



Office of Missouri State Auditor
Nicole Galloway, CPA

FOLLOW-UP REPORT ON AUDIT FINDINGS

City of St. Louis
Supply Division

Report No. 2018-052

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City of St. Louis - Supply Division

Follow-Up Report on Audit Findings

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NICOLE GALLOWAY, CPA Missouri State Auditor

To the Honorable Mayor
and
Supply Commissioner
City of St. Louis, Missouri

We have compiled the statuses of the audit report findings contained in Report No. 2008-60, *City of St. Louis, Supply Division*, issued in September 2008, as part of our current audit of the City of St. Louis. These results were determined by city officials and have not been audited. We will evaluate each status and the procedures implemented to address the related audit findings as appropriate in our ongoing audit of the Supply Division. The objectives of the follow-up compilation were to:

1. Provide status information from city officials for each recommendation. The status of each recommendation will be one of the following:
 - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
 - In Progress: Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
 - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
 - Not Implemented: Auditee has not implemented the recommendation and has no specific plans to implement the recommendation.
 - No Longer Applicable: The recommendation is no longer applicable.
2. Compile the information reported.

To obtain the status for each recommendation, we sent questionnaires to the Supply Division that included a brief summary of each finding and recommendation, and requested the status of each finding and a brief description of the steps taken or planned to implement the recommendation or reason(s) why the recommendation has not been implemented or is no longer applicable. This report is a compilation of the information provided, which we received in April 2018.

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

A handwritten signature in black ink that reads "Nicole R. Galloway".

Nicole R. Galloway, CPA
State Auditor

City of St. Louis - Supply Division

Follow-Up Report on Audit Findings

Status of Findings

Finding Title: Emergency Purchases

Finding Number: 1.A.

Finding: Items purchased as emergency items did not appear to meet the city's definition of an emergency.

Recommendation: The Supply Division work with the Comptroller's office to ensure only emergency purchases that meet the definition of an emergency are approved. In addition, the Supply Division should work with the Mayor and the Board of Aldermen to determine if disciplinary action can be taken against city departments that abuse emergency purchasing procedures.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

Since Pamela Kuehling's arrival as Supply Commissioner on September 5, 2017, an explanatory template was created in October to demonstrate when to use which option from the purchasing pathways. The definition of an emergency is copied directly from the charter onto that page. It details when and how to properly use an Emergency Requisition versus other options. A copy of the new Emergency Rules Template can be found in Exhibit D of the Supply Division Policies and Procedures Manual.

In fiscal year (FY) 2017 there were 246 emergency requisitions. In FY 2018 (as of date of this submission) there have been 107 emergency requisitions. This is an estimated annualized reduction of 42 percent.

In all conversations with departments asking to use Emergency Purchases, the Supply Commissioner or Deputy Supply Commissioner verifies the reason for the emergency before signing any paperwork. Some Emergency Requisitions were previously signed "under protest" as the purchases had already been made, and the vendor had to be paid. Several have been rejected in the last 6 months.

Departments were put on notice by Pamela Kuehling and Kerrie Brown (Comptroller's office) that emergency requisitions would be heavily scrutinized going forward.

The Commissioner and Deputy Commissioner have been holding training classes for various departments including the Equipment Services Division, Traffic, Streets, Health, the Assessor's office, Parks, and the St. Louis Agency on Training and Employment. The classes are aimed at how to avoid emergencies and use the purchasing options in the most cost effective manner.

Discipline has been requested by the Supply Commissioner and handed out to at least one department individual responsible for several "unnecessary" emergency requests. Word has spread about the new enforcement of the rules.



City of St. Louis - Supply Division
Follow-Up Report on Audit Findings
Status of Findings

The Board of Aldermen has not had to be involved at this time. If needed, we will invite their participation in the discussion.

Contact Person: Pamela Kuehling
Contact Phone Number: (314) 622-4330



City of St. Louis - Supply Division
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Emergency Purchases

Finding Number: 1.B.

Finding: Items purchased as emergency items did not have an adequately documented justification of the emergency nature of the purchase.

Recommendation: The Supply Division work with the Comptroller's office to ensure all emergency purchases include adequate documentation to justify the emergency.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

For Emergency Requisitions under \$5,000, there is now a form (updated January 31, 2014) filled out and reasons for the emergency purchase are documented. Additional sheets are often used. If the Deputy Supply Commissioner or Supply Commissioner is unsatisfied with the level of documentation, either more is requested or the purchase is denied.

For Emergency Requisitions over \$5,000, the purchase and request to waive advertising requires approval from the Board of Standardization. If any member of the Board of Standardization is unsatisfied with the documentation for any reason, they will not sign and the emergency purchase will not be approved.

Contact Person: Pamela Kuehling
Contact Phone Number: (314) 622-4330



City of St. Louis - Supply Division
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Emergency Purchases

Finding Number: 1.C.

Finding: Items purchased included invoices with dates prior to the creation and approval of the emergency requisition forms.

Recommendation: The Supply Division work with the Comptroller's office to ensure all emergency purchases are approved prior to initiating the actual purchase, or the reason for initiating the purchase prior to approval is adequately documented.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

There is no guarantee that an emergency will happen during working hours. If an emergency need is identified at night or on a weekend, the City Charter says that purchases can occur based on the definition of an emergency. The Supply Division follows all city policies and procedures in terms of the approval processes.

Emergencies during the day are handled as recommended. Emergencies occurring during nights or weekends are difficult to comply with due to the City Charter definition. Many of the evening/weekend emergencies do comply, but some cannot (i.e., parts for major water main break, snow blower part needed for runway at airport when it is snowing, etc.). Departments are more aware of the potential for rejection if processes and procedures are not followed.

During Supply Division training, we encourage all departments to follow the recommendations at night and on weekends if possible, but in a true emergency it may not be possible or in the best interests of the citizens of the City of St. Louis to delay service.

Proper documentation is always required.

Contact Person: Pamela Kuehling
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City of St. Louis - Supply Division
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Emergency Purchases

Finding Number: 1.D.

Finding: Emergency purchases were not bid as required. In addition, purchases did not have letters requesting waiver of advertising of bids.

Recommendation: The Supply Division work with the Comptroller's office to ensure two or three vendor letterhead price quotes are received for all emergency purchases, and letters to waive advertising for bids are received for applicable emergency purchases over \$5,000. If there are valid reasons for not following applicable city policies for such purchases, these reasons should be fully documented.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

Please see the answer above relating to bidding. Waiver of advertising request letters are now required before paperwork is processed.

Contact Person: Pamela Kuehling

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City of St. Louis - Supply Division
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Contract Pricing

Finding Number: 2.A.

Finding: Invoices for some contract purchases included charges for items that were not bid and did not agree to the applicable contracted bid prices.

Recommendation: The Supply Division ensure invoice prices correspond to contract prices before processing the purchasing order in the accounting system.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

Before processing the "Invoices Attached" invoice in the city's accounting system, the Account Clerk II locates the contract and verifies that the item is invoiced at the contracted price. If the price is correct, she turns the requisition into a purchase order in the accounting system.

If the invoice price is not correct, the Account Clerk II reports the problem to the Buyer or the Deputy Supply Commissioner for correction. The Buyer contacts the department and/or the vendor to get further information until the situation is rectified. A Rejection Notice form is used to notify the department what is wrong with the invoice so the department can more accurately respond. Although this sometimes causes delays in payments, the prudent use of the city's funds makes it the best practice.

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City of St. Louis - Supply Division
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Contract Pricing

Finding Number: 2.B.

Finding: Some invoices did not provide specific pricing information to allow invoices to be verified with contracts for accuracy.

Recommendation: The Supply Division ensure invoices include sufficiently detailed information, such as per unit rates, to allow adequate comparison of the invoice prices to the contract prices.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

Forms and checklists have been updated to ensure that invoice prices can be matched with contract prices on "Invoices Attached" paperwork. In one instance, we had two vendors vying for a parts contract and one offered the price list and the other did not. We informed the delinquent bidder that we could not verify their discounted price without a published price list. Although they had refused to provide one to the department for the last several years, the Supply Commissioner was able to get a link to the published price list within 3 hours.

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City of St. Louis - Supply Division
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Performance Bonding

Finding Number: 3.

Finding: The city may be limiting available bidders due to the city's performance bonding requirements. The Supply Division required all contractors maintain a performance bond equal to 50 percent of the value of the contract.

Recommendation: The Supply Commissioner work with the Mayor and Board of Aldermen to evaluate the need of performance bonds for various types of contracts and revise the City Code as applicable.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

The City Charter was updated on January 9, 2009, to read "The Supply Commissioner may require..." for performance bonding requirements. Board Bill 339 revised Section 5.58.160 of the Revised Code of the City of St. Louis. This was done with the support of the Mayor and the Board of Aldermen.

The number of contracts requiring performance bonds has been reduced from 131 in 2010 to 36 in 2017. One more performance bond will be eliminated in July 2018. As each contract with a performance bond comes up for renewal, the Supply Commissioner will determine the need for the bond, and obtain pricing both with and without performance bond requirements as needed. All bid processes and procedures will be followed in accordance with Supply Division policies.

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City of St. Louis - Supply Division
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Receipt Controls

Finding Number: 4.

Finding: The Supply Division did not maintain an initial record of checks received, and checks were not restrictively endorsed immediately upon receipt. In addition, there was no process to allow for the reconciliation of checks received to checks transmitted.

Recommendation: The Supply Division prepare and maintain an initial record or log of all monies received, restrictively endorse all checks and money orders immediately upon receipt, and transmit receipts to the City Treasurer daily. In addition, the record or log of monies received should be reconciled to amounts transmitted to the City Treasurer.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

All checks and money orders received by the Supply Division are now logged into the Checks Received Log and deposited with the Treasurer's office within 24 hours of receipt. Upon arrival, the check/money order is logged into the Checks Received Log, endorsed with the Supply Division rubber stamp, and then given to the Executive Secretary for processing the Receipt Coding Form and payment to the Treasurer's office.

Periodically, the Supply Commissioner or Deputy Supply Commissioner review the Checks Received Log for the timely processing of all associated documents and initials accordingly.

Information in the Checks Received Log includes line number, date received, received by, check number, date of check, amount of check, check from, check for, disposition 1/date, disposition 2/date, supply control number, treasurer control number, and reviewer's initials.

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