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Missouri State Auditor

City of St. Louis Board of Aldermen



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Office of
Missouri State Auditor
Susan Montee, CPA

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

The Board of Aldermen accountable expense reimbursement policy needs to be improved. The policy allows several items to be reimbursed that do not appear to be prudent uses of taxpayer monies. In addition, some accountable expense plan reimbursement requests were not submitted in a timely manner and adequate supporting documentation was not received or retained for some expense reimbursements. Each alderman is allocated \$4,200 annually to be used on expense account items, such as charitable contributions, office expenses, flowers and gifts, lobbying expenses, and travel expenses. During the 22 months ended April 30, 2008, eleven aldermen elected the accountable expense plan and were required to submit documentation for expense reimbursements.

The Board of Aldermen President used his city-owned vehicle for personal use and did not maintain vehicle usage logs to document official commuting and personal use of the vehicle. Without adequate usage logs, the board cannot effectively monitor that the vehicle is used only for official business.

The Board of Aldermen minutes are prepared and signed by the clerk/legal counsel; however, they are not signed by a member of the Board of Aldermen. In addition, reasons and the vote for closing meetings are not documented in the minutes of the open meeting. Also, the closed meeting minutes did not include sufficient detail of matters discussed and actions taken.

The Board of Aldermen considers all 15 of its employees exempt from the overtime and compensatory time provisions of the Fair Labor Standards Act (FLSA) and, therefore, not entitled to overtime compensation. However, several of these employees may not be exempt from these provisions. The board should review its overtime classifications of employees and, if necessary, consult with the U.S. Department of Labor to ensure compliance with the FLSA.

The Board of Aldermen should review procedures for approval of reimbursement of personal cellular telephone usage. In February 1997, the Board of Aldermen passed an ordinance prohibiting the possession or use of city-owned cellular telephones except for those designated by resolution of the Board of Aldermen. However, various city departments currently reimburse employees for use of their personal cellular telephones and approval by the Board of Aldermen for employees to receive this reimbursement is not required.

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YELLOW SHEET

CITY OF ST. LOUIS
BOARD OF ALDERMEN

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

To the Board of Aldermen
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 Board of Aldermen. 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 board has adequate internal controls over significant management and financial functions.
3. Determine if the board has complied with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the Board of Aldermen, 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 board's management and was not subjected to the procedures applied in our audit of the board.

The accompanying Management Advisory Report presents our findings arising from our audit of the City of St. Louis Board of Aldermen.

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 FINDINGS

CITY OF ST. LOUIS
BOARD OF ALDERMEN
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Elected Officials' Allowances

The Board of Aldermen policy on expense reimbursement allows several items to be reimbursed which do not appear to be prudent uses of taxpayer monies. In addition, documentation of the purpose and individuals who attended meetings is not required for meal reimbursements. Some expense reimbursement requests did not include adequate supporting documentation and several were not submitted timely.

The Board of Aldermen can choose to receive elected officials' allowances as either accountable or non-accountable plans. If the official chooses an accountable plan he/she submits documentation for the expense and the reimbursement is not reported as taxable additional compensation. If the official chooses the non-accountable plan, the full approved allowance amount is received and supporting documentation is not required. The amount is considered taxable additional compensation.

A. The Board of Aldermen policy on expense reimbursement allows several items to be reimbursed which do not appear to be prudent uses of taxpayer monies and does not require adequate documentation for some reimbursements. City Revised Code Section 5.19.020 establishes the accountable expense accounts. The City Code indicates each alderman is to receive \$4,200 annually to be used on expense account items. The City Code allows reimbursement for items such as charitable contributions, office expenses, flowers and gifts, lobbying expenses, and travel expenses. During the 22 months ended April 30, 2008, eleven aldermen elected the accountable expense plan and were required to submit documentation for expense reimbursements.

1. Seven aldermen submitted reimbursement requests totaling approximately \$10,600 for donations and charitable contributions. The City Code also allows for reimbursement of flowers, gifts, and lobbying. These expenses do not appear to be prudent and necessary uses of public funds.

In addition, donations and contributions may be in violation of Article VI, Section 23, of the Missouri Constitution which specifically prohibits counties, cities, or other political subdivisions of the state from granting public money or things of value to any corporation, association, or individual.

2. Although aldermen submitted receipts for meal purchases, the business purpose of the meeting and the individuals present were not documented. The City Code does not specifically require the submission of receipts and

documentation of business purpose and individuals present for meal purchases. In addition, one meal reimbursement reviewed included the purchase of alcohol.

Without detailed supporting documentation including the business purpose and individuals present at the meeting, the city cannot determine if the payments were reasonable and necessary uses of public funds. In addition, the purchase of alcohol does not appear to be a prudent and necessary use of public funds.

3. Adequate supporting documentation was not received or retained for some expense account reimbursements. The City Code does not specifically indicate the type of supporting documentation required for reimbursement. One alderman submitted reimbursement requests for the 22 months ended April 30, 2008, for a car allowance totaling approximately \$1,400 with no supporting documentation. In addition, this alderman also submitted an expense reimbursement request for printing and mailing of a newsletter totaling approximately \$5,200. Adequate documentation was not filed with the request and was not provided to us on a timely basis.

The board should require all aldermen to submit invoices or other supporting documentation for all expense account reimbursements.

- B. Some accountable expense plan reimbursement requests were not submitted in a timely manner. Several aldermen submitted requests which covered six to seven months of expenses. One alderman submitted a request covering a two year time period. To adequately monitor expense reimbursements and ensure expenses are charged to the correct fiscal year, the board should require aldermen to submit reimbursement requests on a monthly basis.

WE RECOMMEND the Board of Aldermen:

- A.1. Discontinue the practice of reimbursing for charitable contributions, lobbying expenses, gifts, and flowers.
 2. Require the business purpose and names of individuals attending meetings be documented on meal receipts. In addition, the Board of Aldermen should consider banning reimbursement for the purchase of alcohol.
 3. Specifically address in the City Code supporting documentation requirements for expense account reimbursements.
- B. Require the submission of expense account reimbursement requests on a monthly basis.

AUDITEE'S RESPONSE

- A.1. *Ordinance 61090 was approved on November 1988 which required reporting the use of expenditures. The Board of Aldermen Ways and Means Committee will take this recommendation under consideration and review the current expense account procedures and policies.*
- 2. *The Board of Aldermen Ways and Means Committee will take this recommendation under consideration and review the current expense account procedures and policies.*
- 3. *The Board of Aldermen Ways and Means Committee will take this recommendation under consideration and review the current expense account procedures and policies. The Board of Aldermen Ways and Means Committee will offer training to the aldermen and staff regarding appropriate documentation of expenses. Additional supporting documentation has been submitted for the expense account reimbursements regarding the newsletter costs.*
- B. *The Board of Aldermen Ways and Means Committee will take this recommendation under consideration and review the current expense account procedures and policies.*

2. Vehicle

The Board of Aldermen President used his city-owned vehicle for personal use and did not maintain vehicle usage logs to document commuting and personal use of the vehicle. The Board of Aldermen President estimated personal usage of 3,262 miles and commuting usage of 858 miles on his W-2 form as additional compensation in 2007. The Board of Aldermen President does not maintain a vehicle usage log to document miles driven for official, commuting, and personal use.

The city vehicle policy manual states that city vehicles may not be used for personal business. Without adequate usage logs, the Board of Aldermen cannot effectively monitor that the vehicle is used for official business only. Vehicle usage logs should include trip information (i.e., beginning and ending odometer readings, destination, and purpose) which should be reviewed by the board to ensure the vehicle is used only for city business.

WE RECOMMEND the Board of Aldermen discontinue allowing the Board President to use a city-owned vehicle for personal use. In addition, the Board of Aldermen should require the preparation of usage logs for the vehicle and ensure these logs are properly reviewed.

AUDITEE'S RESPONSE

The Board of Aldermen will take this recommendation under consideration and review the City Vehicle Policy Manual in regards to personal use of vehicles by elected officials.

The Board of Aldermen minutes are not signed by a member of the board to attest to their accuracy. The reasons and votes for closing a meeting are not documented in the minutes of the open meeting. In addition, the minutes of the closed meetings are not adequate and the decisions made during closed session are not disclosed in open session.

- A. The Board of Aldermen minutes are prepared and signed by the clerk/legal counsel; however, they are not signed by a member of the Board of Aldermen. The minutes should be signed by a member of the board upon approval to show that the minutes have been reviewed and accurately reflect the discussions held and actions taken in the meeting.
- B. Reasons and the vote for closing meetings are not documented in the minutes of the open meeting. The board went into closed session five times during the period of July 2006 through April 2008. Open session minutes did not provide any indication of the board voting to close the meetings or the specific reason for closing the meetings. The Sunshine Law, Chapter 610, RSMo, states the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session.
- C. The Board of Aldermen closed meeting minutes are not adequate. The closed meeting minutes did not include sufficient detail of matters discussed and actions taken. The only closed meeting minutes were roll call sheets with brief descriptions and the record of the vote by the board. It was often difficult to understand what was being voted on and the final decision of the board. In addition, decisions made during closed session were not disclosed in open session as required.

Section 610.020, RSMo, requires minutes of closed meetings to be taken and retained by all governmental bodies and to indicate the date, time, place, members present, members absent, and a record of votes taken. Minutes of closed meetings constitute the record of proceedings of the board. They help show that the closed discussions or business related to the specific reason announced for closing the meeting and document important facts considered in reaching significant decisions regarding city business. In addition, the law requires votes taken in closed session to be disclosed in open session.

WE RECOMMEND the Board of Aldermen:

- A. Ensure the minutes are signed by the preparer and a board member to attest to their completeness and accuracy.
- B. Ensure the reason and vote for closing a session is documented in the open minutes.

- C. Ensure minutes of closed meetings clearly document all business conducted and the votes taken in closed session are disclosed in open session.

AUDITEE'S RESPONSE

- A. *The Board of Aldermen will examine having the Chairman of the Engrossment, Rules, Resolutions and Credentials Committee sign the minutes in addition to the clerk/legal counsel.*
- B. *The Board of Aldermen is currently documenting the reason and vote for closing a session in the open minutes.*
- C. *The Board of Aldermen presently discloses any votes taken and business conducted in closed session to any party that requests the information; therefore, such information is made available pursuant to Section 610.021(3) of the Missouri Sunshine Law. The Board of Aldermen will investigate having the votes of closed minutes documented in the minutes.*

4. Personnel Policies

The Board of Aldermen considers all 15 of its employees exempt from the overtime and compensatory time provisions of the Fair Labor Standards Act (FLSA) and, therefore, not entitled to overtime compensation. However, several of these employees may not be exempt from these provisions. Board of Aldermen employees are considered non-civil service employees; however, similar civil service positions in the city are considered non-exempt. The FLSA requires the city to pay overtime or provide compensatory time at time and a half to any non-exempt employees who work more than 40 hours during a normal work week.

The board should review its overtime classifications of employees and, if necessary, consult with the U.S. Department of Labor to ensure compliance with the FLSA.

WE RECOMMEND the Board of Aldermen review the classification of its employees and its current overtime and compensatory time policies to ensure such policies comply with the FLSA.

AUDITEE'S RESPONSE

The Board of Aldermen will review the classification of employees and its current overtime and compensatory time policies regarding compliance with the Fair Labor Standards Act.

5.

Cellular Telephones

Procedures for approval of cellular telephone usage could be improved. In February 1997, the Board of Aldermen passed ordinance 63999 which prohibits the possession or use of city-owned cellular telephones by any official or employee of the city of St. Louis except for those designated by resolution of the Board of Aldermen. However, various city departments currently reimburse employees for use of their personal cellular telephones and approval by the Board of Aldermen for employees to receive this reimbursement is not required.

To ensure cellular telephone reimbursements are reasonable and necessary, the board should revise its policy to require approval by the board of all employees who are to receive reimbursement for use of their personal cellular telephones.

WE RECOMMEND the Board of Aldermen revise its policy to require approval by the board for reimbursement of personal cellular telephone usage.

AUDITEE'S RESPONSE

The Board of Aldermen will examine Ordinance 63999 and possibly amend the ordinance to require Board of Aldermen approval for city reimbursement of personal cellular telephones.

HISTORY AND ORGANIZATION

CITY OF ST LOUIS
BOARD OF ALDERMEN
HISTORY AND ORGANIZATION

The Board of Aldermen is the law making body of the city of St. Louis. The Board consists of 28 aldermen, elected by the voters of their respective wards, and a President, who is elected by a citywide vote. The members are elected for 4-year terms.

Lewis Reed currently serves as the President of the Board of Aldermen for the city of St. Louis. He has served in that capacity since April 2007. James Shrewsbury was the previous Board President.

Board of Aldermen	Dates of Service During the Year Ended June 30, 2007
Lewis Reed, Board President	April 2007 – June 2007
James Shrewsbury, Board President	July 2006 – April 2007
Charles Troupe, Ward 1 Alderman	July 2006 – June 2007
Dionne Flowers, Ward 2 Alderman	July 2006 – June 2007
Freeman Bosley, Ward 3 Alderman	July 2006 – June 2007
Samuel Moore, Ward 4 Alderman	April 2007 – June 2007
O.L. Shelton, Ward 4 Alderman	July 2006 – April 2007
April Ford Griffin, Ward 5 Alderman	July 2006 – June 2007
Kacie Starr Triplett, Ward 6 Alderman	April 2007 – June 2007
Lewis Reed, Ward 6 Alderman	July 2006 – April 2007
Phyllis Young, Ward 7 Alderman	July 2006 – June 2007
Stephen Conway, Ward 8 Alderman	July 2006 – June 2007
Kenneth Ortmann, Ward 9 Alderman	July 2006 – June 2007
Joseph Vollmer, Ward 10 Alderman	July 2006 – June 2007
Matt Villa, Ward 11 Alderman	July 2006 – June 2007
Fred Heitert, Ward 12 Alderman	July 2006 – June 2007
Alfred Wessels, Ward 13 Alderman	July 2006 – June 2007
Stephen Gregali, Ward 14 Alderman	July 2006 – June 2007
Jennifer Florida, Ward 15 Alderman	July 2006 – June 2007
Donna Baringer, Ward 16 Alderman	July 2006 – June 2007
Joseph Roddy, Ward 17 Alderman	July 2006 – June 2007
Terry Kennedy, Ward 18 Alderman	July 2006 – June 2007
Marlene Davis, Ward 19 Alderman	April 2007 – June 2007
Michael McMillan, Ward 19 Alderman	July 2006 – December 2006
Craig Schmid, Ward 20 Alderman	July 2006 – June 2007
Bennice Jones King, Ward 21 Alderman	July 2006 – June 2007
Jeffrey Boyd, Ward 22 Alderman	July 2006 – June 2007
Kathleen Hanrahan, Ward 23 Alderman	July 2006 – June 2007
William Waterhouse, Ward 24 Alderman	July 2006 – June 2007
Dorothy Kirner, Ward 25 Alderman	July 2006 – June 2007
Frank Williamson, Ward 26 Alderman	July 2006 – June 2007
Gregory Carter, Ward 27 Alderman	July 2006 – June 2007
Lyda Krewson, Ward 28 Alderman	July 2006 – June 2007

David Sweeney serves as the clerk/legal counsel for the Board of Aldermen and Tom Shepard serves as the Chief of Staff to the President of the Board of Aldermen. The Board of Aldermen had 13 additional employees on June 30, 2007.