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OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



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

August 27, 2009

Dr. David Laslo, Associate Director  
The Curators of the University of Missouri- St. Louis  
8001 Natural Bridge Rd.  
St. Louis, MO 63121

RE: Workforce Investment Act (WIA), (Project #2009-SLATE13)

Dear Dr. Laslo:

Enclosed is a report of our fiscal monitoring review of the University of Missouri St. Louis, a not-for-profit organization, Workforce Investment Act Program, for the period July 1, 2008 through March 31, 2009. 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 the University of Missouri St. Louis. The fieldwork was completed on June 29, 2009.

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 the Professional Practice of Internal Auditing* and through an agreement with the City of St. Louis, St. Louis Agency on Training and Employment (SLATE) to provide fiscal monitoring to all federal grant sub-recipients.

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

Sincerely,

A handwritten signature in black ink that reads "Kenneth M. Stone".

Dr. Kenneth M. Stone, CPA  
Internal Audit Executive

Enclosure

cc: Kim Neske, Fiscal Manager, SLATE  
Michael Holmes, Executive Director, SLATE  
Telesa Nolan, Business Manager, University of Missouri, St. Louis  
Kevin Wilson, Regional Director, University of Missouri, St. Louis



# CITY OF ST. LOUIS

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

**UNIVERSITY OF MISSOURI- ST. LOUIS  
CONTRACTS #229-07 & #412-09  
CFDAS #14.258, #14.259 & #14.260**

**FISCAL MONITORING REVIEW  
JULY 1, 2008 THROUGH MARCH 31, 2009**

**PROJECT #2009-SLATE13**

**DATE ISSUED: AUGUST 27, 2009**

**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)  
UNIVERSITY OF MISSOURI- ST. LOUIS  
FISCAL MONITORING REVIEW  
JULY 1, 2008 THROUGH MARCH 31, 2009**

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## **INTRODUCTION**

### **Background**

**Contract Name:** University of Missouri- St. Louis

**Contract Numbers:** 229-07 and 412-09

**CFDA Numbers:** 14.258, 14.259 and 14.260

**Contract Period:** July 1, 2008 through March 31, 2009

**Contract Amounts:** \$126,080.00 (229-07)  
\$ 33,000.00 (412-09)

These contracts provided Workforce Investment Act (WIA) funds through St. Louis Agency of Training and Employment (SLATE) to St. Louis Community College (Agency) for its Adult, Youth, and Dislocated Worker programs that provide outreach/recruitment, assessment, job placement, job retention and advancement services.

### **Purpose**

The purpose was to determine the Agency's compliance with federal, state and local SLATE requirements for the period July 1, 2008, through March 31, 2009, and make recommendations for improvements as necessary.

### **Scope and Methodology**

Inquiries were made regarding the Agency's internal controls relating to the grants administered by SLATE, evidence tested supporting the reports the Agency submitted to SLATE and other procedures performed as considered necessary. The fieldwork was completed on June 29, 2009.

### **Exit Conference**

The Agency was offered the opportunity for an exit conference on July 31, 2009, but the Agency declined.

### **Management's Responses**

Management's responses to the observations and recommendations noted in the report were received on August 10, 2009, and have been incorporated into the 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 #2008-SLATE14 issued on November 24, 2008 contained no observations.

### **A-133 Status**

The Agency expended \$500,000 or more in federal funds for the year ended June 30, 2008; therefore, it was required to have a single audit in accordance with OMB Circular A-133.

A-133 report, dated October 31, 2008, rendered an unqualified opinion regarding compliance with requirements applicable to major federal awards. There were nine observations in the audit report; however, none were applicable to the SLATE grant specifically.

The auditors issued an unqualified opinion on the general purpose financial statements. The Agency did not qualify as a low-risk auditee.

### **Summary of Current Observations**

Recommendations were made for the following observations, which if implemented, could assist the Agency in fully complying with federal, state and local CDBG requirements.

1. Opportunity to improve internal controls over contract requirements
2. Opportunity to improve internal controls over sign-in-sheets
3. Opportunity to reconcile inventory purchased with federal funds
4. Opportunity to improve internal controls over time reporting

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

**1. Opportunity To Improve Internal Controls Over Compliance With Contract Requirements, Questioned Costs \$13,147.60**

Unallowed Enrollment Costs

The three courses funded by SLATE grant agreement #412-09 required 120 qualified individuals to attend at the cost of \$200 per individual. Only 72 individuals attended these courses. The Agency, however, requested and received reimbursements for \$24,000 consisting of 120 individuals at \$200 each. Consequently, the Agency received reimbursements of \$9,600 for 48 individuals (120-72) who did not participate in the program. The unsupported reimbursements of \$9,600, is being treated as a questioned cost.

The performance outcomes section of the SLATE agreement states that one of the expected outcomes was that 109 students would complete the program out of approximately 120 participants. Additionally, the budget timelines section of the Executive Summary of the SLATE contract agreement, further states that it was anticipated approximately 40 students for each of the three classes funded by the grant at a cost of \$8,000 per class for a total cost of \$24,000.

Un-allowed Course-Materials Costs

The SLATE grant agreement #412-09 provided for the program manuals at \$75 each. The Agency requested and received reimbursements for 94 manuals; however, only 72 individuals participated in the program resulting in a questioned cost of \$1,650 (22 manuals [94-72] at \$75 each).

In addition to the manuals, the Agency requested and received reimbursements for material not provided for in the grant agreement, resulting in the questioned costs of \$1,897.60 as follows:

100 workbook at \$8.98 each	\$ 898.00
40 CD-ROMS at \$24.99 each	<u>999.60</u>
Total un-allowed material costs	<u>\$1,897.60</u>

The total unallowed costs that are being questioned are as follows:

Unallowed enrollment costs	\$ 9,600.00
Unallowed manual costs	1,650.00
Unallowed material costs	<u>1,897.60</u>
Total unallowed costs	<u>\$13,147.60</u>

The Agency did not comply with the allowable costs requirements of the SLATE grant agreement.

## 1. Continued...

Not fulfilling the requirements of the SLATE grant agreement by charging unallowable costs to the grants may lead to the suspension or termination of the grant agreement.

### Recommendation

It is recommended that the Agency repay the questioned costs totaling \$13,147.60. It is also recommended that the Agency establish and implement internal controls to ensure that all amendments to the grant fund agreement are properly documented and executed.

### Management's Response

*It was stated in the report that only 72 individuals attended the three FastTrac courses in question. However, in other FastTrac Courses we serviced over 300 SLATE referrals... our program supervisor from SLATE, did an evaluation of the list of SLATE referrals and found over the amount that was required in the grant agreement...*

*It was also stated that materials not provided for in the grant agreement should be reimbursed. The SBDC received verbal approval that we could provide any materials with the grant funds to help the SLATE clients get their business plans written and their business up and running. The CD-ROMS and workbooks were used to help the clients develop their strategic plans and to help them implement them in their business model.*

*We have continued conducting round table discussions and technical assistance for the SLATE referrals that received money to start their businesses. Because of that assistance those clients have launched their businesses and created jobs for the region.*

### Auditor's Comment

As mentioned above, the SLATE contract agreement states that it anticipated approximately 40 students to attend each of the three classes funded by the grant at a cost of \$8,000 per class for a total cost of \$24,000, and the contract only provided manuals for 120 students at a cost of \$75 per student for a total cost of \$9,000. If the Agency wanted to supplement the grant with additional FastTrac courses and/or materials, then it should have been through a written and duly executed amendment to the grant agreement.

## 2. Opportunity To Improve Internal Controls Over Sign-in-Sheets

For the three classes funded by the SLATE grant #412-09, the Agency did not maintain sign-in-sheets containing both the participants' and the Agency personnel signatures.

## **2. Continued...**

Sound internal controls require the signatures of each program participant and the Agency to be present on program sign-in sheets in order to ensure the accuracy and reliability of the number of program participants attending each class.

The Agency did not have internal controls in place to ensure the maintenance of the sign-in-sheets that are signed by the program participants and approved by the Agency.

Without management's daily oversight and verification of services provided, inaccurate information may be recorded on the sign-in sheets, which may lead to the delay or suspension of federal funding.

### **Recommendation**

It is recommended that the Agency establish internal controls by having all program participants and at least one member of management review and sign the sign-in-sheets.

### **Management's Response**

*In your observation it was stated that the Small Business Development Center (SBDC) did not present sign in sheets to SLATE, though that is true the SBDC did have each participant fill out a registration form and evaluation of the course. Those forms were provided for review for the auditor. In addition there was a check-off list used as each participant entered the class.*

### **Auditor's Comment**

A registration form illustrates a student's intent to attend a class. It does not prove that the student actually attended. Additionally, the evaluation forms reviewed were filled out anonymously. Furthermore, it is possible that some students attending the course did not fill out an evaluation form and therefore, not a valid representation of the students that attended the courses. Finally, the check-off list provided did not contain signatures by either the students attending or a SBDC staff member verifying the accuracy of the sign-off sheet. In conclusion, IAS stands by the original recommendation.

## **3. Opportunity To Reconcile Inventory Purchased With Federal Funds**

The program funded by the SLATE grant #229-07 gave its participants \$10 gift cards, which were purchased in bulk quantities. The Agency used the gift cards as incentives in the program and usually had a surplus on hand. The Agency maintained a sign-in-sheet with the names of participants accepting the cards and the employee distributing them. However, the Agency did not maintain inventory records that

### **3. Continued...**

tracked incoming and outgoing inventory of cards. Therefore, a reconciliation of the gift cards purchased to the inventory on hand at any time was not possible.

Sound internal controls require inventory of assets to be logged in and out under dual control and be reconciled on a regular basis.

The Agency did not have controls in place to keep track of the gift cards purchased from the grant funds, which may result in their misappropriation.

Without tracking the gift cards, it is very difficult to determine the correct quantity of gift cards that should be in the inventory and may result in their wrongful use.

#### **Recommendation**

It is recommended that the Agency keep a log for the inventory of gift cards consisting of the serial numbers of each individual gift card, the dates each card is received and disbursed. All receipts and disbursements should be signed by duly authorized personnel of the Agency. It also recommended that the log be reconciled with the physical inventory of the gift cards on a periodic basis.

#### **Management's Response**

*I concur to this recommendation. After the visit we added the process of the researcher sign in and out for the gift cards and that a computer document of the transaction be kept and reviewed by a third party. Since the recommendation, the contract has ended and was not renewed. Project ended June 30, 2009. We have noted this process and will make sure to put this in practice should another project come up in the future.*

### **4. Opportunity To Improve Internal Controls Over Time Reporting**

Seven out of the nine pay periods sampled did not have time sheets for the salaried employees paid by the SLATE grant (#229-07). As a result of a recent programmatic visit, the Agency started keeping time sheets for all of its employees being paid with SLATE funds in February 2009. However, the two pay periods where time sheets were present, there were no supervisor's signature present, verifying the accuracy of the information report.

Sound internal controls over time reporting for federally funded projects require that time sheets be utilized in order to illustrate time charged to the grant. Additionally, these time sheets should be signed by both the employee and a supervisor in order to ensure the accuracy of the time reported.

The Agency's policies and procedures do not require its salaried employees to submit time sheets.

#### 4. Continued...

Not recording the amount of time spent on SLATE funded activities could cause inaccurate time reporting and lead to questioned costs or the suspension or termination of the grant.

#### Recommendation

It is recommended that the Agency track the time employees spend on SLATE funded activities. It is also recommended that the Agency ensure that the appropriate level of management approves all time sheets for SLATE activities.

#### Management's Response

*I do not concur [with] this recommendation. The University system does not require exempt staff to complete or produce a timesheet to get paid on a monthly basis. For the staff members paid biweekly they are required to complete timesheets and those were provided. In the past audit of SLATE contracts, we were allowed to submit the Effort Verification Reports that are reviewed by the Office of Research twice a year. Because the Agency insisted we sent the support information of a timesheet. Percentages of effort are used when calculating how much salary is to be covered on a project and not decided by an hourly rate. I do not concur with the process or the recommendation but will put this process in should we receive additional funds from SLATE and any entity requesting this process be done.*

#### Auditor's Comment

As mentioned above, the Agency started keeping time sheets for all of its employees in February 2009 due to the recommendation of their programmatic monitor. So the Agency already began keeping timesheets for its salaried employees. The recommendation is that the Agency continues keeping those timesheets for all employees but to also have the timesheets include a signature from the appropriate level of management in order to verify the accuracy of the time reported.