



OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



*Internal Audit Section*

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March 3, 2011

Ms. Bontiea Goss, Chief Administrator  
JESS, Inc.  
7020 Chippewa Ave.  
St. Louis, MO 63119

RE: Workforce Investment Act (WIA) (Project #2011-SLATE1)

Dear Ms. Goss:

Enclosed is a report of the fiscal monitoring review of JESS, Inc., a non-for-profit organization, for the period July 1, 2010 through September 30, 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 JESS, Inc. Fieldwork was completed on December 3, 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 the 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 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)**

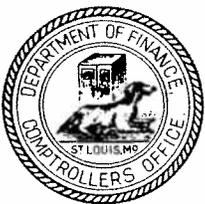
**JESS, INC.  
CONTRACT #224-11  
CFDA #17.258 AND #17.259**

**FISCAL MONITORING REVIEW  
JULY 1, 2010 THROUGH SEPTEMBER 30, 2010**

**PROJECT #2011-SLATE1**

**DATE ISSUED: MARCH 3, 2011**

**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, 2010 THROUGH SEPTEMBER 30, 2010**

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## INTRODUCTION

### Background

**Contract Name:** JESS, Inc.  
**Contract Number:** 224-11 Youth Program  
**CFDA Numbers:** 17.258 and 17.259  
**Contract Period:** July 1, 2010 through June 30, 2011  
**Contract Amount:** \$75,000

Contract #224-11 provided WIA youth program funds to the Agency to provide services for St Louis Public School (SLPS) personnel to identify students who are interested and eligible to participate in the SLATE funded Youth Employment Program. The program focuses on Assessment, ISS Development and Work Experience Non-Summer.

### Purpose

The purpose of the review was to determine the Agency's compliance with federal, state and local SLATE requirements for the period July 1, 2010 through September 30, 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 December 3, 2010.

### Exit Conference

The Agency was offered the opportunity for an exit conference on February 17, 2011, but the Agency declined the offer of an exit conference.

### Management's Responses

The management's responses to the observations and recommendations identified in the draft report were received from the Agency on February 17, 2011. These responses have 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 project, Project #2010-SLATE4, issued September 7, 2010 contained one observation:

- The Agency has a going concern issue (**Repeated**)

### **A-133 Status**

According to the letter received from the Agency, dated June 2, 2010, the Agency did not expend \$500,000 or more in federal funds for the year ended June 30, 2010; 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.

- Agency has a going concern issue

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

### **Agency has a Going Concern Issue**

Analysis of the Agency's balance sheet as of September 30, 2010 showed a working capital of negative \$143,669.89 (current asset \$187,257.59 minus current liability \$330,927.48). The negative working capital included \$268,886.21 owed to a company with which the agency is merging.

In the prior fiscal monitoring report (Project #2010-SLATE 4), it was noted that the Agency had a working capital of (\$149,786.21) as of April 30, 2010. This amount included a \$250,000 line of credit due December 31, 2010 to its bank.

The excess of current assets over current liabilities (working capital) is a measure of an organization's ability to realize revenue and satisfy debts in the normal course of business into the foreseeable future.

According to the Agency's Executive Director, the debt on the balance sheet will continue to exist until there is a full merger which will begin July 1, 2011. JESS, Inc. has paid off the debt to the bank as of the December 31, 2010 balance sheet, but will not pay off the balance owed to the merging company, Alternative Opportunities, Inc., until the new fiscal year beginning July 1, 2011.

Without a positive working capital, the Agency may still have a potential going concern issue and may not be able to continue to provide services to its clients.

### **Recommendation**

It is recommended that the Agency continues to work toward reducing its expenses and generating additional revenues to attain a positive working capital.

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

*JESS has continued to minimize expenditures and seek out additional revenue streams. In addition, JESS entered into a Change of Control Agreement, effective August 1, 2010, with Alternative Opportunity, Inc. (AO) in which the Board of AO also became the Board of JESS. Further, both Boards have approved a formal merger which will take effect no later than July 1, 2011. This two-stage process was undertaken to simplify the continuation of existing contracts, including the SLATE contract. As the liability to AO replaces an existing line of credit which was interested bearing and limited, the financial position of JESS at this point is substantially improved.*