



Susan Montee, CPA  
Missouri State Auditor

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City of St. Louis  
Department of Personnel



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September 2008  
Report No. 2008-59

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Office of  
Missouri State Auditor  
Susan Montee, CPA

September 2008

The following findings were included in our audit report on the City of St. Louis Department of Personnel.

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The City of St. Louis Department of Personnel is responsible for providing all human resource management functions for the city's civil service employees. The city of St. Louis employs approximately 7,250 people of which 4,500 are considered civil service employees. The Director of Personnel is Richard Frank.

The Acting Director of the Department of Health was given a one time payment of \$7,727 in September 2007 and the Public Information Manager of the Department of Health was given a one time payment of \$6,864 in August 2007. Both payments represent approximately 10 percent of the employee's gross income for that year. The city indicated the payments were authorized under the compensation ordinance. The city indicated that these employees performed extra duties on a temporary basis due to vacant positions; however, there was not adequate supporting documentation showing additional work.

Of the two employees that did receive payments, one's timesheet indicated extra hours while the other's did not and one employee had a letter supporting the payment and one did not. The documentation provided does not support the one-time lump sum payments made. In addition, there could be more employees being required to fulfill additional job duties due to vacancies without additional compensation.

The Department of Personnel established a wellness program for use by city employees. The department does not have a written policy concerning the participation of employees in the wellness program, does not track the total costs of such a program, and has not performed an analysis of the costs versus the benefits of such a program.

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YELLOW SHEET

CITY OF ST. LOUIS  
DEPARTMENT OF PERSONNEL

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STATE AUDITOR'S REPORT



**SUSAN MONTEE, CPA**  
**Missouri State Auditor**

To the Honorable Mayor  
and  
Director of Personnel  
City of St. Louis, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of St. Louis. The city engaged KPMG LLP, Certified Public Accountants (CPAs), to audit the city's financial statements for the year ended June 30, 2007. To minimize duplication of effort, we reviewed the CPA firm's audit report. We have conducted an audit of the City of St. Louis Department of Personnel. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2007. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Determine if the department has adequate internal controls over significant management and financial functions.
3. Determine if the department has complied with certain legal provisions.

Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the department, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. 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. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the department's management and was not subjected to the procedures applied in our audit of the department.

The accompanying Management Advisory Report presents our finding arising from our audit of the City of St. Louis Department of Personnel.

Additional audits of various officials and departments of the city of St. Louis, fulfilling our obligations under Section 29.230, RSMo, are still in process, and any additional findings and recommendations will be included in subsequent reports.



Susan Montee, CPA  
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits: Alice M. Fast, CPA  
In-Charge Auditor: Carl Zilch  
Audit Staff: Albert Borde-Koufie

MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDING

CITY OF ST. LOUIS  
DEPARTMENT OF PERSONNEL  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

**1.**

**Incentive Payments**

Incentive payments paid to employees are not supported by adequate documentation showing additional work was performed. In addition, the city's granting of payments appeared inconsistent. In 2007, the city paid \$14,591 to two employees as bonus/incentive payments.

The Acting Director of the Department of Health was given a one time payment of \$7,727 in September 2007 and the Public Information Manager of the Department of Health was given a one time payment of \$6,864 in August 2007. Both payments represent approximately 10 percent of the employee's gross income for that year. The city indicated the payments were authorized under Section Two of Ordinance 67922 (the compensation ordinance) which states an appointing authority, with prior approval of the Director of Personnel, may establish a program of cash awards or other incentives for an employee or group of employees to recognize and reward increased productivity or effectiveness. The city indicated that these employees performed extra duties on a temporary basis due to vacant positions; however, there was not adequate supporting documentation showing additional work.

In February 2007, the Health Service Manager over Communicable Disease Prevention was named Acting Director of Health. In addition to serving as the Acting Director of Health, she continues to perform some of her previous duties. The number of employees she supervises increased from approximately 30 employees to 200 employees. This employee provided timesheets which indicated additional work hours of approximately five hours a week. The Mayor's office appoints the Director of Health and did not provide documentation indicating this employee was performing additional work. This employee continues to serve in this role and there are no current plans to hire a Director of Health.

In March 2006, the Public Information Manager was temporarily named Health Service Manager for Maternal Child and Family Health. In addition to serving as a Health Service Manager for Maternal Child and Family Health, he continued to perform his previous duties. The number of employees he supervised increased from approximately 4 employees to 15 employees. This employee provided timesheets which indicated no significant difference in the number of hours worked. However, the Public Information Manager is appointed by the Commissioner of Health who did document in a letter the reasons she believed the Public Information Manager should receive a bonus/incentive payment. In August 2007, he discontinued these additional duties.

The city has indicated positions in the city have been eliminated and some employees may have been required to take on additional job duties as a result. For example, the



position of Building Commissioner has been vacant since June 2005. The deputy has served as the Acting Building Commissioner since September 2005 when he received a promotion from Building Inspection Manager. The Deputy Building Commissioner indicated he does not keep a timesheet but that he estimates he performs approximately 5 hours more of work a week with these additional duties. He has not received any bonus/incentive payments for this work.

The city is not consistently applying and documenting incentive payments. Of the two employees that did receive payments, one's timesheet indicated extra hours while the other's did not and one employee had a letter supporting the payment and one did not. The documentation provided does not support the one-time lump sum payments made. In addition, there could be more employees being required to fulfill additional job duties due to vacancies without additional compensation.

The city has several other incentive and award payment programs including the Mayor's Service Award and various awards through the Board of Public Service. All of these payments are under \$500 each. From July 2006 through March 2008, there were approximately 60 of these payments totaling approximately \$19,000.

The city should ensure there is adequate documentation to support any bonus/incentive payments. In addition, the city should ensure payments made are consistently applied to all employees. Awarding additional pay to employees on a discretionary basis in the form of bonuses appears to represent additional compensation and violates Article III, Section 39 of the Missouri Constitution. Attorney General's Opinion No. 72, 1955 to Pray, states, "...a government agency deriving its power and authority from the Constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered." The city should review the various bonus and incentive payments to ensure compliance with the Missouri Constitution and consider simply increasing the salary of these personnel to avoid the appearance of granting a bonus.

**WE RECOMMEND** the Department of Personnel ensure incentive payments are in compliance with the Missouri Constitution, applied consistently throughout the city, and adequately supported with documentation.

### **AUDITEE'S RESPONSE**

*The Department of Personnel is in agreement with the audit recommendation and will establish new guidelines to ensure incentive payments are in compliance with the Missouri Constitution, and cannot be construed as retroactive pay (additional pay for work already performed). We further commit to renewing our entire incentive programs and implementing these new guidelines within 90 days.*

*The only issues we would have with the report concern the position of Building Commissioner. The Deputy Building Commissioner is not acting as the Building Commissioner because he does not qualify under the City Revised Code as the code official, who shall be a Missouri licensed*

*professional architect or engineer. The Deputy Building Commissioner does not perform the full range of essential functions of the Building Commissioner position.*

**2.**

## **Wellness Program**

The Department of Personnel does not have a written policy concerning the participation of employees in the wellness program, does not track the total costs of such a program, and has not performed an analysis of the costs versus the benefits of such a program. The Department of Personnel established a wellness program for use by city employees with help from a local hospital. City records indicate the city spent approximately \$29,000 on the program during the year ended June 30, 2007. There are a variety of programs available including a walking program, aerobic instruction, yoga class, health screenings, etc. The city hopes to reduce health insurance costs and sick leave use by providing the wellness program to the employees.

- A. The department does not have a written policy concerning paid time off for participation in the program. It is up to each appointing authority to decide if employees should use personal time or paid time off to participate in the program. City departments are not consistent in allowing paid time off for wellness program activities. Several city departments allow employees to take paid time off while at least one department does not. Another department has developed its own wellness program and allows employees paid time off to participate.

A written policy should establish procedures for participating in the wellness program including whether paid time off is allowed, the maximum amount of time off allowed for each employee, and documentation requirements of time used by employees for participation in the program. Such a policy would ensure employees in each department are given an equal opportunity to participate in the wellness program.

- B. The city does not adequately track the total cost of the wellness program. The departments which allow paid time off to participate in wellness programs do not track this information on timesheets submitted to the Comptroller's office. Without requiring this type of documentation, the city is unable to track the amount of hours and the total costs to the city for participation in the program. As a result of not tracking these costs, the department cannot analyze the benefits of such a program such as decreased sick leave use or insurance savings versus the total costs associated with the program. Department staff indicated the city has not received a discount in health insurance premiums by establishing this program.

**WE RECOMMEND** the Department of Personnel:

- A. Establish a written policy which addresses participation by employees in the wellness program.
- B. Require documentation be maintained of the amount of paid time off used by employees participating in the wellness program to determine the total costs of the program. The department should perform a cost analysis of the wellness program to determine if it is beneficial to the city.

**AUDITEE'S RESPONSE**

*The Department of Personnel is in full agreement with the findings. Please be advised that the Department of Personnel has already completed a draft Administrative Regulation on the City's Wellness Program (entitled "BeeFit"). Once signed by me as Director, this formal Administrative Regulation on Wellness shall provide governance for the Wellness Program Citywide. Furthermore, also per your recommendations, we shall revise the draft Administrative Regulation to include:*

- The various approved BeeFit Wellness Program activities shall use attendance sheets to document participation that can be cross checked with official employee time sheets; any falsification shall lead to disciplinary action up to and including dismissal.*
- A statement that employees participating in the Wellness Program shall indicate the number of hours per week they participate on their weekly time sheet; we will request that a new form be developed (to be attached to the new Administrative Regulation and distributed with it) to be signed by the employee and appointing authority that will then be submitted to the Department of Personnel so that participation can be documented and tracked for data analysis.*
- The Department of Personnel shall request that the Comptroller's Office and the ITSA (Information Technology) work to develop a code for the computer system to be able to track Wellness participation by employee so as to assist with data compilation, analysis, and ROI (return on investment).*
- We shall add a statement under the Records section of the Wellness Policy that states that the Department of Personnel will conduct analyses on ROI based upon Wellness Program participation.*

*The Department of Personnel commits to issuing this new Administrative Regulation on Wellness asap, but no later than 30 days.*

## HISTORY AND ORGANIZATION

CITY OF ST. LOUIS  
DEPARTMENT OF PERSONNEL  
HISTORY AND ORGANIZATION

The City of St. Louis Department of Personnel is responsible for providing all human resource management functions for the city's civil service employees. The city of St. Louis employs approximately 7,250 people of which 4,500 are considered civil service employees. The Director of Personnel is Richard Frank. The director's office coordinates the work of the following eight sections:

1. Classification and Compensation

This section has two primary responsibilities - the classification of approximately 4,500 civil service positions in the city and the preparation and administration of the city's compensation ordinance.

2. Examination

This section fulfills a variety of staffing functions for all departments and agencies within the city of St. Louis merit system. This includes a broad range of recruitment activities, examination development and administration, and creation of eligible lists. The department by charter is required to follow traditional merit system procedures for filling positions.

3. Personnel Services

This section maintains the official personnel records of all city workers and oversees and records all personnel transactions. The section receives personnel requisitions from the departments which are submitted to indicate they need a list of names to fill a vacant position. Personnel Services maintains the list of eligible candidates for city jobs and certifies those eligible to appointing authorities for selection. In addition, the section insures that service ratings are completed and recorded for each city worker.

4. Employee Relations

This section coordinates and conducts hearings for employee and management service rating appeals and is responsible for the review of employee grievances. The section oversees the Drug and Alcohol Testing Program, Employee Assistance Program, and the Family and Medical Leave Act (FMLA) program. These responsibilities include issuing and enforcing administrative regulations, providing supervisory and management training, bidding and administering service contracts, day-to-day operation and oversight of substance testing, and final review of all FMLA leave requests.

5. Diversity

This section is responsible for investigating equal employment opportunity complaints filed by city employees, as well as conducting investigations of discrimination and harassment related complaints.

6. Training and Organizational Development

This section offers training programs on general supervision, ethics, code of conduct, new employee training, etc. In addition, the section will oversee any outside training needed for city employees.

7. Safety and Health

This section is responsible for providing support to the departments in identifying hazards and reducing occupational illness and incidents of injury. The section provides training and support to the departments through periodic safety meetings.

8. Benefits and Retirement

This section administers the city's retirement plan, as well as the health care insurance plans, life insurance, deferred compensation, dental, legal, and accidental death and dismemberment programs for all civil service and non-merit offices except the Police Department.