

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

OFFICE OF THE BOARD OF ALDERMEN
CITY OF ST. LOUIS, MISSOURI
YEAR ENDED JUNE 30, 1988

MARGARET KELLY, CPA



OFFICE OF THE BOARD OF ALDERMEN
CITY OF ST. LOUIS, MISSOURI

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STATE AUDITOR OF MISSOURI

JEFFERSON CITY, MISSOURI 65102

MARGARET KELLY, CPA
STATE AUDITOR

(314) 751-4824

Honorable Thomas A. Villa, President
and
Members of the Board of Aldermen
City of St. Louis, Missouri 63103

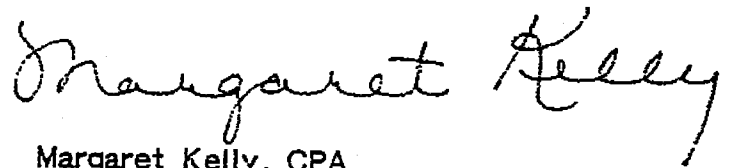
The State Auditor was petitioned under Section 29.230, RSMo 1986, to perform an audit of the city of St. Louis, Missouri. Accordingly, we have conducted a review of the Board of Aldermen, city of St. Louis. Our review included, but was not limited to, the year ended June 30, 1988. The purposes of our review were to:

1. Study and evaluate the board'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 board'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 board's financial records, payroll procedures and documents, expenditures, contractual agreements, and other pertinent procedures and documents; interviewed personnel of the Board of Aldermen; and compiled the information in the appendices from the records and reports of the board. The data presented in the appendices were obtained from the city's accounting system. However, they were not verified by us via additional audit procedures and, therefore, we express no opinion on them.

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

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

May 10, 1989

HISTORY AND ORGANIZATION

OFFICE OF THE BOARD OF ALDERMEN
CITY OF ST. LOUIS, MISSOURI
HISTORY AND ORGANIZATION

The Board of Aldermen is the law making body of the city of St. Louis. The board consists of twenty-eight aldermen, elected by the voters of their respective wards, and a President, who is elected by a citywide vote.

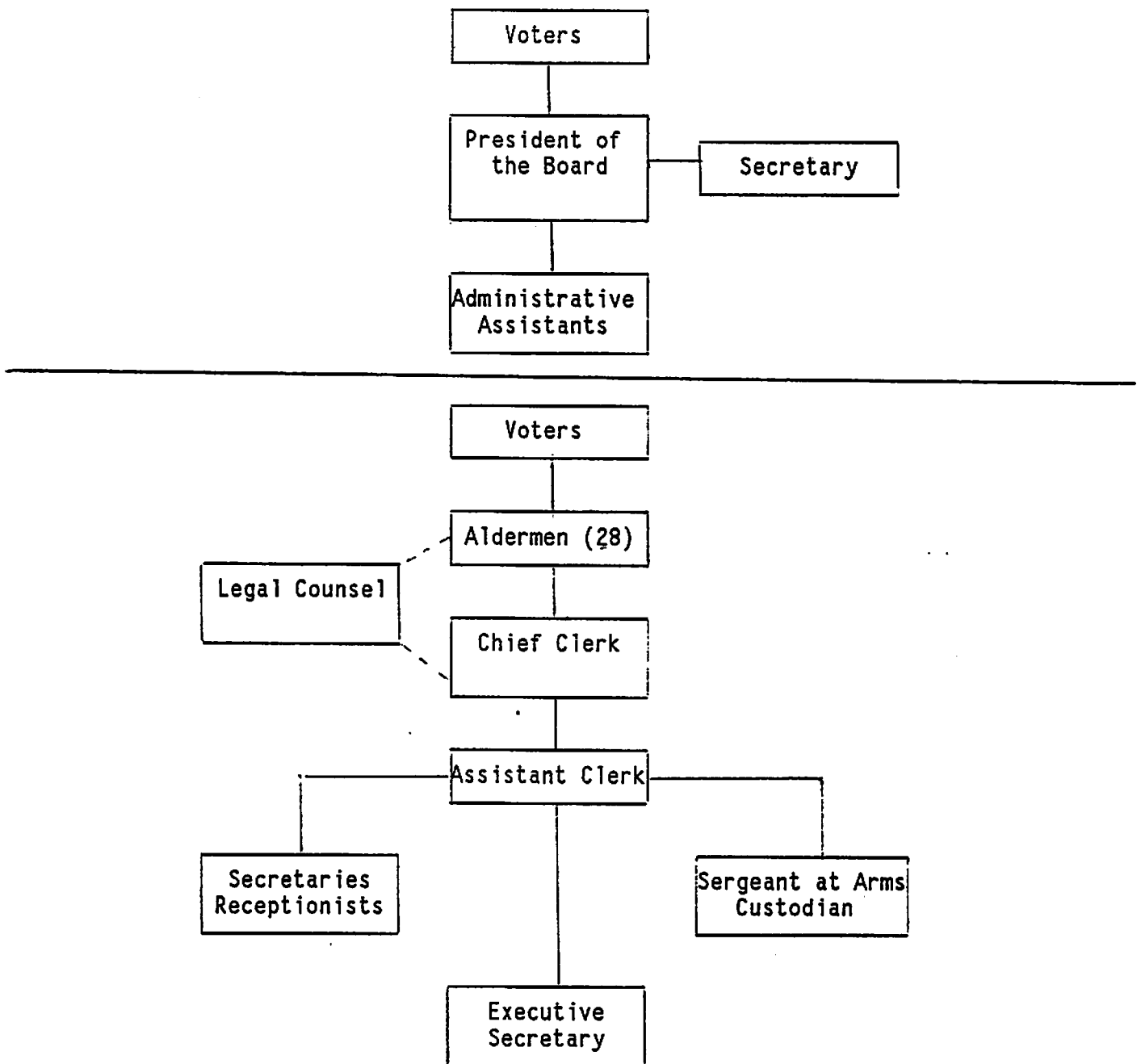
Thomas A. Villa currently serves as the President of the Board of Aldermen for the city of St. Louis. He has served in that capacity since April 1987. Fred F. Steffen is the Chief Clerk for the board. He was appointed to the position in January 1986.

At June 30, 1988, the Board of Aldermen was comprised of the following individuals:

Martie J. Aboussie	Ward 9
Paul M. Beckerle	Ward 25
Elisabeth M. Clark	Ward 6
Stephanie D. Donaldson	Ward 3
Fred W. Heitert	Ward 12
Kenneth Jones	Ward 22
Samuel M. Kennedy	Ward 18
Dave Kinealy	Ward 14
John H. Koch Jr.	Ward 8
Jimmie Matthews	Ward 27
Daisy McFowland	Ward 4
Daniel John McGuire	Ward 28
Marian A. Miller	Ward 26
Geraldine Osborn	Ward 15
Steven C. Roberts	Ward 20
Joseph D. Roddy	Ward 17
Mary Ross	Ward 5
Robert J. Ruggeri	Ward 24
Michael K. Sheehan	Ward 10
James F. Shrewsbury	Ward 16
James P. Signaigo Sr.	Ward 2
Francis G. Slay	Ward 23
Jessie L. Townsend	Ward 19
Albert Villa	Ward 11
Thomas Villa	President
Joan Wayne	Ward 1
Alfred J. Wessels	Ward 13
Willie Williams Sr.	Ward 21
Phyllis J. Young	Ward 7

At June 30, 1988, there were approximately fourteen administrative personnel employed by the Board of Aldermen.

OFFICE OF THE BOARD OF ALDERMEN
CITY OF ST. LOUIS, MISSOURI
ORGANIZATION CHART
JUNE 30, 1988



MANAGEMENT ADVISORY REPORT

OFFICE OF THE BOARD OF ALDERMEN
CITY OF ST. LOUIS, MISSOURI
SUMMARY OF FINDINGS

1. Travel Policies and Expenses (pages 9-10)

- A. Excess travel reimbursement claims were paid by the board. During our review, we noted approximately \$238 in excess payments.
- B. Board members are not requested to submit adequate documentation in conjunction with travel requests.

2. Expenditure Policies and Procedures (page 10)

The board's manual expenditure ledger did not contain information relating to payroll expenditures. Further, the ledger is not reconciled to the Comptroller's expenditure reports.

3. Payroll and Personnel Policies and Procedures (pages 10-11)

- A. Payroll checks are not independently distributed.
- B. Vacation benefits were not appropriately accrued by the board's administrative staff.

OFFICE OF THE BOARD OF ALDERMEN
CITY OF ST. LOUIS, MISSOURI
MANAGEMENT ADVISORY REPORT

As part of our review of the Board of Aldermen, 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 classified the significant accounting controls as payroll 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 period ended June 30, 1988.

1. Travel Policies and Expenses

Our review of the board's travel policies and expenses revealed the following:

- A. Excess travel reimbursement claims were paid by the board. In one example noted, a board member was reimbursed for three nights of hotel expenses. According to the hotel bill, however, the alderman was charged for only two nights. This alderman also claimed reimbursement for meals included in the meeting registration cost. The alderman actually received payment of two times the amount he spent. The dollar value associated with this overpayment was approximately \$167. In a second example, we noted a board member was charged more than the quoted hotel rate because he was apparently accompanied by a guest. The stated rate was \$63.00 per night. The hotel bill stated the room was occupied by two persons, and the hotel charged \$80.25 (includes tax) each night. Over a four-day period, \$71 in addition to the stated rate was paid. If the higher rate resulted from an additional person, the city should not have reimbursed this cost.

Claims for travel reimbursement should include only those amounts which represent actual costs. Further, any additional costs incurred as a result of personal preference should not be paid by the city.

- B. Board members are not requested to submit adequate documentation, such as official brochures containing meeting times and dates, in conjunction with travel requests. As a result, it is not possible to determine whether meal, hotel, and travel costs appropriately reflect city-related business. Copies of official brochures or other similar documentation should be submitted with travel requests and should be used as a basis for verifying the reasonableness of reimbursement claims.

During the year ended June 30, 1988, the Board of Aldermen had approximately \$14,350 in travel costs. To ensure this amount represents reasonable, valid charges, stronger controls should be implemented.

WE RECOMMEND:

- A. Stricter monitoring and review controls be established to ensure only valid travel expense claims are reimbursed.
- B. Board members requesting approval for travel be required to submit adequate documentation, such as an official brochure, outlining meeting times and dates.

AUDITEE'S RESPONSE

In the two cases cited in the audit, the individuals involved are still employed by the city. The clerk will contact the Comptroller's office to make arrangements for these individuals to reimburse the city for the overpayments. These overpayments were unintentional and were the result of clerical error.

Since the period covered by the audit and before the audit itself, new Board of Aldermen personnel and new Comptroller's office personnel are reviewing travel reimbursements. At the time of this change, stricter controls were put into place to monitor the accuracy and propriety of requests and reimbursements. The Board of Aldermen will be even more careful in the future with regard to monitoring travel expenditures.

2. Expenditure Policies and Procedures

The board processes all payments for goods and services, including personal services, through the Comptroller's office. Monthly, the Comptroller's office gives the board reports of monthly and year-to-date charges against appropriations.

The board maintains a manual expenditures ledger. The ledger does not contain any information relating to payroll expenditures. Further, the ledger is not reconciled to the Comptroller's expenditure reports. To ensure all amounts charged against their appropriations represent bona-fide board expenditures, it is essential the manual ledger contain complete expenditure information and be reconciled monthly to the Comptroller's reports.

WE RECOMMEND personal service and fringe benefit expenditures be included in the expenditure ledger and charges and balances be reconciled with the Comptroller's reports monthly.

AUDITEE'S RESPONSE

Since the beginning of fiscal year 1989-90, we have implemented a reconciliation procedure for all expenditures other than payroll. At the time of the audit, we reviewed this procedure with the State Auditor's staff, who found this procedure acceptable. We have now added personnel service and fringe benefit expenditures to this manual ledger and reconciliation process.

3. Payroll and Personnel Policies and Procedures

- A. Payroll checks are not distributed by an individual with no other payroll responsibilities. The same individual who prepares the payroll requisitions also distributes employee payroll checks. This lack of segregated duties increases the risk unauthorized payroll transactions will occur. To ensure only bona-fide employees receive payroll checks, the responsibilities of payroll check distribution and payroll payment preparation should be independently assigned or periodically review by someone in a supervisory position.

- B. Vacation benefits were not appropriately accrued by the board's administrative staff. The board's policy states employees earn leave benefits biweekly. However, the chief clerk credits an entire year of benefits to employee leave records at the end of each year. This manner of accruing leave benefits is not in compliance with stated policy. Further, this method also makes it difficult to determine an employee's accumulated leave balance at any time during the year. Vacation and sick leave benefits should be accrued and credited in accordance with established policy.

WE RECOMMEND:

- A. Payroll checks be distributed by an individual with no other payroll responsibilities or establish supervisory review of processing.
- B. Vacation benefits be accrued and credited on a biweekly basis in compliance with established policies.

AUDITEE'S RESPONSE

- A. At the audit exit conference, we explained that payroll requisitions are prepared by the assistant clerk but are checked and signed by two additional people, the clerk and the President of the board. While it is true that the assistant clerk both prepares the requisition and distributes the checks, we feel that the review and signing of the requisition by two additional individuals has been adequate protection in the past against unauthorized payroll transactions. The audit recommends that "payroll checks be distributed by an individual with no other payroll responsibilities or establish supervisory review of processing." We feel that this supervisory review has always been and is now in place.

However, to better address the recommendations in the audit, we are changing our procedures so that the administrative assistant (or in her absence the clerk) will actually pick up and distribute the payroll checks.

- B. We have developed and put into place a new time sheet which records the accrual and credit of vacation on a biweekly basis. All biweekly vacation accruals and credits will be kept with the official employee records in the future.

AUDITOR'S COMMENT

The approval of the payroll requisitions by the clerk and the president of the board does not provide significant control due to the fact the requisitions are returned to the same assistant clerk who prepares the requisition and receives the payroll checks. This allows for changes to the requisition after the approval has been made.

Our recommendation would allow greater control by segregating the preparation of the requisition from the distribution of checks.

APPENDICES

Appendix A

OFFICE OF THE BOARD OF ALDERMEN
CITY OF ST. LOUIS, MISSOURI
STATEMENT OF APPROPRIATIONS AND EXPENDITURES - GENERAL FUND
FOURTEEN MONTHS ENDED JUNE 30, 1988

(U N A U D I T E D)

	Appropriations	Expenditures	Appropriation Balance
PERSONAL SERVICE			
Salaries	\$ 1,022,240	1,007,992	14,248
Fringe benefits	144,573	138,544	6,029
Workers' compensation - disability	200	-0-	200
Fringe benefits	7,500	-0-	7,500
Total Personal Service	1,174,513	1,146,536	27,977
EXPENSE AND EQUIPMENT			
Office supplies	8,264	5,289	2,975
Household supplies	593	126	467
Wearing apparel	340	-0-	340
Computer supplies	3,500	-0-	3,500
Lease purchase	8,000	-0-	8,000
Postage	25,000	21,410	3,590
Telephone and other communication	2,300	1,219	1,081
Allowance - car fare	142,100	141,050	1,050
Repairs to building and structure	2,500	-0-	2,500
Repairs to office and other operating equipment	1,700	461	1,239
Equipment rental	12,000	12,134	(134)
Advertising services	15,800	6,649	9,151
Out of town travel expense	17,000	14,351	2,649
Continuing professional education	22,511	5,682	16,829
Miscellaneous contractual services	6,500	-0-	6,500
Legal contingency fund	25,000	4,971	20,029
Total Expense and Equipment	293,108	213,342	79,766
Total General Fund	\$ 1,467,621	1,359,878	107,743

Appendix B

OFFICE OF THE BOARD OF ALDERMEN
CITY OF ST. LOUIS, MISSOURI
COMPARATIVE STATEMENT OF GENERAL FUND EXPENDITURES

(UNAUDITED)

	Year Ended				
	June 30, 1988*	April 30,			
		1987	1986	1985	1984
Salaries	\$ 1,007,992	708,031	672,937	642,158	631,510
Fringe benefits	138,544	140,004	123,901	135,107	76,059
Workers' compensation - disability	-0-	-0-	-0-	184	-0-
Overtime	-0-	37	2,148	3	-0-
Office supplies	5,289	5,015	3,800	5,022	4,498
Household supplies	126	436	181	414	313
Office equipment	-0-	8,107	1,907	983	2,122
Postage	21,410	18,000	12,000	9,000	8,776
Telephone and other communication	1,219	1,199	1,132	1,213	-0-
Membership dues	-0-	-0-	-0-	-0-	2,136
Allowances - car fare	141,050	121,800	120,750	117,600	29,750
Repairs to building and structure	-0-	-0-	393	724	1,260
Repairs to office and other operating equipment	461	226	593	498	174
Equipment rental	12,134	12,838	14,646	19,251	15,391
Advertising services	6,649	6,455	13,997	-0-	-0-
Out-of-town travel expense	14,351	15,463	11,462	5,148	5,816
Continuing professional education	5,682	8,386	16,030	8,267	85,935
Printing services	-0-	48,927	40,856	40,029	35,854
Miscellaneous contractual services	-0-	-0-	2,529	3,747	-0-
Legal Contingency Fund	4,971	857	3,278	-0-	-0-
Total	\$ 1,359,878	1,093,781	1,042,540	989,348	899,594

* Fourteen months ended June 30, 1988.

* * * * *