

EMPLOYMENT CONNECTION

DECEMBER 31, 2020

EMPLOYMENT CONNECTION

FINANCIAL STATEMENTS
with
INDEPENDENT AUDITORS' REPORT

YEARS ENDED DECEMBER 31, 2020 AND 2019

CONTENTS

	Page
Independent Auditors' Report	1
Financial Statements	
Statements of financial position	3
Statement of activities – December 31, 2020	4
Statement of activities – December 31, 2019	5
Statement of functional expenses – December 31, 2020	6
Statement of functional expenses – December 31, 2019	7
Statements of cash flows	8
Notes to financial statements	9
Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>government auditing standards</i>	18
Independent auditors' report on compliance for each major program and on internal control over compliance required by the uniform guidance	20
Schedule of expenditures of federal awards	23
Notes to the schedule of expenditures of federal awards	25
Schedule of findings and questioned costs	26
Summary schedule of prior audit findings	34
Corrective action plan	35

INDEPENDENT AUDITORS' REPORT

Board of Directors
Employment Connection
St. Louis, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of Employment Connection (a nonprofit organization) which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Employment Connection as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2021, on our consideration of Employment Connection's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Employment Connection's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Employment Connection's internal control over financial reporting and compliance.

Conner Ash P.C.

St. Louis, Missouri

July 28, 2021

(except for the schedule of expenditures of federal awards,
as to which the date is August 27, 2021)

EMPLOYMENT CONNECTION

STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and equivalents	\$ 1,317,719	\$ 261,838
Contract receivables	879,715	465,954
Pledge receivables	622,358	414,905
Other receivables	210,584	224,630
Prepaid assets	81,014	42,353
TOTAL CURRENT ASSETS	3,111,390	1,409,680
OTHER ASSETS		
Investments	1,820,993	1,680,395
Property and equipment, net of accumulated depreciation	2,301,233	2,389,743
TOTAL OTHER ASSETS	4,122,226	4,070,138
	\$ 7,233,616	\$ 5,479,818
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 68,778	\$ 56,095
Accrued payroll and related liabilities	158,017	152,243
Current portion of note payable	200,000	-
Line of credit	-	50,000
TOTAL CURRENT LIABILITIES	426,795	258,338
LONG TERM LIABILITIES		
Note payable	-	200,000
TOTAL LIABILITIES	426,795	458,338
NET ASSETS		
Without donor restrictions		
Undesignated	1,166,944	520,464
Board designated	4,008,110	3,955,381
	5,175,054	4,475,845
With donor restrictions	1,631,767	545,635
TOTAL NET ASSETS	6,806,821	5,021,480
	\$ 7,233,616	\$ 5,479,818

See accompanying notes.

EMPLOYMENT CONNECTION

STATEMENT OF ACTIVITIES

Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions and special events	\$ 278,196	\$ -	\$ 278,196
United Way	21,000	622,358	643,358
Grants and contract revenue	4,345,744	1,924,816	6,270,560
Interest and investment income	141,239	-	141,239
Net rental loss	(47,483)	-	(47,483)
Miscellaneous	(891)	-	(891)
Payroll protection program	689,627	-	689,627
Net assets released from restrictions			
Restrictions satisfied by payments	1,461,042	(1,461,042)	-
TOTAL REVENUE AND SUPPORT	6,888,474	1,086,132	7,974,606
EXPENSES			
Program services	5,817,330	-	5,817,330
Support services	371,935	-	371,935
TOTAL EXPENSES	6,189,265	-	6,189,265
CHANGE IN NET ASSETS	699,209	1,086,132	1,785,341
NET ASSETS AT BEGINNING OF YEAR	4,475,845	545,635	5,021,480
NET ASSETS AT END OF YEAR	\$ 5,175,054	\$ 1,631,767	\$ 6,806,821

See accompanying notes.

EMPLOYMENT CONNECTION

STATEMENT OF ACTIVITIES

Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions and special events	\$ 208,574	\$ -	\$ 208,574
United Way	-	414,905	414,905
Grants and contract revenue	4,558,092	-	4,558,092
Interest and investment income	221,157	-	221,157
Net rental loss	(12,830)	-	(12,830)
Miscellaneous	2,702	-	2,702
Net assets released from restrictions			
Restrictions satisfied by payments	408,731	(408,731)	-
TOTAL REVENUE AND SUPPORT	5,386,426	6,174	5,392,600
EXPENSES			
Program services	4,798,563	-	4,798,563
Support services	359,330	-	359,330
TOTAL EXPENSES	5,157,893	-	5,157,893
CHANGE IN NET ASSETS	228,533	6,174	234,707
NET ASSETS AT BEGINNING OF YEAR	4,247,312	539,461	4,786,773
NET ASSETS AT END OF YEAR	\$ 4,475,845	\$ 545,635	\$ 5,021,480

See accompanying notes.

EMPLOYMENT CONNECTION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2020

	Program			Support			Building rental	Total
	CEP program	Managed work services	Total program	Management and general	Fund-raising	Total support		
Salaries	\$1,433,002	\$ 316,004	\$1,749,006	\$ 152,349	\$ 94,445	\$246,794	\$ 36,896	\$2,032,696
Fringe benefits	399,310	75,879	475,189	27,723	20,056	47,779	9,978	532,946
Participant wages and expenses	1,501,868	1,320,430	2,822,298	-	-	-	-	2,822,298
Total personnel expense	3,334,180	1,712,313	5,046,493	180,072	114,501	294,573	46,874	5,387,940
Professional fees	17,554	22,507	40,061	1,202	932	2,134	1,921	44,116
Consulting / subcontracting	179,854	3,889	183,743	-	36,100	36,100	-	219,843
Equipment rental	5,422	997	6,419	387	300	687	252	7,358
Repairs and maintenance	56,819	4,861	61,680	2,100	1,570	3,670	2,388	67,738
Insurance	31,418	2,559	33,977	1,342	948	2,290	2,457	38,724
Supplies and postage	133,583	6,416	139,999	1,601	1,361	2,962	1,047	144,008
Printing and reproduction	2,825	31	2,856	12	279	291	8	3,155
Rent	16,475	-	16,475	-	-	-	-	16,475
Telephone	17,646	3,509	21,155	1,073	861	1,934	667	23,756
Travel	2,552	4	2,556	141	303	444	14	3,014
Other utilities	31,125	2,108	33,233	1,176	818	1,994	2,397	37,624
Other expenses	103,139	18,303	121,442	6,172	11,462	17,634	3,826	142,902
Interest	6,323	6,646	12,969	251	195	446	231	13,646
Depreciation	86,342	7,930	94,272	3,945	2,831	6,776	6,510	107,558
Total expenses	\$4,025,257	\$1,792,073	\$5,817,330	\$ 199,474	\$172,461	\$371,935	\$ 68,592	\$6,257,857

See accompanying notes.

EMPLOYMENT CONNECTION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2019

	Program			Support			Building rental	Total
	CEP program	Managed work services	Total program	Management and general	Fund- raising	Total support		
Salaries	\$1,057,321	\$ 250,689	\$1,308,010	\$ 196,628	\$ 63,647	\$260,275	\$ 17,915	\$1,586,200
Fringe benefits	333,903	60,532	394,435	36,544	20,616	57,160	7,340	458,935
Participant wages and expenses	943,663	1,718,371	2,662,034	-	-	-	-	2,662,034
Total personnel expense	2,334,887	2,029,592	4,364,479	233,172	84,263	317,435	25,255	4,707,169
Professional fees	14,610	20,666	35,276	1,077	835	1,912	1,200	38,388
Consulting / subcontracting	90,620	-	90,620	-	15,130	15,130	-	105,750
Equipment rental	16,925	1,457	18,382	566	439	1,005	367	19,754
Repairs and maintenance	34,082	4,758	38,840	2,008	1,515	3,523	2,036	44,399
Insurance	30,413	2,731	33,144	1,372	982	2,354	2,311	37,809
Supplies and postage	21,813	5,144	26,957	665	743	1,408	440	28,805
Printing and reproduction	390	506	896	10	2	12	36	944
Telephone	15,227	3,819	19,046	1,229	1,069	2,298	485	21,829
Travel	8,516	135	8,651	209	282	491	26	9,168
Other utilities	32,575	2,387	34,962	1,320	920	2,240	2,647	39,849
Other expenses	16,448	6,740	23,188	1,402	3,557	4,959	531	28,678
Interest	2,371	6,141	8,512	29	23	52	154	8,718
Depreciation	88,298	7,312	95,610	3,812	2,699	6,511	6,908	109,029
Total expenses	\$2,707,175	\$2,091,388	\$4,798,563	\$ 246,871	\$112,459	\$359,330	\$ 42,396	\$5,200,289

See accompanying notes.

EMPLOYMENT CONNECTION

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2020 and 2019

	2020	2019
OPERATING ACTIVITIES		
Increase in total net assets	\$ 1,785,341	\$ 234,707
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Unrealized investment gain	(125,421)	(175,907)
Realized investment (gain) loss	6,448	(14,174)
Depreciation and amortization	107,558	109,029
Effects of changes in:		
Contract receivables	(413,761)	(158,442)
Pledge receivables	(207,453)	12,969
Other receivables	14,046	(84,568)
Prepaid assets	(38,661)	(5,573)
Accounts payable and accrued expenses	18,457	(42,280)
Deferred revenue	-	(13,329)
Net cash provided (used) by operating activities	1,146,554	(137,568)
INVESTING ACTIVITIES		
Purchase of property and equipment	(19,048)	(24,329)
Purchase of investments	(249,186)	(29,897)
Proceeds from sales of investments	227,561	-
Net cash used by investing activities	(40,673)	(54,226)
FINANCING ACTIVITIES		
Increase (decrease) in line of credit	(50,000)	50,000
Increase in long-term debt	-	200,000
Net cash provided (used) by financing activities	(50,000)	250,000
NET INCREASE IN CASH AND EQUIVALENTS	1,055,881	58,206
BEGINNING CASH AND EQUIVALENTS	261,838	203,632
ENDING CASH AND EQUIVALENTS	\$ 1,317,719	\$ 261,838

See accompanying notes.

EMPLOYMENT CONNECTION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

1. ORGANIZATION

Employment Connection (the "Organization") is a not-for-profit organization engaged in assisting persons with limited opportunities to achieve self-sufficiency. The Organization's operations are funded through various state and local grantor organizations. It operates from a facility located at 2838 Market Street in St. Louis, Missouri.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial statement presentation

The financial statements are prepared in accordance with the American Institute of Certified Public Accountants Audit and Accounting Guide for Not-for-Profit Organizations. The Organization uses the accrual method of accounting for its operations.

The Organization reports its information regarding financial position and activities according to two classes of net assets depending upon the existence or nature of any donor restriction. The following is a description of these classes of net assets:

Net assets without donor restrictions - Those resources over which the Board of Directors has discretionary control. Designated amounts represent those revenues that the Board has set aside for a particular purpose.

Net assets with donor restrictions - Those resources subject to donor-imposed restrictions that will be satisfied by actions of the Organization or the passage of time, or the Organization will maintain in perpetuity.

Revenue recognition

Revenues and expenses are recorded on an accrual basis. Revenues from government contracts and grants are recognized when goods are delivered or when services are performed. Donations are recognized as revenues in the period received. Unconditional promises to give are recognized in the period in which the pledge is made.

The Organization records increases in net assets with donor restrictions whose restrictions are met in the same period as increases in net assets without donor restrictions. For the years ended December 31, 2020 and 2019, net assets with donor restrictions were received for United Way and competitive employment programs.

Additionally, the Organization recognizes donations of land, property, and equipment as contributions without donor restrictions at the time of donation.

EMPLOYMENT CONNECTION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash and equivalents

Cash and equivalents include all bank account balances and short-term investments with an original maturity of three months or less. The Organization maintains certain cash and equivalent balances in financial institutions in the metropolitan St. Louis area, which provide Federal Deposit Insurance Corporation coverage on the first \$250,000 at each bank. The Organization also maintains a cash equivalent balance in money market funds with financial services providers. At December 31, 2020, the Organization's had an uninsured balance of \$1,420,124.

Contracts receivable

Contracts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Based on management's assessment of collection history, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

Pledges receivable

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All the donor-restricted contributions are reported as increases in donor restricted net assets depending on the nature of the restrictions.

Allocated expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. These expenses require allocation on a reasonable basis that is consistently applied. Expense by function have been allocated among program and support classifications on the basis of estimates by the Organization's management. Compensation and benefits are allocated on the basis of estimates of time and effort. Depreciation and occupancy are allocated on a square footage basis.

Advertising

Advertising costs are charged to operations when incurred.

Supplies

Supplies include assets with an estimated useful life of less than one year and assets below the Organization's capitalization policy.

EMPLOYMENT CONNECTION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Use of estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could vary from the estimates that were used.

3. FAIR VALUE MEASUREMENTS

FASB ASC 820-10, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The Plan uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Plan measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

Level 1 Fair Value Measurements

Level 1 inputs are quoted prices in active markets on the actual asset being valued. An active market has sufficient transaction activity to provide pricing information on an ongoing basis.

Level 2 Fair Value Measurements

Level 2 inputs are those other than quoted prices in Level 1 that are observable and include the following: quoted prices on similar assets in active markets; quoted prices for identical or similar assets in markets that are not active; observable inputs other than quoted prices such as yield curves, volatilities, prepayment speeds; or inputs derived principally or corroborated by observable market data by correlation or other means.

Level 3 Fair Value Measurements

Level 3 inputs are unobservable inputs for the asset reflecting internal assumptions used to arrive at an estimate or exit price. Those inputs are based on the best information available in the circumstances.

EMPLOYMENT CONNECTION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

3. FAIR VALUE MEASUREMENTS – CONTINUED

The Organization's investments consisted of the following at December 31:

	2020	
	Fair Value Measurement Using:	
	Quoted Prices in Active Markets for Identical Assets (Level 1)	
	Fair Value	
Mutual funds	\$1,820,993	\$1,820,993
	\$1,820,993	\$1,820,993

	2019	
	Fair Value Measurement Using:	
	Quoted Prices in Active Markets for Identical Assets (Level 1)	
	Fair Value	
Mutual funds	\$1,680,395	\$1,680,395
	\$1,680,395	\$1,680,395

4. INVESTMENTS IN LOW INCOME HOUSING PROJECTS

In 2012, Employment Connection entered into separate agreements with Callaway Quail Acquisitions, LLC and Perque II Acquisitions, LLC, for-profit limited liability companies, to develop and own housing for low income tenants. Employment Connection has a 99.98 percent interest and serves as a limited partner of each housing project. The managing member has assumed all of the risk and has provided guarantees related to future capital contributions. Employment Connection's involvement in these entities is to provide supportive services related to its mission in exchange for annual priority payments equal to \$40,000. Since Employment Connection has not assumed any risk, it has elected to record these investments at fair value using the equity method of accounting.

In September 2019, the Organization entered into agreements to sell its interest in both LLCs. The sale closed for \$64,000 on February 15, 2020.

EMPLOYMENT CONNECTION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

5. PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets as follows:

	December 31, 2020			
	Cost	Life years	Accumulated depreciation	Book value
Building	\$3,003,577	40	\$1,145,114	\$1,858,463
Building improvements	170,171	20	81,081	89,090
Land	305,000	-	-	305,000
Furniture and equipment	356,500	3-15	307,820	48,680
	<u>\$3,835,248</u>		<u>\$1,534,015</u>	<u>\$2,301,233</u>

	December 31, 2019			
	Cost	Life years	Accumulated depreciation	Book value
Building	\$3,003,577	40	\$1,070,024	\$1,933,553
Building improvements	170,172	20	70,118	100,054
Land	305,000	-	-	305,000
Furniture and equipment	337,451	3-15	286,315	51,136
	<u>\$3,816,200</u>		<u>\$1,426,457</u>	<u>\$2,389,743</u>

Depreciation expense for the years ended December 31, 2020 and 2019 totaled \$107,558 and \$109,029, respectively.

6. LINE OF CREDIT

The Organization has a \$100,000 line of credit with PNC Bank. The interest is calculated using the Wall Street Journal U.S. prime rate (3.25% at December 31, 2020) recalculated monthly. Interest is payable monthly, and principal is due in full each November. The Organization paid the line of credit off in January 2020 and had no further draws during 2020. The Organization had borrowings against this operating line of credit of \$0 and \$50,000 as of December 31, 2020 and 2019.

EMPLOYMENT CONNECTION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

7. LONG-TERM DEBT

The Organization signed a promissory note from Deaconess Foundation on November 26, 2018. The funds were received through a wire transfer on January 2, 2019 for \$200,000. Interest is at 3% and is due and payable in quarterly installments on each March 31, June 30, September 30 and December 31. A final payment of the principal amount and all accrued and unpaid interest shall be due and payable on December 31, 2021. Interest expense for this loan was \$6,000 and \$5,967 as of December 31, 2020 and 2019, respectively.

8. BOARD DESIGNATED NET ASSETS

Board designated net assets consisted of the following at December 31:

	2020	2019
Investments and cash equivalents held by investment companies	\$1,626,395	\$1,485,156
Board designated post-retirement benefits fund	80,482	80,482
Net investment in property and equipment	2,301,233	2,389,743
Total board designated net assets	\$4,008,110	\$3,955,381

9. NET ASSETS WITH DONOR RESTRICTIONS

The Organization's net assets with donor restrictions consisted of the following as of December 31:

	2020	2019
Time Restricted		
United Way	\$ 622,358	\$414,905
Purpose Restricted		
Competitive employment programs	1,009,409	130,730
	\$1,631,767	\$545,635

10. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization receives support from donor-restricted contributions. A donor's restriction requires resources to be used in a specific manner or in a future period, therefore the Organization must maintain sufficient resources to meet its responsibilities to its donors. Consequently, financial assets may not be available for general expenditures within one year of December 31, 2020 and 2019.

The following reflects the Organization's financial assets as of December 31, 2020 and 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year.

EMPLOYMENT CONNECTION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

10. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS – CONTINUED

	2020	2019
Financial assets at year-end	\$ 4,851,369	\$ 3,047,722
Less those unavailable for general expenditures within one year due to:		
Donor-restricted to competitive employment programs	1,009,409	130,730
Board designations:		
Investments held by investment companies	1,626,395	1,485,156
Post-retirement benefits fund	80,482	80,482
Financial assets available to meet cash needs for general expenditures within one year.	<u>\$ 2,135,083</u>	<u>\$ 1,351,354</u>

As part of the Organization's liquidity management, it has a policy to structure financial assets to be available for general expenditures, liabilities and other obligations as they become due.

11. OPERATING LEASES

The Organization maintains operating leases on two of its copy machines and two office spaces. Total rental expense for this lease was \$22,575 and \$7,449 for the years ended December 31, 2020 and 2019, respectively. Future minimum lease commitments for years subsequent to 2020 are as follows:

2021	\$29,525
2022	13,000
2023	8,100
2024	675
	<u>\$51,300</u>

12. LEASING ARRANGEMENTS

The Organization leases a portion of its building to several other unrelated entities under month-to-month leases. Rental income is reported net of expenses on the statement of activities. A detail of building rental expenses appears on the statement of functional expenses.

EMPLOYMENT CONNECTION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

13. INCOME TAXES

The Organization is exempt from the payment of Federal income taxes on its exempt-purpose activities under provisions of Section 501(c)(3) of the Internal Revenue Code. Since the Organization does not have revenue taxable as unrelated business income, no income tax expense has been recorded in the financial statements. The Organization routinely evaluates potential uncertain tax positions and believes they would more likely than not be substantiated upon examination by taxing authorities. The Organization files income tax returns in the U.S. Federal jurisdiction. U.S. Federal income tax returns prior to 2017 are closed.

14. RETIREMENT PLANS

The Organization has a 403(b) retirement plan covering all eligible employees. The Organization contributes three percent of the salary of each eligible employee monthly to a tax deferred annuity account assigned to each participant. Each year after December 31, the Organization may make an additional contribution for all eligible employees employed as of December 31 for an amount not to exceed two percent of an eligible employee's total earnings for the year. An eligible employee is an active employee who has been a full-time employee for two consecutive years. Total expense incurred by the Organization under this plan for the years ended December 31, 2020 and 2019 were \$32,083 and \$44,832, respectively.

15. COMMITMENT AND CONTINGENCIES

Financial awards from federal governments in the form of grants are subject to special oversights and audits. The results of such audits could result in claims against Employment Connection for disallowed cost. No provisions have been made for any liabilities that may result from such audits since the amounts, if any, cannot be determined.

The Organization has committed to leases for fourteen rental units for individuals they are assisting. All of these leases mature in 2021. The lease commitment at December 31, 2020 totals \$102,344.

16. PAYROLL PROTECTION PROGRAM

In May 2020, the Organization received a loan of \$685,600 pursuant to the Payroll Protection Program (PPP) under the Federal Coronavirus Aid, Relief, and Economic Security Act (Cares Act). Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act, including qualifying payroll costs, covered rent payments, and covered utilities. The Organization used the loan amount for such qualifying expenses and expects to have the loan forgiven in full. The Organization began the application for the loan forgiveness in May 2021. The forgiveness of the PPP loan has been recorded as income on the statement of activities.

EMPLOYMENT CONNECTION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

17. RISKS AND UNCERTAINTIES

In March 2020, the World Health Organization declared the global novel coronavirus disease 2019 (COVID-19) outbreak a pandemic, which is impacting businesses as well as financial markets. In response to the pandemic, large gatherings have been prohibited to prevent the spread of COVID-19. As a result, the Organization moved to virtual events during 2020, however, this did not have a significant impact on the Organization's operations. The Organization's operations could be adversely affected as a result of COVID-19, but the ultimate impact is not known as of the date the financial statements were available to be issued as the scale and severity of the outbreak, and resulting economic impact, is still largely unknown.

18. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 28, 2021 the date on which the financial statements were available to be issued.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Employment Connection
St. Louis, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Employment Connection (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 28, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Employment Connection's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Employment Connection's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Employment Connection's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2020-004 through 2020-007.

Employment Connection's Response to Findings

Employment Connection's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Employment Connection's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Conner Ash P.C.

St. Louis, Missouri

July 28, 2021

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Employment Connection
St. Louis, Missouri

Report on Compliance for Each Major Federal Program

We have audited Employment Connection's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Employment Connection's major federal programs for the year ended December 31, 2020. Employment Connection's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Employment Connection's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Employment Connection's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Employment Connection's compliance.

Opinion on Each Major Federal Program

In our opinion, Employment Connection complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2020-004 through 2020-007. Our opinion on each major federal program is not modified with respect to these matters.

Employment Connection's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Employment Connection's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Employment Connection is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Employment Connection's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Employment Connection's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2020-002 and 2020-003, that we consider to be significant deficiencies.

Employment Connection's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Employment Connection's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Conner Ash P.C.

St. Louis, Missouri
July 28, 2021

EMPLOYMENT CONNECTION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2020

Federal Grantor / Pass-Through

<u>Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Identification Number</u>	<u>Federal Expenditures</u>
U.S. Department of Treasury			
Coronavirus Relief Fund			
Passed through City of St. Louis, Department of Human Services, Office of Homeless Services	21.019	75504	\$ 559,103
Passed through St. Louis County, Department of Human Services, Division of Homeless Services	21.019	HS2020-8029A	<u>700,000</u>
Total U.S. Department of Treasury			<u>1,259,103</u>
U.S. Department of Housing and Urban Development			
Continuum of Care			
Passed through St. Louis County, Department of Human Services, Division of Homeless Services	14.267	MO0003LE001810	212,152
	14.267	MO0003L7E001911	<u>56,993</u>
			<u>269,145</u>
Homeless Prevention and Rapid Re-housing			
Passed through St. Louis County, Department of Human Services, Division of Homeless Services	14.231	E18-US-29-0001-RRH	32,896
	14.231	HS2020-2302	36,254
	14.231	E18-US-29-0001-Pre	34,655
	14.231	HS2020-2303	25,386
Passed through Missouri Housing Development Commission	14.231	19-739-E (County)	29,322
	14.231	20-739-S (County)	50,000
	14.231	21-751-E (County)	4,205
	14.231	19-738-E (City)	8,114
	14.231	20-738-E (City)	50,000
	14.231	21-752-E (City)	<u>4,809</u>
			<u>275,641</u>
Community Development Block Grant (CDBG)			
Passed through City of St. Louis Development Administration	14.218	20-11-61	130,000
	14.218	20-14-61	<u>80,000</u>
			<u>210,000</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 754,786</u>

EMPLOYMENT CONNECTION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended December 31, 2020

Federal Grantor / Pass-Through

<u>Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Identification Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture			
Food and Nutrition Service State Administrative Matching Grants for Supplemental Nutrition Assistance Programs (SNAP)			
Passed through Illinois Department of Human Services	10.561	FCSYG00251	\$ 34,209
	10.561	FCSZG00251	49,745
Total U.S. Department of Agriculture			<u>83,954</u>
U.S. Department of Health and Human Services			
Temporary Assistance for Needy Families (TANF)			
Passed through Illinois Department of Human Services	93.558	FCSYG00076	100,132
	93.558	FCSZG00076	78,837
Total U.S. Department of Health and Human Services			<u>178,969</u>
U.S. Department of Labor			
Workforce Innovation and Opportunity Act (WIOA) Youth Activities			
Passed through St. Louis County, Department of Human Services, Division of Homeless Services	17.259	HS2020-7014	22,930
Total U.S. Department of Labor			<u>22,930</u>
Total Expenditures of Federal Awards			<u>\$ 2,299,742</u>

EMPLOYMENT CONNECTION

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2020

1. Basis of Presentation

The accompanying schedule of federal awards includes the federal grant activity of Employment Connection and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

EMPLOYMENT CONNECTION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2020

PART I: SUMMARY OF AUDITORS' RESULTS

1. As a result of our audit of the basic financial statements of Employment Connection for the year ended December 31, 2020, we issued an unmodified opinion on the financial statements.
2. A material weakness relating to the audit of the financial statements is reported in the Independent Auditors' Report on Internal Controls Over Financial Reporting.
3. No instances of noncompliance material to the financial statements of Employment Connection were disclosed during the audit.
4. Significant deficiencies relating to the audit of the major federal award programs are reported.
5. The auditors' report on compliance expresses an unmodified opinion on all the major federal programs.
6. There were audit findings that are required to be reported in accordance with the Uniform Guidance reported in this schedule.
7. For the year ended December 31, 2020, Employment Connection had the following major program:

CFDA 21.019 – Coronavirus Relief Fund
8. The dollar threshold used for distinguishing between Type A and Type B programs was total federal awards expended in excess of or equal to \$750,000.
9. Employment Connection qualified as a low risk auditee.

EMPLOYMENT CONNECTION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2020

PART II: FINDINGS RELATED TO GENERAL PURPOSE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.

Reference Number	Finding
2020-001	CFDA Number, Federal Agency, and Program Name – CFDA 21.019, Department of the Treasury, Coronavirus Relief Fund
	Federal Award Identification Number and Year – 2020
	Pass-through Entity – City of St. Louis and St. Louis County
	Finding Type – Material Weakness
	Repeat Finding – No
	Criteria – Bank reconciliations ensure accounting records are accurate and errors are caught in a reasonable amount of time.
	Condition – Employment Connection does not complete bank reconciliations in a reasonable amount of time after bank statements are received.
	Questioned Costs – None
	Context – Employment Connection did not detect a remote deposit of unrestricted non-federal funds that did not get credited to their bank account. This resulted in a deposit error for \$72,486 from February 2020 not being detected and corrected until December 2020.
	Cause and Effect – Due to the COVID-19 pandemic, Employment Connection administrative staff spent a substantial amount of time implementing COVID-19 pandemic safety protocols to protect the safety of staff, volunteers and clients. In addition, Employment Connection received funding to assist clients with surviving the pandemic. Administrative staff had less time to complete the bank reconciliations in a timely manner and as a result bank errors may not have been caught timely and could have resulted in losses to Employment Connection.
	Recommendation – Employment Connection complete bank reconciliations timely.

EMPLOYMENT CONNECTION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2020

PART III: FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Reference Number	Finding
2020-002	CFDA Number, Federal Agency, and Program Name – CFDA 21.019, Department of the Treasury, Coronavirus Relief Fund
	Federal Award Identification Number and Year – 2020
	Pass-through Entity – City of St. Louis and St. Louis County
	Finding Type – Significant Deficiency
	Repeat Finding – No
	Criteria – To ensure program funding is used in compliance with federal laws and regulations, Employment Connection should ensure controls over internal spreadsheets used to calculate salaries and fringe benefits are adequate.
	Condition – Employment Connection did not have adequate controls in place to ensure salaries and fringe benefit calculations were accurate.
	Questioned Costs – None
	Context – For both months tested, spreadsheets used to calculate salaries and fringe benefits contained errors. In one month tested, for 3 of the 16 employees reported to the county, and for 1 of the 22 employees reported in the other month tested, the wrong hours were used to calculate the salary and fringe benefit allocation for one of the pay periods. In addition, the wrong percentage was used to calculate the workers’ compensation cost for 2 of 16 employees reported in one month and 3 of 22 employees reported in the other month tested for the county. The wrong percentages were used for 1 of 15 employees reported in one month and for 4 of 24 employees reported in the other month tested for the city. The wrong percentage resulted in Employment Connection under billing in three of these instances and in the other instance, the error was offset in excess expenses not billed in future months.
	Cause and Effect – Due to the COVID-19 pandemic, Employment Connection administrative staff spent a substantial amount of time implementing COVID-19 pandemic safety protocols to protect the safety of staff, volunteers and clients. In addition, Employment Connection received funding to assist clients with surviving the pandemic. Administrative staff had less time to thoroughly verify all calculations included in billing backup which could have resulted in questioned costs.
	Recommendation – Employment Connection ensure controls over reporting are functioning adequately.

EMPLOYMENT CONNECTION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2020

PART III: FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS—CONTINUED

Reference Number	Finding
2020-003	<p>CFDA Number, Federal Agency, and Program Name – CFDA 21.019, Department of the Treasury, Coronavirus Relief Fund</p>
	<p>Federal Award Identification Number and Year – 2020</p>
	<p>Pass-through Entity – City of St. Louis and St. Louis County</p>
	<p>Finding Type – Significant Deficiency</p>
	<p>Repeat Finding – No</p>
	<p>Criteria – Per discussion with management the Organization’s policy, to ensure program funding is used in compliance with federal laws and regulations, is time sheets used to allocate hours to program expenses should be signed by both the employee and the employee’s supervisor.</p>
	<p>Condition – Some time sheets used to allocate hours to federal programs were not signed or were not signed timely.</p>
	<p>Questioned Costs – None</p>
	<p>Context – Time sheets were reviewed for the two months selected as part of expenditure testing. For 6 of the 126 time sheets reviewed, the employee did not sign the time sheet, and for 23 time sheets, the employee did not sign the time sheet within a month of last day of the pay period. Additionally, for 3 time sheets reviewed, the employee’s supervisor did not sign the time sheet and for 21 timesheets the employee’s supervisor did not sign the time sheet within a month of the last day of the pay period.</p>
	<p>Cause and Effect – Due to the COVID-19 pandemic, Employment Connection administrative staff spent a substantial amount of time implementing COVID-19 pandemic safety protocols to protect the safety of staff, volunteers and clients. These included allowing staff to work a hybrid schedule with staff being in the office on a rotating schedule one day per week. This caused a delay in timely signatures or missing signatures on documents including timesheets. In addition, Employment Connection did not update their procedures to allow timesheets to be signed electronically or approval of their timesheets by email which could result in hours not being accurately allocated for program expense calculations.</p>
	<p>Recommendation – Employment Connection ensure time sheets are signed timely by the employee and supervisor or develop alternative oversight procedures to ensure timesheet allocations are accurate.</p>

EMPLOYMENT CONNECTION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2020

PART III: FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS—CONTINUED

Reference Number	Finding
2020-004	CFDA Number, Federal Agency, and Program Name – CFDA 21.019, Department of the Treasury, Coronavirus Relief Fund
	Federal Award Identification Number and Year – 2020
	Pass-through Entity – City of St. Louis
	Finding Type – Noncompliance
	Repeat Finding – No
	Criteria – The contract between the City of St. Louis and Employment Connection requires the recipient files contain adequate proof of income for all adults in the household. The contract indicates acceptable proof of income includes one month worth of paychecks within the last three months. Additionally, Employment Connection requires a program manager review of the files to ensure the files are complete.
	Condition – Employment Connection did not maintain complete recipient files for one recipient and one file was not approved by a manager.
	Questioned Costs – None
	Context – Of the 26 files selected for expenditure testing, one file did not have one month worth of paychecks, and one file was not approved by a program manager prior to payment.
	Cause and Effect – Due to COVID-19 pandemic, Employment Connection received increased funding, but had inexperienced staff which diverted managers' time to training, making them less available to review the increased number of applications for assistance. This could have resulted in recipients not meeting program requirements and resulted in some incomplete files.
	Recommendation – Employment Connection develop procedures to ensure recipient files are reviewed by a program manager or an alternative person if the manager is unable to review in a timely manner.

EMPLOYMENT CONNECTION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2020

PART III: FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS—CONTINUED

Reference Number	Finding
2020-005	CFDA Number, Federal Agency, and Program Name – CFDA 21.019, Department of the Treasury, Coronavirus Relief Fund
	Federal Award Identification Number and Year – 2020
	Pass-through Entity – St. Louis County
	Finding Type – Noncompliance
	Repeat Finding – No
	Criteria – The contract with St. Louis County requires recipients to make 80% or less of Area Median Income. In addition, the maximum payment allowable under the contract must not exceed the lesser of a total of 9 months times the Unit Fair Market Rent or \$8,000.
	Condition – Employment Connection did not ensure one recipient made less than 80% of Area Median Income and did not have a procedure in place to ensure clients did not receive more than the maximum payment allowed under the contract.
	Questioned Costs – None
	Context – Of the 34 files selected for expenditure testing, one file did not have supporting documentation for changes in salary before a second payment was made to the recipient. In addition, for two files tested, the file did not contain supporting documentation showing the recipient was eligible for more than the minimum payment allowed using the Unit Fair Market Rent calculation.
	Cause and Effect – Due to COVID-19 pandemic, Employment Connection received increased funding which required additional staff to be hired to administer these grants. Training of these new staff while working partially in a virtual setting made review of an increased number of applications for assistance challenging. This could have resulted in recipients not meeting all program requirements.
Recommendation – Employment Connection ensure recipient files are reviewed to ensure all supporting documentation is in the recipient file prior to paying the assistance.	

EMPLOYMENT CONNECTION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2020

PART III: FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS—CONTINUED

Reference Number	Finding
2020-006	CFDA Number, Federal Agency, and Program Name – CFDA 21.019, Department of the Treasury, Coronavirus Relief Fund
	Federal Award Identification Number and Year – 2020
	Pass-through Entity – City of St. Louis
	Finding Type – Noncompliance
	Repeat Finding – No
	Criteria – The contract with the City of St. Louis includes reporting requirements for the Subcontractor paid by Employment Connection to implement a housing data base.
	Condition – Employment Connection did not meet the reporting requirements and deadlines outlined in the contract with the City of St. Louis.
	Questioned Costs – None
	Context – Employment Connection sent invoices and proof of payment with the expenditure reports sent to the City of St. Louis but did not send all required reporting information to the city in the timeframe indicated in the contract.
	Cause and Effect – Due to the COVID-19 pandemic, Employment Connection administrative staff spent a substantial amount of time implementing COVID-19 pandemic safety protocols to protect the safety of staff, volunteers and clients. In addition, Employment Connection received funding to assist clients with surviving the pandemic. Subcontractor reports were not sent timely, resulting in non-compliance with the city contract.
	Recommendation – Employment Connection ensure required reporting is timely.

EMPLOYMENT CONNECTION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2020

PART III: FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS—CONTINUED

Reference Number	Finding
2020-007	CFDA Number, Federal Agency, and Program Name – CFDA 21.019, Department of the Treasury, Coronavirus Relief Fund
	Federal Award Identification Number and Year – 2020
	Pass-through Entity – City of St. Louis
	Finding Type – Noncompliance
	Repeat Finding – No
	Criteria – The contract with the City of St. Louis requires recipients to be city residents.
	Condition – Employment Connection used the city program funding to provide assistance to a St. Louis County resident.
	Questioned Costs – None
	Context – Employment Connection assisted a county resident using city program funding. Employment Connection identified this error as part of their payment review but did not correct it at the time it was discovered.
	Cause and Effect – Due to COVID-19 pandemic, Employment Connection received increased funding with decreased staffing. Errors discovered by staff were not corrected, and as a result a recipient was not in compliance with the city contract.
	Recommendation – Employment Connection implement procedures to ensure errors discovered during the payment review process are corrected prior to payment.

EMPLOYMENT CONNECTION

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended December 31, 2020

There were no findings for the year ended December 31, 2019.

Corrective Action Plan

July 28, 2021

Department of Treasury

Employment Connection respectfully submits the following corrective action plan for the year ended December 31, 2020.

Conner Ash P.C.
12101 Woodcrest Executive Drive, Suite 300
St. Louis, MO 63141

Audit Period: Year Ended December 31, 2020.

The findings from the July 28, 2021 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS

2020-001 Bank Reconciliations

Recommendation: Employment Connection complete bank reconciliations timely.

Action Plan: Completion of Bank Reconciliations in a timely manner continues to be a priority. The timely completion of 2020 Bank Reconciliations was delayed by the additional administrative time required to implement COVID-19 safety protocols and precautions to protect Employment Connection staff, volunteers and clients. As COVID-19 conditions improve, Employment Connection administrative staff will have additional time available to prioritize completion of Bank Reconciliations in a timelier manner.

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

SIGNIFICANT DEFICIENCY

2020-002 Coronavirus Relief Fund—CFDA No. 21.019

Recommendation: Employment Connection ensure controls over reporting are functioning adequately.

Action Plan: In 2021, Employment Connection hired an additional Accounting Assistant within their Accounting Department. This additional position will assist with preparation and verification of billing schedules documenting salaries and fringe benefits. This will help ensure controls over reporting are functioning adequately and any errors are discovered and corrected in a timely manner.

2020-003 Coronavirus Relief Fund—CFDA No. 21.019

Recommendation: Employment Connection ensure time sheets are signed timely by the employee and supervisor or develop alternative oversight procedures to ensure timesheet allocations are accurate.

Action Plan: In 2020, due to the COVID-19 pandemic, Employment Connection implemented COVID-19 pandemic safety protocols to protect the safety of staff, volunteers and clients. These safety protocols included staff working a hybrid schedule with staff working at home some days and being in the office on a rotating basis. This caused a delay in the timely signing of documents including timesheets by both staff and supervisors. Effective August 1, 2021, Employment Connection's timesheet signature procedures have been updated to allow timesheets to be signed and approved by attaching a PDF of the timesheet to an Outlook email from the staff member forwarded to their supervisor who may also sign and approve in the same manner. The outlook emails will be printed and considered part of the timesheet.

NONCOMPLIANCE

2020-004 Coronavirus Relief Fund—CFDA No. 21.019

Recommendation: Employment Connection develop procedures to ensure recipient files are reviewed by a program manager or an alternative person if the manager is unable to review in a timely manner.

Action Plan: During 2020, Employment Connection received new grants to assist clients in maintaining housing during the COVID-19 pandemic. This required hiring and training new staff members while also implementing COVID-19 pandemic safety protocols, which included allowing staff to work remotely. In some cases, because the Manager was working remotely, the Executive Vice President/Chief Operating Officer reviewed client backup corrections as part of the check signature process. In 2021, the Co-Managers of Housing and Client Services have designated senior staff members to assist with the review and approval process of client files and vouchers.

2020-005 Coronavirus Relief Fund—CFDA No. 21.019

Recommendation: Employment Connection ensure recipient files are reviewed to ensure all supporting documentation is in the recipient file prior to paying the assistance.

Action Plan: During 2020, Employment Connection received new grants to assist clients in maintaining housing during the COVID-19 pandemic. This required hiring and training new staff members while also implementing COVID-19 pandemic safety protocols. In many instances Managers and experienced staff were able to document contract compliance using alternative processes. An example included comparing family size to St. Louis County unit size zoning requirements versus documentation of unit size in the lease. In 2021, all staff will receive ongoing reviews of contract requirements and staff will be trained to document alternative methods of verifying contract eligibility.

2020-006 Coronavirus Relief Fund—CFDA No. 21.019

Recommendation: Employment Connection ensure required reporting is timely.

Action Plan: In 2021, Employment Connection hired an additional Accounting Assistant within their Accounting Department. This additional position will assist with preparation and verification of invoice and reporting. This will help ensure controls timely reporting.

2020-007 Coronavirus Relief Fund—CFDA No. 21.019

Recommendation: Employment Connection implement procedures to ensure errors discovered during the payment review process are corrected prior to payment.

Action Plan: In 2021, Employment Connection hired an additional Accounting Assistant within their Accounting Department. This additional position will assist with preparation and verification of invoice and reporting. This will allow more time for other Accounting staff to ensure that data entry errors are corrected as part of the payment process.

If the Department of Treasury has questions regarding this plan, please call David Kessel at 314-333-5633.

David Kessel
Executive Vice President/Chief Operating Officer