of travel expenses (\$172.32)

The contract between the Agency and SLATE states in Section 14 that “the Contractee will establish in accordance with WIA Section 18.4, fiscal control and fund accounting procedures that may be necessary to ensure the proper disbursement of and accounting for funds.” All payments under the contract are to be made on a reimbursement basis, subsequent to the submission of the Agency’s monthly reimbursement request form and adequate supporting documents.

Supporting documents that were submitted did not provide adequate and clear evidence of expenditures, especially the expenditures tied to the Agency’s employee travel allowance. Although signed mileage sheets were presented to support the claimed reimbursement amount, we were unable to completely match the amounts on the reimbursement request to the amounts on the mileage sheets. For the period ending August 31, 2007, the Agency received reimbursement for a total of \$472.79 in travel expenses for two employees. From the staff expense log, we were able to verify \$128.16 in travel expenses for one employee. However, we could not trace on the logbook the balance of \$344.63 (\$472.79 - \$128.16). Because SLATE funds one-half of the travel expenses, the amount that needs to be repaid to SLATE is \$173.32 (1/2 of \$344.63).

Management’s Response

Provident acknowledges that the manner in which their documentation was provided increased the difficulty of determining and verifying itemized expenditures. Provident has committed moving forward to more thoughtfully preparing documentation to assist auditors in verifying expenditures; it is of note that although the documentation may have been organized in a less than ideal manner, all documentation was provided.

**CITY OF ST. LOUIS
ST. LOUIS AGENCY ON TRAINING AND EMPLOYMENT
PROVIDENT, INC.
WORKFORCE INVESTMENT ACT YOUTH PROGRAM
FISCAL MONITORING REVIEW
JULY 1, 2007 THROUGH SEPTEMBER 30, 2007**

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

3. The Agency Changed Their Percentage of Salary Without Written Approval from SLATE

Per contract #228-08, Paragraph 18 (Budget Section) states the following:

"No more than the specified amount, as stated in the Budget Section which is attached and made a part hereof, may be spent for the per performance unit cost or by activity or the outlined cost categories and/or activities on a line-by-line basis as outlined in the contract budget, without prior written approval of the St. Louis Agency on Training and Employment."

The Agency's staff salary breakdown was compared against SLATE's budget detail for operational costs on the contract. We observed differences between the budgeted and reimbursed salaries. A spreadsheet that was provided by the Agency indicated three changes. There were two cases where the percentage changed from 100% to 50%, while another increased from 15% to 20%. Although there was no negative cost impact to the City because of these changes, the Agency had not formally submitted a budget revision request and had not received written authorization from SLATE when these changes were made.

Recommendation

The Agency needs to obtain written approval from SLATE for a budget revision of their salary percentages.

Management's Response

Provident and SLATE communicated regularly concerning the budget; all increases were approved by SLATE although no written contract changes were incorporated. Provident submitted written documentation outlining the conversations between its internal contract manger for SLATE and SLATE; affirming the conversations took place. Moving forward increases will be approved in writing, creating addendums to the contract.