

The seal of the Missouri State Auditor is circular and features a central figure holding a scale and a sword. The text around the seal reads "SEAL OF THE STATE AUDITOR" at the top, "WE STAND DIVIDED" in the middle, and "1820 MISSOURI 1892" at the bottom. The background of the entire page is a faded image of the Missouri State Capitol building.

# Nicole Galloway, CPA

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Missouri State Auditor

City of St. Louis

St. Louis Agency on Training and  
Employment (SLATE)

Report No. 2020-039

July 2020

[auditor.mo.gov](http://auditor.mo.gov)



**Nicole Galloway, CPA**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of the City of St. Louis - St. Louis Agency on Training and Employment (SLATE)

Contractor Payroll Documentation	SLATE personnel reimbursed contractors for employee wages without ensuring time and payroll documentation submitted to the agency was complete or complied with policy.
Expenditures	The SLATE fiscal department did not prepare disbursement vouchers timely and did not always stamp supporting documentation for expenses as received by the fiscal department.
Capital Asset Inventory	SLATE personnel did not perform an annual physical inventory of capital assets as required by policy.
Annual Report	SLATE personnel misstated the number of clients placed for employment in its annual report and the report was not corrected after the error was identified.

In the areas audited, the overall performance of this entity was **Fair**.\*

\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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St. Louis Agency on Training and Employment (SLATE)  
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## **NICOLE GALLOWAY, CPA**

### **Missouri State Auditor**

To the Honorable Mayor  
and  
Executive Director of the St. Louis Agency on Training and Employment  
City of St. Louis, Missouri

We have audited certain operations of the City of St. Louis - St. Louis Agency on Training and Employment (SLATE) in fulfillment of our duties under Section 29.200.3, RSMo. The State Auditor initiated audits of the City of St. Louis in response to a formal request from the Board of Aldermen. The city has engaged KPMG LLP, Certified Public Accountants (CPAs), to audit the city's financial statements for the year ended June 30, 2019. To minimize duplication of effort, we reviewed the CPA firm's report. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2019. The objectives of our audit were to:

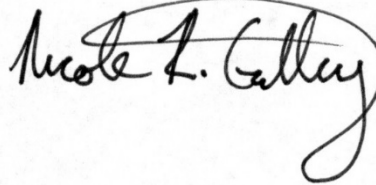
1. Evaluate the agency's internal controls over significant management and financial functions.
2. Evaluate the agency's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the agency, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of applicable contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

For the areas audited, we identified (1) deficiencies in internal controls, (2) no significant noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the City of St. Louis - St. Louis Agency on Training and Employment (SLATE).

Additional audits of various officials and departments of the City of St. Louis are in process, and any additional findings and recommendations will be included in subsequent reports.

A handwritten signature in black ink that reads "Nicole R. Galloway". The signature is written in a cursive style with a large, looping 'y' at the end.

Nicole R. Galloway, CPA  
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kelly Davis, M.Acct., CPA, CFE
Audit Manager:	Chris Vetter, CPA, CGAP
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# City of St. Louis

## St. Louis Agency on Training and Employment (SLATE)

### Introduction

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#### **Background**

The City of St. Louis - St. Louis Agency on Training and Employment (SLATE) is responsible for offering job seekers and businesses a variety of no-cost services related to employment, job training, and career advancement.

#### **Programs**

The SLATE, in coordination with the Missouri Department of Economic Development - Division of Workforce Development, the City of St. Louis Mayor's office, and various partners, operates the SLATE Missouri Career Center, which connects employers to a skilled workforce and provides training and placement services to the city's adult workforce. No-cost services offered for jobseekers include career advice, one-on-one career/job search counseling, job placement assistance, career-readiness workshops, career training and financial assistance, recruitment events, career services for veterans, career services for individuals with disabilities, a welfare transition program, and Supplemental Nutrition Assistance Program services. The SLATE also hosts hiring events for businesses in the St. Louis area to attend at no cost to the employers.

#### **Funding**

The SLATE is primarily funded through grants from federal and state sources, privately owned businesses, and not-for-profit organizations. The SLATE also receives 10 percent of the city's 1/2-cent Economic Development Sales Tax revenues. The total annual budget for fiscal year 2019 was \$9,773,884.

#### **Personnel**

The SLATE employs city personnel and contracts for additional staff. During fiscal year 2019, the SLATE employed 12 full-time and 423 part-time city employees and contracted with 3 organizations for an additional 88 employees. Both city and contracted staff work on the various services, programs, and workshops that the SLATE offers, and work in the fiscal and accounting sections of the SLATE.

In September 2017, Dr. Alice Prince was appointed Executive Director of the SLATE. She resigned from this position in April 2019. Dr. Prince signed an agreement in April 2019 with the city for a settlement that included \$5,695.50 for three months of Consolidated Omnibus Budget Reconciliation Act (COBRA) medical coverage, \$13,565.88 for accrued vacation pay, an additional sum of \$18,044, and a letter of reference from the Mayor. As part of the agreement, Dr. Prince waived any rights for reinstatement of her position and released, waived, and gave up any claim she may have had against the city relating to her employment.

From May 2019 to July 2019, Stephen Conway, Chief of Staff to the Mayor, was appointed Acting Executive Director of the SLATE. In August 2019, Howard Hayes was appointed Executive Director.

#### **Workforce Development Board**

The City of St. Louis Workforce Development Board (WDB) provides strategic leadership and oversight of the workforce development programs implemented by the SLATE. The WDB currently consists of 25 volunteer



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members, appointed by the Mayor, that represent local businesses, public and community-based agencies, and labor organizations.

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**1. Contractor Payroll Documentation**

SLATE personnel reimbursed contractors for employee wages without ensuring time and payroll documentation submitted to the agency was complete or complied with policy.

Contracted employee salaries and benefits are initially paid by the contractor. The contractor then submits documentation, such as timesheets and/or detailed payroll reports, to the SLATE to receive reimbursement for these expenses. The payroll documentation is to be signed by the employee and approved by the employee's supervisor to indicate the time reported is accurate. SLATE employees review the documentation prior to submitting a disbursement voucher to authorize the Comptroller's office to reimburse the contractor.

We performed a review of the timesheets, payroll reports, disbursement vouchers, and other supporting documentation for 25 contracted employees from fiscal year 2019 and found that SLATE personnel accepted timesheets that were not signed by the employee or his/her supervisor. Timesheets for 5 of the 25 (20 percent) employees did not have the employee's electronic signature or other approval. All 5 employees were employed by the same contractor.

Based on our initial review and concerns received, we expanded our test work and reviewed timesheets for 39 additional employees for the period of July 2017 to February 2018 from another contractor. We noted that SLATE personnel accepted timesheets from 6 employees (15 percent) that either had no employee signature or no supervisory approval signature. There were also several timesheets in which the supervisor signed the employee's name or the employee's signature appeared significantly different between timesheets indicating the timesheets may not have been signed by the employee. Employee gross wages for the pay periods associated with these timesheets totaled approximately \$6,300. There was no documentation indicating that the SLATE notified either contractor the submitted documentation was insufficient, and all payroll was reimbursed.

Adequate and complete payroll documentation is necessary to ensure contract reimbursements are accurate and appropriate. Local Workforce Development Board policy states that the completeness and accuracy of contract reimbursement requests must be verified prior to preparing a disbursement voucher. Failure to adequately review payroll documentation increases the risk errors or misstatements will not be detected or corrected timely.

**Recommendation**

The SLATE ensure all contracted employee payroll documentation is complete and accurate prior to reimbursing contractors.

**Auditee's Response**

*The SLATE has made significant changes since the time of the State Auditor's audit that has remedied the above concerns in several ways. The SLATE now*





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*has an accounting manager to oversee and ensure that the SLATE fiscal employees are properly reviewing time slips and that all time slips contain the proper signatures. Additionally, the city hired a new Executive Director for SLATE and the city has also contracted with a new service provider/subrecipient for the SLATE--Educational Data Systems Inc. (EDSI). The new subrecipient, like the SLATE, has very specific policies concerning timesheets and is required by its contract to submit properly signed timesheets in order to be reimbursed. Accordingly, with these changes in place, the SLATE has remedied this concern.*

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## 2. Expenditures

The SLATE fiscal department did not prepare disbursement vouchers timely and did not always stamp supporting documentation for expenses as received by the fiscal department.

As invoices, receipts, and other related supporting documentation for an expenditure are received, the documents are to be stamped as received by the individual in the fiscal department that is preparing the disbursement voucher. After the fiscal department has reviewed all documents related to the expenditure, a disbursement voucher is created and the expenditure is recorded in the SLATE's general ledger. Completed disbursement vouchers are sent to the Comptroller's office for recording in the city's general ledger and for payment. Payments for expenditures are not made until the expenditures have gone through both the SLATE fiscal department and the Comptroller's office.

During our review of expenditures and contract monitoring procedures, we reviewed invoices, receipts, disbursement vouchers, and other supporting documentation. For 8 of the 25 expenditures reviewed (32 percent), disbursement vouchers were not prepared in a timely manner. For example, SLATE personnel did not prepare the disbursement voucher for a July 2018 invoice for a health and safety services grant expenditure until November 2018. Additionally, the disbursement voucher for a November 2018 printer invoice was not prepared until April 2019. Delayed disbursement vouchers caused payments to be delayed and our review also noted a \$50 late fee was assessed because an expenditure was not paid timely.

In addition, of the 25 expenditures reviewed, we noted the documentation for 3 expenditures (12 percent) was not stamped as received by the fiscal department. As a result, there is no assurance the documentation was reviewed prior to submission for approval or that all documentation was viewed and accounted for by the fiscal department.

When disbursement vouchers are not prepared timely the SLATE cannot adequately monitor contracts or grants to ensure there is no overspending, the general ledger is not updated timely, and payments are not made timely. In addition, the summary of duties for the fiscal department outlined in the



financial section of the Local Workforce Development Board policies indicates all contract reimbursement requests should be processed and a disbursement voucher prepared on a monthly basis. Further, to ensure all expenditure documentation is adequately reviewed prior to payment, documentation should be stamped as received by the fiscal department.

## Recommendation

The SLATE prepare disbursement vouchers for expenditures timely and ensure all expenditures are accounted for by the fiscal department and stamped as received.

## Auditee's Response

*As stated above, the SLATE has made several changes since the state's 2019 audit. Not only does it have an Accounting Manager and new Executive Director, but it has a new policy that requires that vouchers be submitted and prepared within a timely manner and processed pursuant to the policy. Included in this policy is the stamping of all invoices upon the date they are received and entering them into the computer system. The new policy also requires, among other things, that the Accounting Manager utilize the following steps when processing invoices:*

- 1. Checking the mathematical accuracy of the vendor invoice;*
- 2. Comparing the nature, quantity, and prices of all items ordered per the vendor invoice to the purchase order;*
- 3. Obtaining the review and approval of the Executive Director or designated individual with such approval documented by signatures;*
- 4. Documenting the general ledger distribution, using the organization's current chart of accounts and cost allocation plan.*

*The SLATE's management changes and new policy will ensure that going forward all vouchers are properly stamped and timely and accurately processed.*

## 3. Capital Asset Inventory

SLATE personnel did not perform an annual physical inventory of capital assets as required by policy. Additionally, a physical inventory was not performed in 2018 until prompted by a financial monitoring review performed by the Missouri Department of Economic Development - Division of Workforce Development (DWD). SLATE's response to the DWD report indicated a physical inventory was completed on August 3, 2018. However, the SLATE was unable to provide documentation of the inventory. SLATE personnel could only provide an undated inventory listing that included items marked as missing.

Section 8 of the inventory and capital asset policy of the Local Workforce Development Board policies requires a physical inventory of capital assets be conducted by September 30 each year. In addition, the policy requires the



SLATE to maintain complete and accurate records of all assets. Additions, transfers, and disposal of assets must be promptly recorded. Also, the city's Fixed Asset Management System Policy and Procedures manual requires an annual physical inventory of assets. Loss, theft, or misuse of assets may go undetected if inventory records and counts are not sufficient and updated timely.

## Recommendation

The SLATE ensure an annual inventory of capital assets is conducted and documented.

## Auditee's Response

*Following the recent exit conference call with the State Auditor's Office, SLATE determined that it only had two pieces of equipment that qualified as a capital asset based on the definition below:*

***2 Code of Federal Regulations (CFR) Section 200.12 Capital assets.***

*Capital assets means tangible or intangible assets used in operations having a useful life of more than one year which are capitalized in accordance with GAAP. Capital assets include:*

*(a) Land, buildings (facilities), equipment, and intellectual property (including software) whether acquired by purchase, construction, manufacture, lease-purchase, exchange, or through capital leases; and*

*(b) Additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations or alterations to capital assets that materially increase their value or useful life (not ordinary repairs and maintenance).*

*Additionally, all other concerns referenced will be corrected.*

## Auditor's Comment

In addition to any federal guidelines, the SLATE is required to follow the city's capital asset policy, which requires annual physical inventories of all capital assets and property control items. As a result, the SLATE should ensure an annual inventory of all capital assets is conducted and documented.

## 4. Annual Report

SLATE personnel misstated the number of clients placed for employment in its annual report and the report was not corrected after the error was identified.

The annual report for the program year ended June 30, 2018, published March 8, 2019, reported that 9,581 clients were placed into jobs during the year. SLATE personnel later determined that this number was calculated incorrectly, and a total of only 8,329 clients were placed into jobs during the program year. This is 1,252, or approximately 13 percent, less clients than originally reported. A corrected report was not issued. SLATE personnel indicated that annual report calculations were not independently reviewed for accuracy prior to issuance of the annual report.



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An adequate review of publicly available data is necessary to ensure the public and grantor agencies have an accurate representation of the agency's achievements.

## Recommendation

The SLATE ensure data presented is adequately reviewed prior to publication. If data is found to be inaccurate, the SLATE should ensure the corrected information is made public.

## Auditee's Response

*The SLATE will be certain to ensure that all data is adequately reviewed prior to publication. The SLATE will do this by verifying the numbers in the state's database before the publication of those numbers.*