

**OFFICES OF THE
STATE AUDITOR OF MISSOURI
JEFFERSON CITY**

**ALFONSO J. CERVANTES CONVENTION CENTER
CITY OF ST. LOUIS, MISSOURI
YEAR ENDED JUNE 30, 1988**

MARGARET KELLY, CPA



Report No. 89-106
November 21, 1989

ALFONSO J. CERVANTES CONVENTION CENTER
CITY OF ST. LOUIS, MISSOURI

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S TRANSMITTAL LETTER.....	1-2
HISTORY AND ORGANIZATION.....	3-6
MANAGEMENT ADVISORY REPORT.....	7-18
SUMMARY OF FINDINGS	8

<u>Number</u>	<u>Description</u>	
1.	Contractual Agreements	10
2.	Cash Accounting Procedures and Controls	12
3.	Box Office Procedures	14
4.	Concessionaire Contract	16
5.	Payroll Procedures	17
APPENDICES:		19

Appendix

A	Schedule of Estimated and Actual Revenues - General Fund, Year Ended June 30, 1988	20
B	Schedule of Appropriations, Expenditures, and Lapsed Balances - General Fund, Year Ended June 30, 1988	21
C	Comparative Schedule of Expenditures - General Fund, Five Years Ended April 30, 1987, and Year Ended June 30, 1988	22



STATE AUDITOR OF MISSOURI

JEFFERSON CITY, MISSOURI 65102

MARGARET KELLY, CPA
STATE AUDITOR

(314) 751-4824

Alfonso J. Cervantes Convention Center
and Kiel Auditorium Commission
and

Bruce T. Sommer, Director
Alfonso J. Cervantes Convention Center
City of St. Louis, Missouri 63101

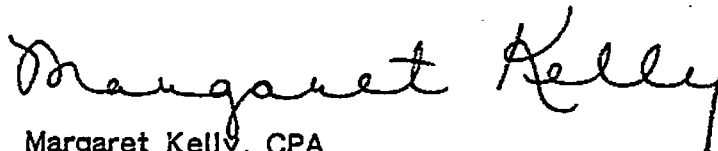
The State Auditor was petitioned under Section 29.230, RSMo 1986, to perform an audit of the city of St. Louis, Missouri. Accordingly, we have conducted a review of the Alfonso J. Cervantes Convention Center, city of St. Louis. Our review included, but was not necessarily limited to, the city's fiscal year ended June 30, 1988. The purposes of our review were to:

1. Study and evaluate the center's system of internal controls.
2. Perform a limited review of certain management practices to determine the efficiency and effectiveness of those practices.
3. Review probable compliance with certain constitutional provisions, statutes, administrative rules, attorney general's opinions, and city ordinances as we deemed necessary or appropriate.
4. Perform a limited review of the integrity and completeness of the center's financial reporting system.
5. Perform procedures necessary to evaluate petitioner concerns.

Our review was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the center's financial records, payroll procedures and documents, expenditures, contractual agreements, and other pertinent procedures and documents; interviewed personnel of the Alfonso J. Cervantes Convention Center and compiled the information in the appendices. The data presented in the appendices are for informational purposes and were obtained from the city's accounting system. However, they were not verified by us via additional audit procedures; therefore, we express no opinion on them.

The accompanying History and Organization is presented for informational purposes. This background information was obtained from building management and was not subjected to the auditing procedures applied by us in our review.

Our comments on management practices and related areas are presented in the accompanying Management Advisory Report.

A handwritten signature in cursive script that reads "Margaret Kelly". The signature is written in dark ink and is positioned above the printed name and title.

Margaret Kelly, CPA
State Auditor

April 20, 1989

HISTORY AND ORGANIZATION

**ALFONSO J. CERVANTES CONVENTION CENTER
CITY OF ST. LOUIS, MISSOURI
HISTORY AND ORGANIZATION**

The St. Louis Gateway Convention and Exhibition Center opened its doors July 24, 1977. The \$34 million facility was hailed by then Mayor John H. Poelker as "not only a magnificent functional facility, but a symbol of what can be done when government, business, labor, and citizens work together."

St. Louis citizens passed a \$25 million bond issue to help finance the construction. The Land Clearance for Redevelopment Authority added an additional \$6.2 million to the construction fund. A committee of business, civic, and labor leaders, chaired by August A. Busch Jr., raised through private contributions the additional \$2.8 million needed to complete the building.

On January 5, 1978, the city renamed the building the Alfonso J. Cervantes Convention and Exhibition Center in honor of the mayor and civic leader who had encouraged the idea of a new convention center and helped that concept become a reality.

The center's total attendance passed the one million mark just twelve months after opening the doors and topped seven million at the tenth anniversary. Over the past decade the Alfonso J. Cervantes Convention Center has been host to major conventions including the National Association for the Advancement of Colored People, American Medical Association, National Catholic Education Association, Southern Baptists, and annual local events like the All Sports, Homebuilders, and New Car Shows.

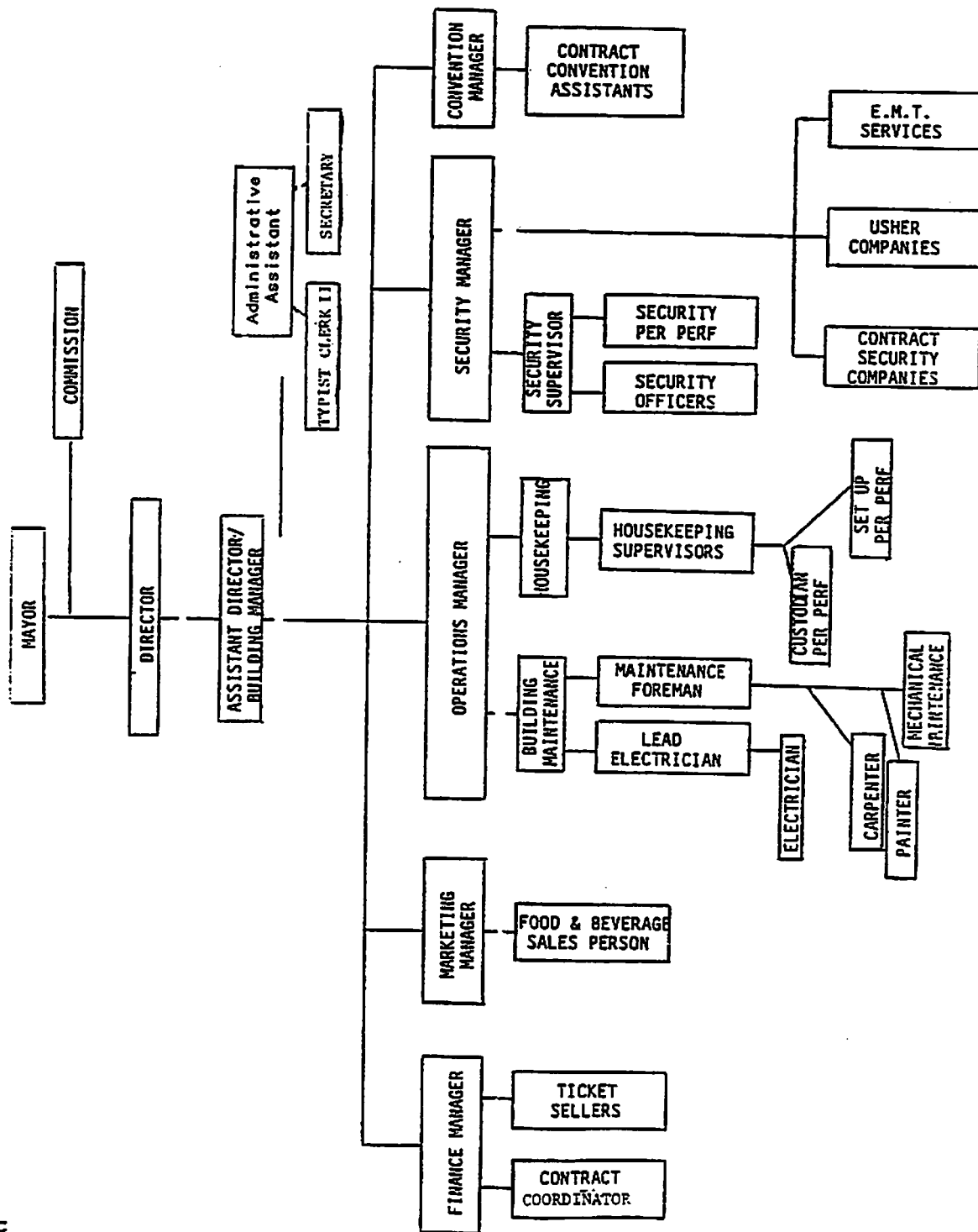
The Alfonso J. Cervantes Convention Center is owned by the Land Clearance for Redevelopment Authority of the city of St. Louis and operated by the city. It is governed by a twenty-one member commission appointed by the mayor, and facility management is handled by a director and managers in the areas of finance, marketing, operations, security, and convention.

The members of the Alfonso J. Cervantes Convention Center and Kiel Auditorium Commission at June 30, 1988, were:

Vincent J. Bommarito, Chairman
Gay M. Carraway
Dan Wahby
Vivian Dobbs
John Ferrara, Vice Chairman
Will Gooden
Delores Goward
Norbert Groppe
James Hartung
John Openlander
Bill Kuehling
Daisy McFowland
Daniel McGuire
Robert McNicholas
Barney Mueller
Joseph Pijut
Steve Roberts
Edward Sweeney, Sr.
George Thomas
Bruce Sommer, Secretary

* There was one vacant position on the commission at June 30, 1988.

ALFONSO J. CERVANTES CONVENTION CENTER
CITY OF ST. LOUIS, MISSOURI
ORGANIZATION CHART
JUNE 30, 1988



MANAGEMENT ADVISORY REPORT

ALFONSO J. CERVANTES CONVENTION CENTER
CITY OF ST. LOUIS, MISSOURI
SUMMARY OF FINDINGS

1. Contractual Agreements (pages 10-12)

- A.1. Contract files maintained by the center are not complete and information is not centralized.
- 2. Certificates of insurance, as required by contract terms, were not on file for all contractors.
- 3. The center contracts with a company to provide various support personnel. Time records are not being verified by center management prior to payment.
- B. No documentation of bids or other decision-making criteria for selecting service providers is retained by the center's management.

2. Cash Accounting Procedures and Controls (pages 12-14)

- A. The center's mail log of receipts is not complete.
- B. Prenumbered receipt slips are not issued for cash collected.
- C. Receipts are not deposited with the City Treasurer daily.

3. Box Office Procedures (pages 14-16)

- A. Ticket sales revenue is not deposited on a timely basis.
- B. Employees' personal checks and payroll checks are cashed from daily receipts.
- C. Ticket sellers are allowed to retain cash overages and required to repay cash shortages when reconciling out their cash drawers at the end of their shift.

4. Concessionaire Contract (pages 16-17)

The concessionaire did not retain documentation of business conducted at the center as required by contract terms.

5. Payroll Procedures (pages 17-18)

- A.1. The payroll duties are not adequately segregated.
- 2. The distribution of payroll checks is not restricted to one individual who has no record-keeping responsibility.
- B. Administration office employees are not required to prepare time sheets reflecting actual hours worked.

ALFONSO J. CERVANTES CONVENTION CENTER
CITY OF ST. LOUIS, MISSOURI
MANAGEMENT ADVISORY REPORT

As part of our review of the Alfonso J. Cervantes Convention Center, city of St. Louis, for the year ended June 30, 1988, we studied and evaluated the internal accounting control system to the extent needed to evaluate the system as required by generally accepted government auditing standards. For the purpose of this report, we have classified the significant internal accounting controls as cash, payroll, revenues, and expenditures. Our study included each of these control categories. Since the purpose of our study and evaluation was to determine the nature, timing, and extent of our audit procedures, it was more limited than would be needed to express an opinion on the internal accounting control system taken as a whole.

It is management's responsibility to establish and maintain the internal control system. In so doing, management assesses and weighs the expected benefits and related costs of control procedures. The system should provide reasonable, but not absolute, assurance that assets are safeguarded against loss, and that transactions are carried out as authorized by management and are recorded in a manner that will permit the subsequent preparation of reliable and proper financial reports.

Because of the inherent limitations in any internal control system, errors or irregularities may still occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation was made for the limited purpose described in the first paragraph and, thus, might not disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the internal accounting control system of the city taken as a whole. However, our study and evaluation disclosed certain conditions that we believe are material weaknesses and these findings are presented in this report.

We reviewed probable compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate. This review was not intended to provide assurance of full compliance with all regulatory provisions and, thus, did not include all regulatory provisions which may apply. However, our review disclosed certain conditions that may represent noncompliance and these findings are presented in this report.

During our review, we identified certain management practices which we believe could be improved. Our review was not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in this report should not be considered as all-inclusive of areas where improvements may be needed.

The State Auditor was petitioned under Section 29.230, RSMo 1986, to audit the city of St. Louis. We included those procedures necessary in our judgment to evaluate the petitioner concerns and those concerns requiring corrective action are addressed in this report.

The period of review for the purposes stated above included, but was not limited to, the period covered by the financial statements for the year ended June 30, 1988.

1. Contractual Agreements

Currently, the center has contracted with various service vendors for personnel services such as security and ushers as well as lease, rental, and maintenance agreements for equipment. Our review noted a failure to adequately monitor contract terms and related expenditures, and lack of bid documentation.

A. The center has not established policies or procedures to effectively monitor the terms and related expenditures for various contracts.

- 1) A contract file is maintained for each service provider which should contain the current contract, the certificate of insurance, when applicable, and any related correspondence. Our review of contract files noted that related information was not centralized and files were incomplete.

Various management personnel maintain separate files on a vendor. These files include such information as bid documentation or price quotations, quality of service, and miscellaneous correspondence. The maintenance of several different files causes a duplication of effort and increases the possibility an individual will not have all the facts available when making a decision regarding a particular vendor. In some instances, we noted there was no documentation on file to support the renegotiation or extension of previous contract, bidding, or selective award process.

Complete and centralized contract files are essential to ensure individuals reviewing vendor services are provided with all data available. Without all the information readily available and in one central file, a contract could possibly be inappropriately extended or terminated.

- 2) To ensure that the city and the center are adequately protected from loss, many contracts require the provider to maintain specific insurance coverage throughout the agreement term. At the time of our review, some contract files did not contain this evidence of insurance. We noted one contractor had failed to obtain adequate insurance as required by the contract terms. In addition, the certificate of insurance failed to specify the city and the center as additional insureds.

In the case of an accident or loss, the city and the center could be held accountable and exposed to greater liability resulting from a vendor's actions. The center should ensure that current insurance is adequate and documented on file at all times.

- 3) The center contracts with a company to provide supervisory personnel to serve as the housekeeping manager, housekeeping assistants, event support specialists, and emergency medical technicians. The housekeeping manager prepares work schedules, provides the center with a summary record of hours worked, and submits the company's invoice to the center for payment. Services are paid for on an hourly rate and totaled approximately \$27,000 for fiscal year 1988.

The current contract requires all employees of this contractor to use a time clock, while the contractor's policy only requires their employees to use daily sign-in sheets. At the time of our review, the emergency medical technicians were the only contractor employees utilizing the time clock.

Although time cards are required by the contract and the daily sign-in sheets are available to the center's management, the center does not review the time cards or sign-in sheets to verify the housekeeping manager's summary record. Instead, the center relies on the time summary records prepared by the contractor and the original work schedule when verifying the invoices submitted for payment. The lack of review of time cards and sign-in sheets by the center results in little assurance that hours billed and paid are proper.

To prevent improper expenditures, the center's management should monitor and review the time cards and sign-in sheets to verify the summary records and enforce contract terms which require all employees to use the time clock.

- B. The center's management does not retain documentation of bids or other selection criteria for choosing service providers. During fiscal year 1988, the center had executed contracts with an interior decorator and various maintenance agreements without documentation of the competitive award process. Due to the lack of documentation, we were unable to determine if competitive bidding had been utilized to procure services.

Documentation of bids and selection criteria should include, at a minimum, a listing of vendors from whom bids were requested, a copy of the request for proposal, newspaper publication notice when applicable, bids received, basis and justification for awarding the bid, and documentation of all discussions with vendor.

Documented bid files are essential to ensure all interested parties are given an equal opportunity to participate and help assure the center receives the best services at the most economical price.

WE RECOMMEND the center's management:

- A. Establish procedures to effectively monitor compliance with the contract terms and related expenditures of the service contracts.

- B. Prepare and maintain procurement files, including documentation of selection criteria for all contractual services utilized.

AUDITEE'S RESPONSE

- A. Managers were informed that the files maintained in the Cervantes Convention Center administrative office are the main files and that all contract information, miscellaneous correspondence, bid documentation and proposals, etc., is to reside in these files.

Since all managers do not have offices within the administrative office for the center, they feel they must maintain satellite files in their areas. These satellite files will now contain duplicate copies of what is in the centralized filing system.

The center will ensure that all current insurance is adequate and have these documents on file at all times. The contractor mentioned as the exception in this section is no longer with the center.

All current service providers whose contracts require proof of performance in the form of a sign-in/out sheet for their personnel are in compliance.

- B. All current Cervantes Center contracts conform to the contract procedures outlined in the Mayor's executive order dated September 19, 1988.

The interior decorator mentioned was selected due to his credentials and proven artistic abilities. This criteria is authorized under Section VI, of the above executive order.

The maintenance agreements cited were isolated incidents of one-time repairs to equipment. Since a maintenance agreement was not in place with any vendor to cover these repairs, letters detailing the vendor information, justifying the repair, and the expenditure were sent to the Comptroller for his approval prior to work beginning on this equipment. The Comptroller approved these requests and affixed a document number to each. This is the standard procedure for any repair not covered by a maintenance agreement which exceeds \$1,000.

In 1988, when these pieces of equipment were placed on a scheduled preventive maintenance program bids were taken and the Mayor's executive order was adhered to accordingly.

The computerized building HVAC system is manufactured by Johnson Controls and has been on-line since 1981. Johnson Controls has been the maintenance contractor since that time. We feel election of this contractor falls into the category of a sole source. As such and due to the past performance of Johnson Controls, this contract has been renewed since 1981 without bidding.

2. Cash Accounting Procedures and Controls

The center's administration office receives all mail receipts and collects cash for the sale of event calendars, photocopies and transparencies, fax

machine services, and telephone rentals. Credit cards are also accepted for telephone rental and large volume photocopies. The mail receipts consist of payments for calendars, event settlements, and advance deposits. All cash and check receipts are remitted to the City Treasurer for deposit; however, a bank account is maintained for the deposit of the credit card charge slips. During our review of the administration office's receipting and depositing procedures, we noted the following areas where improvements could be made:

- A. All mail receipts are not recorded in the mail log prepared by the receptionist. In our reconciliation of the mail log to the general ledger, we identified approximately \$9,600 of deposited receipts which had not been posted to the mail log.

To establish accountability and internal controls over mail receipts, a mail log should be maintained with all receipts recorded. Mail listings should be used to reconcile receipts to deposits. Such a reconciliation helps ensure all cash receipts are properly remitted to the City Treasurer for deposit and reduces the potential for loss, theft, or misuse of funds.

- B. There are no receipt slips written for cash collected by the administration office. Cash is collected for photocopies, calendar of events, and fax usage by whomever processes the transaction. These monies are then given to the cash custodian for safekeeping and deposit. There is no verifiable means of determining that cash remitted to the City Treasurer's office represents total fees charged and collected. The use of prenumbered receipts would help ensure that all fees are remitted.

Someone independent of the cash receipts process should reconcile the receipts to deposits. This reconciliation should include accounting for the numerical sequence of prenumbered receipt slips and reconciling total receipts to deposit. This would increase assurance that all money collected has been properly recorded and deposited.

- C. The administration office does not remit deposits to the City Treasurer's office daily as required by the City Charter. During our review, we noted deposits are made approximately once a week. In addition to being required by Article XV, Section 24, daily deposits decrease the risk of loss or misappropriation of funds. In order to properly safeguard all monies collected, receipts should be deposited on a daily basis.

WE RECOMMEND the center's management:

- A. Maintain a complete mail log and perform reconciliations of receipts to deposits.
- B. Issue prenumbered receipt slips for all cash collections, account for the numerical sequence of receipt slips, and reconcile collections to deposits.

- C. Remit receipts to the City Treasurer's office daily in accordance with the City Charter.

AUDITEE'S RESPONSE

- A. It is the center's policy to log in every check received. Formal reconciliations have been implemented so that omissions can be avoided in the future. It should be noted that no evidence of misplaced or lost funds was found.
- B. In the past, cash receipts were issued when requested. We now issue prenumbered slips for each cash receipt. These slips are verified when the cash is remitted to the cash custodian and again at the time of reconciliation of the general ledger.
- C. The cash amounts handled by the Cervantes staff are minimal (the average cash transaction is under \$5). Our policy is as follows: Deposits will be made whenever the cash on hand exceeds \$200 or at least once weekly. Cash received is kept under lock and key at all times by the cash custodian.

It should be noted that all checks received are made payable to the city or the Cervantes Convention Center not to an individual. Immediately upon receipt each check is imprinted with the "City of St. Louis Cervantes Convention Center For Deposit Only" stamp. These are then turned over to the cash custodian who places them under lock and key.

AUDITOR'S COMMENT

- A. The fact that no audit has disclosed any improprieties is not sufficient justification for not establishing proper internal controls. In the absence of proper internal controls, routine audits may be unable to disclose all types of improprieties that could be occurring.

3. Box Office Procedures

The center holds approximately fourteen "public" shows each year at which an admission charge is assessed. Cash or travelers' checks are accepted as payment. A box office bank account is maintained for deposit of all ticket sales revenue. During the fiscal year ended June 30, 1988, approximately \$1.2 million in ticket sales revenue was deposited to the bank account.

Our review of the internal controls and accounting records noted deposits are not timely, employees are allowed to cash checks from daily receipts, and ticket sellers are allowed to keep overages from their cash drawer.

- A. Ticket sales revenue is not deposited on a timely basis. Although receipts are prepared for deposit daily, the monies are placed in sealed bags and locked in the vault until a bank deposit is actually made.

An armored car service is used to pick up deposits and deliver them to the bank. The center uses these services only on

weekdays because of the increased cost for weekend and holiday service.

Our review of one event indicated excessive time lags between receipt and pickup by the armored car service. The box office receipts for Wednesday, Thursday, and Friday of \$13,950, \$21,569, and \$33,676, respectively, were picked up on Saturday. The Saturday receipts of \$81,602 were kept on hand until Monday. In this case, the cost of daily armored car pickup may not have outweighed the risk of loss of receipts on hand.

Established procedures are to deposit receipts at the end of a show. However, if the show is over three days, deposits are to be made every two to three days. Untimely deposits increase the opportunity for the loss, theft, or misuse of funds.

Bank deposits should be made daily to minimize the risk of loss, theft, or misappropriation of funds.

- B. Employees are allowed to cash personal checks as well as payroll checks from daily ticket sales receipts. The center subsequently includes these checks in the deposit of ticket revenues to the bank account.

Established box office procedures prohibit the cashing of payroll checks from daily cash on hand and limit the cashing of personal administrative staff checks to amounts of \$50 or less. During a test of ten deposits, between March 2, 1987, and March 3, 1988, we noted three payroll checks cashed and one personal check over \$50. This is a violation of the established policy.

Allowing checks to be cashed from funds on hand changes the composition of receipts and hampers efforts to reconcile receipts to deposits. To ensure all receipts are properly deposited, daily receipts should not be used to cash checks. All receipts should be deposited intact daily.

- C. Current policy allows ticket sellers to retain any cash overages as well as requiring them to make up shortages noted in their cash drawers. Each ticket seller begins the shift with a preset cash drawer amount (bank) to make change. At the end of the shift, the cash is reconciled to tickets sold, unsold tickets, and the "bank" to determine any shortage or overage.

To ensure all cash receipts are properly accounted for and encourage employees to perform their jobs accurately, any cash overage or shortage from the "bank" should be documented and properly investigated by management. Overages should be deposited in the bank account and turned over to the city.

WE RECOMMEND the center's management:

- A. Deposit ticket sales receipts daily.

- B. Discontinue the practice of cashing checks from daily receipts and deposit receipts intact.
- C. Discontinue allowing ticket sellers to retain cash overages and repay cash shortages from their cash drawer.

AUDITEE'S RESPONSE

- A. Numerous safeguards are in place to protect the box office receipts when they are in our custody. We feel it is not wise to discuss these safeguards publicly. The city provides us with up-front money to use as a bank and depending on the size of the show involved this amount can be sizable. Those funds remain under our custody until the show is completed. We feel if the city Comptroller's office is comfortable with the safeguards for the bank funds those same safeguards should be sufficient for the box office revenue.

Although it is hard to estimate on any given day, what the amount of the next day's receipts will be to allow for the scheduling of the pickups, we have agreed to establish the amount of the bank as the target amount not to be exceeded. Whenever possible a pickup will be scheduled when the box office receipts reach the bank amount for that show.

- B. There has never been any abuse of the privilege or any returned checks. Payroll checks were cashed only in rare instances. However, in compliance with the auditors recommendations, our policy has been amended to eliminate this privilege.
- C. Our policy regarding the handling of ticket seller overages and shortages is consistent with the standard practices at many auditoriums, stadiums, etc., across the country. The amount of the overages/shortages in question is not significant. In the past, the sellers paid all shortages and retained all overages at the time of daily checkout. We have modified our policy slightly in that overages are now retained by the convention center until the next public show season and then released to the seller. As a matter of fact, this is the same policy Busch Stadium adheres to, which is one of the best managed facilities in the country.

We believe we are following standards used by box offices throughout our industry. These standards may not always conform to the standards of a public agency auditor. Therefore, we will continue to try to blend both sets of practices in the best interests of our clients and the public we serve.

4. Concessionaire Contract

The center has an exclusive contract with a food service company to sell food, beverages, and novelties, as well as provide catering at all events.

The concessionaire did not retain documentation of business conducted at the center as required by contract terms. The books and records of account showing gross receipts which include sales checks, cash register and adding machine tapes, and other supporting data, are required to be maintained by the concessionaire at the center for a period of three years

after each fiscal year for inspection by the city or a duly authorized agent.

The city contracted for an audit of the concessionaire for the period May 1, 1984, through January 31, 1987. However, the auditors determined the records were incomplete and, therefore, unauditable. Because of the lack of records, a disclaimer of opinion was issued for the period May 1984 through December 1985. The concessionaire was in violation of contract terms by not retaining the documentation on the premises.

To ensure the concessionaire is in compliance with all contract terms, the center should monitor procedures and periodically review records.

WE RECOMMEND the center's management monitor the contract terms and concessionaire records to ensure the concessionaire is in compliance.

AUDITEE'S RESPONSE

It was an audit ordered by the Cervantes Convention Center in 1987 that brought this former problem to light. At that time, Service America, Inc., was informed that supporting documentation must be retained on site instead of at their corporate headquarters in Stamford, Connecticut. Service America, Inc., has complied with this request. Periodic reviews of these source documents will be performed.

Due to the results of this 1987 audit, all subsequent contracts with the concessionaire require an annual revenue review to be performed at the corporate office by an independent certified public accounting firm to ascertain that the review reported by the local district office to the Cervantes Convention Center is the same as that reported to the corporate headquarters.

All other contract terms are monitored by the Cervantes staff by use of a contract tickler which details the purpose, document number, termination date, and other pertinent terms for each provider.

5. Payroll Procedures

During our review of center payroll and personnel procedures, we noted the following problems concerning lack of segregation of duties and a lack of daily attendance records:

- A.1. One individual is responsible for maintaining employee status change forms, recording time on payroll time sheets, submitting the payroll information to the payroll section of the Comptroller's office and, subsequently, receiving all payroll checks and directly distributing checks to some employees. By allowing one individual to handle all payroll functions there is an increased risk that any errors or misappropriation of payroll funds would not be detected on a timely basis.
2. Several employees are authorized to assist in the distribution of payroll checks. The payroll clerk, who has record-keeping responsibilities, is assigned primary responsibility for distribution to some employees or department supervisors for distribution.

Administrative personnel payroll checks are distributed by the payroll clerk. The electrical and maintenance supervisors distribute checks to those employees. However, the supervisors are also responsible for the preparation of time sheets for each employee. The security office is responsible for distributing payroll checks to the housekeeping staff.

The failure to restrict access to payroll checks to one individual increases the risk of loss, theft, or misappropriation of payroll funds. The lack of segregation of duties increases the likelihood any errors or irregularities would go undetected.

An adequate system of internal controls over payroll includes proper segregation of duties and assigns responsibility for receiving and distributing payroll checks to someone with no record-keeping responsibility or approval authority.

- B. Administration office employees of the center are not required to prepare time sheets showing actual hours worked. The payroll clerk prepares a time sheet for these individuals; however, it does not reflect actual hours worked and is only used to reconcile payroll. Section 15(f) of Ordinance No. 59985 (referred to as the "pay ordinance") requires all departments to keep daily attendance records of classified employees and to submit periodic reports of unexcused absence and leaves, overtime earned, granted, and paid to the director of personnel.

In order to comply with Section 15(f) of Ordinance No. 59985, and to provide a control record to ensure all absences and leaves have been properly recorded, all employees should be required to submit a record of daily attendance. Preparation of daily attendance records also provides evidence of actual work performed, and provides a more reliable and comprehensive source for posting to biweekly time sheets.

WE RECOMMEND the center's management:

- A. Assign responsibility for receiving and distributing payroll checks to someone with no record-keeping responsibility and restrict access to payroll checks prior to and during distribution to one individual.
- B. Require employees to complete and submit properly approved time sheets supporting actual hours worked as well as approved or unapproved absences.

AUDITEE'S RESPONSE

- A. We will comply with these recommendations to the best of our ability.
- B. Subsequent to this audit, the Personnel Department issued Pay Regulation No. 48, Ordinance No. 61248, regarding the minimum standards for documentation of work hours. We are in compliance with this regulation.

APPENDICES

Appendix A

ALFONSO J. CERVANTES CONVENTION CENTER
CITY OF ST. LOUIS, MISSOURI
SCHEDULE OF ESTIMATED AND ACTUAL REVENUES -
GENERAL FUND
YEAR ENDED JUNE 30, 1988

(U N A U D I T E D)

Revenue Type	Estimated	Actual	Actual Over (Under) Estimated
Copying	\$ 500	1,678	1,178
Food	425,000	614,812	189,812
Electrical services	40,000	48,105	8,105
Vending machines	2,000	69	(1,931)
Auditorium use fees	950,000	1,136,542	186,542
Reimbursement for security guard	175,000	215,708	40,708
Commissions - telephone	6,000	16,133	10,133
Ticket commissions	125,000	134,666	9,666
Miscellaneous	20,000	872	(19,128)
Total	\$ 1,743,500	2,168,585	425,085

Appendix B

ALFONSO J. CERVANTES CONVENTION CENTER
CITY OF ST. LOUIS, MISSOURI
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES -
GENERAL FUND
YEAR ENDED JUNE 30, 1988

(U N A U D I T E D)

	Appropriations	Expenditures	Lapsed Balance
PERSONAL SERVICE			
Salaries	\$ 1,164,424	1,083,969	80,455
Fringe benefits	130,774	120,100	10,674
Workers' compensation	8,459	7,063	1,396
Total Personal Service	1,303,657	1,211,132	92,525
EXPENSE AND EQUIPMENT			
Office and operating supplies	81,392	42,305	39,087
Construction and maintenance supplies	27,332	25,281	2,051
Operating expenses	729,649	715,441	14,208
Contractual services	716,000	561,299	154,701
Equipment purchases and repair	3,000	-0-	3,000
Miscellaneous and special purpose expenses	3,344,050	3,344,091	(41)
Total Expense and Equipment	4,901,423	4,688,417	213,006
Total General Fund	\$ 6,205,080	5,899,549	305,531

Appendix C

ALFONSO J. CERVANTES CONVENTION CENTER
CITY OF ST. LOUIS, MISSOURI
COMPARATIVE SCHEDULE OF EXPENDITURES - GENERAL FUND
FIVE YEARS ENDED APRIL 30, 1987, AND YEAR ENDED JUNE 30, 1988

(U N A U D I T E D)

	Year Ended June 30, 1988	Year Ended April 30,				
		1987	1986	1985	1984	1983
PERSONAL SERVICE						
Salaries:						
Regular employees	\$ 779,131	641,355	674,415	568,258	698,511	769,044
Per performance	285,294	210,345	189,117	196,266	247,052	198,923
Employer:						
Social security coverage	78,542	61,466	61,928	53,597	71,357	64,556
Medical insurance	35,891	33,685	28,295	23,068	27,916	-0-
Retirement contributions	-0-	36,812	34,579	41,603	-0-	-0-
Life insurance costs	5,667	4,730	4,084	2,648	5,016	-0-
Workers' compensation	7,063	4,750	234	9,755	-0-	-0-
Overtime	19,544	16,227	19,395	5,805	110,026	-0-
Total Personal Service	1,211,132	1,009,370	1,012,047	901,000	1,159,878	1,032,523
EXPENSE AND EQUIPMENT						
Office supplies	3,212	2,845	2,522	2,487	3,050	2,836
Printed supplies	-0-	-0-	-0-	-0-	-0-	295
Motor vehicle supplies	-0-	-0-	-0-	51	156	306
Laundry and cleaning supplies	7,173	7,144	7,597	3,109	5,275	8,034
Medical surgical and lab supply	828	313	-0-	3	786	293
Household supplies	11,073	10,530	11,847	5,373	8,664	6,178
Small tools and implements	982	601	157	532	623	633
Wearing apparel	1,975	4,332	2,494	2,057	-0-	5,217
Education and recreation supplies	-0-	42	418	466	2	-0-
Painting supplies	953	549	203	2,578	459	440
Light bulbs and lamps	6,236	5,917	2,135	3,016	6,035	1,453
Computer supplies	377	-0-	-0-	-0-	-0-	-0-
Building equipment and maintenance						
supplies	3,982	3,234	16,134	14,654	36,905	15,447
Miscellaneous supplies	4,977	3,634	9,659	14,476	7,673	3,489
Construction material and building						
hardware	3,842	3,307	5,716	-0-	-0-	-0-
Electrical materials	6,572	7,788	2,201	-0-	-0-	-0-
Miscellaneous materials	7,727	1,341	2,734	-0-	-0-	-0-
Office equipment	-0-	-0-	150	-0-	-0-	-0-
Laundry and cleaning equipment	-0-	8,774	4,245	-0-	-0-	-0-
Postage	5,413	3,048	3,000	1,040	1,150	700
Telephone and other communications	36,906	49,748	37,470	33,758	25,507	27,811
Office services	2,877	1,469	654	1,205	1,284	748
Allowance personal-owned cars	50	-0-	22	268	-0-	-0-
Repairs to:						
Motor vehicles	-0-	-0-	-0-	182	119	713
Building and structure	428	7,065	4,067	110	-0-	-0-
Office and other operating equipment	29,570	9,443	2,661	1,327	190	71
Equipment rental	6,164	4,771	9,182	7,655	10,094	9,738
Advertising services	68	45	1,880	-0-	-0-	-0-
Cleaning services	-0-	-0-	5,098	1,459	1,931	1,761
Light and power services	630,724	518,694	431,659	399,655	488,243	408,020
Heating services	2,586	2,692	5,200	3,142	6,347	4,575
Promotional expense	405	-0-	-0-	-0-	-0-	-0-
Printing services	-0-	1,366	2,975	3,837	801	-0-
Miscellaneous contractual services	561,299	578,948	339,365	145,966	116,611	139,980
Special purpose:						
No. 01	17,083	17,832	-0-	-0-	-0-	-0-
No. 02	3,327,028	1,000,660	-0-	-0-	-0-	-0-
Total Expense and Equipment	4,680,490	2,256,132	911,445	648,406	721,905	638,738
Total Expenditures	\$ 5,891,622	3,265,502	1,923,492	1,549,406	1,881,783	1,671,261

Note: For 1988, Appendix C does not include \$7,927 of encumbrances and commitments at June 30, 1988, that are included in total expenditures on Appendix B.

* * * * *