



Office of Missouri State Auditor
Nicole Galloway, CPA

FOLLOW-UP REPORT ON AUDIT FINDINGS

City of St. Louis
Information Technology Services Agency

Report No. 2018-077

September 2018

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City of St. Louis - Information Technology Services Agency

Follow-Up Report on Audit Findings

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NICOLE GALLOWAY, CPA
Missouri State Auditor

To the Honorable Mayor
and
Chief Information Officer/Director
City of St. Louis, Missouri

We have compiled the statuses of the audit report findings contained in Report No. 2009-37, *City of St. Louis, Information Technology Services Agency*, issued in April 2009, 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 Information Technology Services Agency. 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 - No Longer Applicable: The recommendation is no longer applicable.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 Information Technology Services Agency 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taken or planned to implement the recommendation or reason(s) why the recommendation has not been implemented or is no longer applicable.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 May 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 - Information Technology Services Agency

Follow-Up Report on Audit Findings

Status of Findings

Finding Title: Network Services Contract

Finding Number: 1.A.

Finding: The Information Technology Services Agency (ITSA) did not retain adequate documentation regarding the award of the United Forensics consulting contract in 2005. As a result, the exact value of the approved contract amount was not clear.

Recommendation: The ITSA ensure it fully complies with documentation retention requirements for professional service contracts in accordance with city rules and regulations. In addition, the ITSA should ensure documentation clearly indicates the value of contracts approved by the contract selection committee.

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 ITSA follows the Board of Public Service rules regarding professional service contractor selection, documentation of the selection process, and record retention. All contracts, requisitions, purchase orders, vouchers, and invoices are on file and kept for 10 years.

Contact Person: Cindy Riordan
Contact Phone Number: (314) 622-3653



City of St. Louis - Information Technology Services Agency
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Network Services Contract

Finding Number: 1.B.

Finding: The ITSA and the city approved annual contract extensions with United Forensics that significantly increased the total value of the contract and the hourly rates to be paid by the city; however, these contract extensions were approved without considering proposals from other vendors. The original contract approved for fiscal year 2006 did not include any language regarding contract extensions; however, the ITSA approved a contract extension for fiscal year 2007, and this contract extension included language allowing unlimited annual contract extensions.

Recommendation: The ITSA discontinue approving contract extensions that significantly increase the value of the contract unless the increases are approved by competitive negotiations. If the ITSA considers contract extensions to be desirable, the original contract should include language that allows contract extensions and caps on increased rates paid for services and the total value of the contract.

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:

Contract extensions that significantly increase the value of the contract or change the scope of the original contract are not granted.

Contact Person: Cindy Riordan
Contact Phone Number: (314) 622-3653



City of St. Louis - Information Technology Services Agency
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Network Services Contract

Finding Number: 1.C.

Finding: During the first quarter of 2008, one of the owners of United Forensics created a company called Access Forensics. The ITSA began utilizing the services of Access Forensics and discontinued utilizing the services of United Forensics. The former ITSA director notified the Comptroller's office by letter to pay Access Forensics even though the city had not negotiated a contract with Access Forensics. The ITSA did not adequately document the reasons for discontinuing the services of United Forensics, and the city may have made payments to Access Forensics without a valid written contract.

Recommendation: The ITSA adequately document the circumstances when there is a change in ownership of a service provider, or negotiate a new contract if necessary.

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:

Should a service provider experience a change in ownership, we would consult with the City Counselor to determine if existing contracts can be honored/amended with the new company name, or if a new selection process needs to be initiated.

Contact Person: Cindy Riordan
Contact Phone Number: (314) 622-3653



City of St. Louis - Information Technology Services Agency
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Network Services Contract

Finding Number: 1.D.

Finding: The ITSA approved payments to United Forensics for services that appeared unreasonable or were not specifically allowed by the contract.

Recommendation: The ITSA ensure all contractual costs billed are reasonable and necessary and are specifically allowed under the contract and review billings received from and payments made to United Forensics and Access Forensics to determine any amounts owed and if the city should seek reimbursement for any improper payments. In addition, prior to entering into contracts for professional services, the ITSA should evaluate whether it would be more cost efficient to hire additional staff to provide the services.

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:

An ITSA manager compares the invoice to both the contract pricing and to services rendered and only authorizes payments on invoices deemed correct and accurate.

An ITSA manager assigns work to be done under a professional services contract and ensures the reasonableness and necessity of the services. In the particular case of United Forensics, the ITSA determined that network services could be performed by hiring city staff. Other contracts are reviewed on a case-by-case basis to determine the effectiveness of hiring staff versus continuing to contract services.

Regarding reimbursement of possible improper payments identified in the prior audit, our City Counselor's office represented the city in a lawsuit regarding the United Forensics/Access Forensics contract. The case was settled to the satisfaction of the courts, though I do not have details regarding the settlement.

Contact Person: Cindy Riordan
Contact Phone Number: (314) 622-3653



City of St. Louis - Information Technology Services Agency
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Other Contracts and Software Agreements

Finding Number: 2.A.

Finding: The ITSA renewed contracts for internet services and mainframe support services without considering proposals from other vendors. In addition, the mainframe support services contract was for a sole proprietor who spent significant time working for the city and was paid \$75 per hour. During the 2 years ended June 30, 2008, this person billed the city an average of 140 to 160 hours per month.

Recommendation: The ITSA periodically solicit proposals for all professional service contracts as required by city ordinance. In addition, the ITSA should evaluate the mainframe support services contract and determine if the contractor should be considered a city employee under Internal Revenue Service rules and whether these services could be provided by city employees.

Status of Finding: Partially Implemented

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

The ITSA solicits proposals prior to the expiration of a contract and exhaustion of any renewal options approved in the contract, under guidance from the City Counselor. The most recent selection process for mainframe services is underway (as of April 2018).

The status of this finding is stated as Partially Implemented because I could not verify if proposals were solicited at each contract renewal period since 2009.

Contact Person: Cindy Riordan
Contact Phone Number: (314) 622-3653



City of St. Louis - Information Technology Services Agency
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Other Contracts and Software Agreements

Finding Number: 2.B.

Finding: Invoices submitted by the mainframe support services vendor did not contain sufficient detail. Invoices were submitted monthly and only included the total hours worked each month. Information regarding the specific days worked, hours worked each day, and specific tasks performed were not provided. Some invoices provided by the internet services vendor included charges for services that were not defined in the contract.

Recommendation: The ITSA require vendors provide detailed invoices of services provided that include dates of service and specific tasks performed. In addition, all billable services should be defined in the applicable contract.

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 ITSA managers require contractors to provide detailed invoices so that amounts billed can be verified against contract pricing and services delivered.

Contact Person: Cindy Riordan
Contact Phone Number: (314) 622-3653



City of St. Louis - Information Technology Services Agency
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Other Contracts and Software Agreements

Finding Number: 2.C.

Finding: The ITSA routinely renewed software agreements without evaluating the benefits or effectiveness of the software.

Recommendation: The ITSA periodically re-evaluate all software agreements prior to their renewal.

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 ITSA reviews software agreements, at the time of renewal, for continued applicability of the software in meeting our business needs, assessing the cost-benefit of the software for our customers, and ensuring the licensing level is accurate based on our usage level.

Contact Person: Cindy Riordan
Contact Phone Number: (314) 622-3653