



OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



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**DARLENE GREEN**  
Comptroller

**DR. KENNETH M. STONE, CPA**  
Internal Audit Executive

*Internal Audit Section*

September 7, 2010

Laurie Tochtrop, Executive Director  
JESS, Inc.  
7020 Chippewa  
St. Louis, MO 63119

RE: Workforce Investment Act (WIA) (Project #2010-SLATE4)

Dear Ms. Tochtrop:

Enclosed is the report of the fiscal monitoring review of JESS, Inc., a not-for profit organization, WIA Program, for the period July 1, 2009 through March 31, 2010. The scope of a fiscal monitoring review is less than an audit, and as such, we do not express an opinion on the financial operations of Agency. Fieldwork was completed on June 2, 2010.

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 City of St. Louis Agency on Training and Employment (SLATE) to provide fiscal monitoring to all grant subrecipients.

If you have any questions, please contact the Internal Audit Section at (314) 622-4723.

Sincerely,

Dr. Kenneth M. Stone, CPA  
Internal Audit Executive

Enclosure

cc: Michael Holmes, Executive Director, SLATE  
Kim Neske, Fiscal Manager, SLATE



# CITY OF ST. LOUIS

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

**JESS, INC.  
CONTRACT #224-10  
CFDA #17.259**

**FISCAL MONITORING REVIEW**

**JULY 1, 2009 THROUGH MARCH 31, 2010**

**PROJECT #2010-SLATE4**

**DATE ISSUED: SEPTEMBER 7, 2010**

**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 (SLATE)**  
**WORKFORCE INVESTMENT ACT (WIA)**  
**JESS, INC.**  
**FISCAL MONITORING REVIEW**  
**JULY 1, 2009 THROUGH MARCH 31, 2010**

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## **INTRODUCTION**

### **Background**

**Contract Name:** JESS, Inc.  
**Contract Number:** 224-10  
**CFDA Number:** 17.259  
**Contract Period:** July 1, 2009 through June 30, 2010  
**Contract Amount:** \$75,000

The contract provided Workforce Investment Act (WIA) funds to JESS, Inc. (Agency) to provide recruitment, assessment and leadership development to eligible in-school youth.

### **Purpose**

The purpose of the review was to determine the Agency's compliance with federal, state and local St. Louis Agency on Training and Employment (SLATE) requirements for the period July 1, 2009 through March 31, 2010, and make recommendations for improvements, as considered necessary.

### **Scope and Methodology**

Inquiries were made regarding the Agency's internal controls relating to the grant administered by SLATE. Evidence was tested supporting the reports the Agency submitted to SLATE and other procedures were performed, as considered necessary. Fieldwork was completed on June 2, 2010.

### **Exit Conference**

The Agency was offered the opportunity for an exit conference on August 19, 2010, but the Agency declined.

### **Management Response**

Management's response to the observation and recommendation identified in the report was received from the Agency on August 27, 2010 and has been incorporated into this report.

## SUMMARY OF OBSERVATIONS

### Conclusion

The Agency did not fully comply with federal, state and local SLATE requirements.

### Status of Prior Observations

The Agency's previous fiscal monitoring report (Project #2009-SLATE14), issued November 23, 2009, contained three observations:

1. The Agency had going concern issues **(Repeated)**
2. The Agency did not meet its contractual obligations **(Resolved)**
3. Opportunity to implement compensating internal controls **(Resolved)**

### A-133 Status

According to a letter received from the Agency, dated June 2, 2010, the Agency did not expend \$500,000 or more in federal funds for its fiscal year ended June 30, 2009; therefore, an A-133 audit was not required.

### Summary of Current Observations

A Recommendation was made for the following observation, which if implemented, could assist the Agency in fully complying with federal, state, and local SLATE requirements.

- The Agency has going concern issues

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

**Going Concern Issues Exist**

The analysis of the Agency's balance sheet as of April 30, 2010 showed a negative working capital of \$149,786.21. Also, it was noted that the Agency has utilized a line of credit in the amount of \$249,500. This liability is due back in December 2010.

In the prior fiscal monitoring report (Project #2009-SLATE14), it was noted that the Agency had negative working capitals of \$242,614.83 and \$87,033.91 as of May 31, 2009 and December 31, 2007 respectively.

A positive working capital, excess current assets over current liabilities, indicates the Agency's ability to generate assets and revenues in order to pay expenditures and liabilities as they become due. In addition, a positive working capital provides an assurance that an organization has the resources needed in order to continue to operate for the foreseeable future.

The Agency's fiscal manager stated that despite of the Agency's cutbacks on expenses staffing and salaries the current economic conditions have kept the Agency from generating additional revenues. In addition, the donations have declined.

The Agency may become insolvent and cease operations if a positive working capital is not maintained. This may also affect the Agency's ability to be awarded future federal funding.

**Recommendation**

It is recommended that the Agency continue to minimize expenditures and seek out additional revenue streams such as applying to another grant funding source. The Agency should also continue efforts to merge with other agencies providing similar services.

**Management's Response**

*JESS followed the recommendation of the Internal Audit Section and continues to minimize expenditures. JESS is also continuing to seek out additional revenue streams. Effective August 1, 2010, JESS merged with Alternative Opportunities. JESS will continue to maintain its own tax identity and 501 (c) (3) status.*