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Missouri State Auditor

City of St. Louis
Department of Health

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Office of the
Missouri State Auditor
Susan Montee, JD, CPA

June 2009

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

Department of Health (DOH) employees attended out-of-state conferences and incurred excessive lodging expenses by staying at the hotels that sponsored the conferences. Daily hotel rates exceeded federal CONUS rates (maximum lodging rates allowed for federal employees) for 16 of 24 applicable trips reviewed. Hotel costs exceeded \$350 per night in several instances. In addition, the DOH paid some travel expenses from grant funds that did not appear allowable or included expenses that were not allowed by travel regulations. Approval for some travel expenses was not adequately documented.

The DOH incurred payroll and other expenditures with grant monies that were not supported by appropriate documentation and did not appear allowable under the applicable grants. For example, indirect administrative grant funds were used to purchase two items that did not fulfill an administrative purpose or relate to the overall purpose of the grant. For eight emergency purchases totaling \$46,158, the DOH did not adequately document that the purchases met the city's definition of an emergency. Items purchased included air mattresses, CPA review materials, and mobile satellite telephones. The DOH entered into two agreements for the creation of data management systems without soliciting proposals or justifying the reason for the sole source purchase.

Eight inspectors of the Air Pollution Control Program (APCP) regularly take their assigned vehicles home rather than parking them at the air pollution control building. APCP officials stated there is no particular business purpose for allowing the inspectors to drive the vehicles home and this practice has been allowed for many years. In addition, the inspectors are not required to maintain mileage logs. The APCP did not inspect 11 of 24 large pollution emitting facilities during the year ended June 30, 2008, as required by an agreement with the Missouri Department of Natural Resources. The city does not currently have a Board of Air Pollution Control Appeals and Variance Review as required by city code.

The DOH provides nurses to private schools in the City of St. Louis but does not provide a similar service to the city's public schools. DOH maintains a memorandum of understanding with the Archdiocese of St. Louis and the Lutheran Elementary School Association of St. Louis to provide nursing staff on-site at their associated private schools as well as nurse consulting services. Neither organization provided compensation for the services, and the program is funded by the city's use tax.

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YELLOW SHEET

CITY OF ST. LOUIS
DEPARTMENT OF HEALTH

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STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the Honorable Mayor
and
Interim Director of the Department of Health
and
Commissioner of Health
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, 2008. 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 Health. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2008. 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 and grant 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, grant agreement, 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 findings arising from our audit of the City of St. Louis Department of Health.

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



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits: Alice M. Fast, CPA, CIA, CGFM
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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

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

1.	Travel Expenses
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Department of Health (DOH) employees incurred travel expenses to various conferences that did not appear reasonable and necessary, were not properly approved, and were not supported by required documentation. The DOH spent over \$180,000 for travel during the 2 years ended June 30, 2008, which represented 21 percent of the total travel expenditures incurred by all city departments. We reviewed 26 DOH travel expenditures totaling approximately \$36,000 and noted the following concerns:

- A. DOH employees attended out-of-state conferences and incurred excessive lodging expenses by staying at the hotels that sponsored the conferences. Daily hotel rates exceeded federal CONUS rates (maximum lodging rates allowed for federal employees) for 16 of 24 (70 percent) applicable trips reviewed. Hotel costs exceeded \$350 per night in several instances. In one instance, a DOH employee attended a one-day conference in San Francisco and incurred over \$500 for two nights of hotel fees. The CONUS rate for San Francisco is \$140 per night.

City travel regulations encourage employees to stay at the sponsoring hotel for the conference and allow transportation expenses between the airport and the hotel; however, travel regulations state taxi services within a city are unallowable expenses. For example, the city does not reimburse employees for taxi transportation from a hotel to a conference site. As a result, it appears employees have little choice except to stay in sponsoring hotels.

The DOH should work with the city's Board of Estimate and Apportionment to amend city travel policies to allow reimbursement of transportation costs within a city. This would allow employees to obtain lodging at more reasonable rates rather than being forced to stay at the conference sponsoring hotels.

- B. The DOH incurred the following travel expenses that did not appear allowable under the funding grant or included expenses that were not allowed by travel regulations:
 - 1) The Director of the Internal Audit Section of the Comptroller's Office utilized DOH grant funding to attend an internal audit conference that cost \$1,800. This does not appear to be allowable by the grant agreement, or by agreements between the DOH and the Internal Audit Section which include a continuing education budget of only \$1,250. DOH personnel stated they considered this expense an indirect cost of the grant; however,

the conference did not appear to relate to the Internal Audit Section's responsibilities for the DOH.

- 2) Meal expenditures were reimbursed to DOH employees in two instances when meals were provided as a part of conference registration fees. City travel regulations state only meals not provided as part of the conference may be claimed for reimbursement. Lack of oversight by DOH personnel appears to have allowed these meal reimbursements to occur.

- C. The DOH allowed requested trips to be completed without required approvals and documentation. Of the 26 travel expenses reviewed, 20 (77 percent) were missing at least one required approval and 22 (85 percent) were missing at least one required document. Most of these expenses were missing documentation of approval from the Comptroller's Office for the travel reimbursements and travel justification letters to the Mayor's Office.

City travel regulations require travel requests and reimbursements be approved by the department head, Comptroller's Office, and Federal Grants Section (if travel is grant funded) prior to travel or reimbursement. For travel and expense reimbursements to be approved, employees must submit justification letters to the comptroller's and mayor's offices, a travel request form, a travel reimbursement form with original receipts or invoices for expenses incurred, and copies of the advance payment check stub.

To ensure travel expenses are reasonable and necessary and are in compliance with city travel regulations, the DOH should adopt procedures to ensure all required approvals are documented and all required documents are submitted prior to incurring travel expenses.

WE RECOMMEND the Department of Health:

- A. Work with the Board of Estimate and Apportionment to change city travel policies to allow reimbursement for travel expenses incurred within a city.
- B. Ensure travel expenses are paid only for amounts allowed by city travel regulations and applicable grant agreements.
- C. Adopt procedures to ensure all travel requests and reimbursements are approved by the appropriate authorities and required documentation is obtained prior to approval.

AUDITEE'S RESPONSE

The Department of Health submitted the following written response:

*The Department of Health agrees that it has incurred a number of travel expenses; however all of the travel is relevant to the Department of Health's mission of assuring a healthy community through continuous protection, prevention and promotion of the public's health. In addition, the Department of Health's programs are largely grant funded with program deliverables **requiring** meeting and training travel.*

*The Department of Health is 65% grant funded at the amount of approximately \$16 million annually. In order to meet the requirements of these grants and remain competitive both within the state and nation for these needed service dollars, staff is **required** to travel.*

Travel for the Director and Commissioner is non-mandated but essential and primarily grant funded. The Director and Commissioner obtain approval from both the City and the grant funding sources to attend certain trainings, conferences and other events related to increasing staff and funding to support current and potential Department of Health programs. Other travel for the Director and Commissioner relate to obtaining expertise necessary to achieve identified health outcomes in the areas of Health Disparities, HIV/AIDS, World Wide Emerging Infections (such as pandemic influenza) and Bioterrorism Emergency Response.

The \$1,800 questionable expense in the Comptroller's Office was directly related to an interagency agreement between the Comptroller and the Department of Health which has been discontinued. The Comptroller has taken appropriate personnel action.

The Department of Health agrees that the copies of travel documents provided to the State Auditors were not completely approved. The original and fully approved travel document is filed in the Comptroller's Office. The Department of Health will work with the Comptroller's Office to implement a process where fully approved copies of all travel documents will be available in the Department of Health's fiscal files.

The Department of Health will ensure that all required documentation is obtained prior to approval and will ensure that all travel expenses are paid only for amounts allowed by city travel regulations and applicable grant agreements.

The Department of Health agrees with the finding regarding excessive lodging costs and will work with the Board of Estimate and Apportionment to change city travel policies.

2. Payroll and Other Expenditures
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The DOH incurred payroll and other expenditures with grant monies that were not supported by appropriate documentation and did not appear allowable under the applicable grants. In addition, the DOH purchased items on an emergency basis without

adequate justification and purchased two data management systems without soliciting bids or proposals.

- A. Our review of payroll expenditures from grant funds in fiscal years 2007 and 2008 noted 44 of 57 (77 percent) applicable timesheets reviewed did not have documentation of time spent on grant-related functions.

DOH procedures require employees to submit timesheets showing arrival and departure times for each day. Until May 2008, these records did not document time spent on grant-related functions. In May 2008, the DOH began requiring salaried employees to include a statement certifying hours worked on grant-related functions in response to an audit recommendation; however, this documentation is not required for hourly-paid employees.

Sound business practices and grant requirements dictate payroll expenditures charged to grant funds should be adequately documented. Without such documentation, there is little assurance that grant funds are properly spent.

- B. Our review of 31 grant-funded expenditures noted 3 items that did not appear allowable under the funding grant. Indirect administrative grant funds were used to purchase two items that did not fulfill an administrative purpose or relate to the overall purpose of the grant. In addition, a digital camera was purchased for promotional photos; however, the applicable grant agreement specifically excludes purchases of promotional items.

The DOH should review its procedures for approval of grant-funded expenditures to ensure only allowable purchases are made from grant funds.

- C. Our review of eight emergency purchases totaling \$46,158 noted none included justification that adequately documented the city's definition of an emergency. City policy states an emergency purchase can only be made when a condition exists which might cause injury to a person or property damage, or seriously impair public health or services. Items purchased included air mattresses, CPA review materials, and mobile satellite telephones. City purchasing rules require emergency purchases be justified to show the reason the purchase must be made without soliciting bids.

Emergency purchases without adequate justification or soliciting bids gives the appearance the DOH may be circumventing normal city purchasing procedures. The DOH should review its current procedures related to emergency purchases and ensure the emergency nature of each purchase is adequately documented or bids are solicited for all applicable purchases in accordance with city policy.

- D. The DOH entered into two agreements for the creation of data management systems without soliciting proposals or justifying the reason for the sole source purchase. Instead, the DOH entered into inter-departmental agreements with the

City of St. Louis Department of Human Services (DHS) to use a DHS contractor for the service. Per the agreement, the DOH paid the DHS \$55,000 for the creation of a Special Needs Registry and \$31,580 for a data management system for the School Health Program. The DHS was responsible for paying the invoices from the contractor.

The DHS previously negotiated the purchase of a data management system for its use from this vendor in accordance with the city's definition of a sole source provider. However, neither the DOH or DHS solicited bids or proposals or documented the sole source justification for the purchase of the two systems used by the DOH. To ensure city funds are spent efficiently and effectively and to ensure compliance with city purchasing requirements, the DOH should have documented the reason for the sole source purchase or solicited proposals for the purchase of the data management systems.

WE RECOMMEND the Department of Health:

- A. Require all employees document time spent on grant-related functions.
- B. Implement procedures to ensure only allowable items are purchased with grant funds.
- C. Ensure city policy is followed for all emergency purchases, including adequately documenting the emergency nature of the purchase. Bids should be solicited for purchases that do not meet the city's definition of an emergency.
- D. Ensure city purchasing policies are followed for purchases of data management systems.

AUDITEE'S RESPONSE

The Department of Health submitted the following written response:

The Department of Health agrees with the findings and has immediately responded to the State Auditor's recommendations by implementing policies and procedures requiring all employees to:

- *document time spent on all DOH functions;*
- *ensure only allowable items are purchased with grant funds;*
- *ensure that the City policy is followed for all emergency purchases, including adequately documenting the emergency nature of the purchase; and*
- *ensure that City purchasing policies are followed for purchases of data management systems.*

In addition to the above policies and procedures, the Department of Health requires all DOH employees to complete a time documentation form (or personal activity report) on a bi-weekly basis. The time documentation form tracks the number of hours worked daily, the activities

associated with the hours worked, and the funding source that the hours of activity is appropriately charged.

Special Needs Registry:

A requirement of the Centers for Disease Control and Prevention emergency preparedness grant is to assure that the needs of special populations such as seniors and the disabled as well vulnerable populations such as children are met. The special needs registry is a vital part of our ability to save lives during a disaster by assessing those needs, as well as locating citizens who are at risk and communicating critical, life saving information to those individuals. Building onto the existing data base housed in Human Services was the most cost effective and efficient manner of building this capability.

Emergency Purchase (Camera):

The camera (\$4,033.40) was purchased for in-house production of items that would have cost us \$6,000 for the initial STD/HIV Sexual Responsibility campaign - and \$2,500 for 2008, \$2,000 for 2009 to date, and \$4,000 annually for subsequent years of campaign studio rental/production work if outsourcing was required. The purchase has realized the DOH a \$6,467 cost savings to date, which does not include the staff/personnel cost associated with setting up and managing the creative productions that would have been required because of the utilization of the diverse celebrity/spokesperson individuals involved in the campaigns. This equipment has been used in the production of the DOH's spokespersons campaigns featuring Murphy Lee and St. Lunatics Health Campaign for magazine and print ads, Blu Bolden Vice-President of Derry Ent., and Penelope Jones featured Sexual Health Responsibility Poster Campaign, Lead Safe Saint Louis program promotional ads. The equipment has been used in the production of numerous DOH Departmental and Community Displays and Health promotion events and fairs, newsletters, etc. It has been proven to be more efficient and effective to purchase this equipment and produce these materials with existing staff.

3.

Air Pollution Control Program

Air Pollution Control Program (APCP) inspectors are allowed to use their assigned city vehicles for commuting purposes; however, there appears to be no valid business purpose for this, and the DOH has no mechanism to monitor the use of these vehicles. The APCP also has not complied with some grant and city code requirements.

- A. Eight employees of the APCP regularly take their assigned vehicles home rather than parking them at the air pollution control building. APCP officials stated there is no particular business purpose for allowing the inspectors to drive the vehicles home and this practice has been allowed for many years. The inspectors are not on-call nor required to respond to emergencies.

In addition, the inspectors are not required to maintain mileage logs. While the city reports taxable benefits for each day the employees use the vehicles for

commuting purposes as required by IRS regulations, the city has no means to distinguish between business and commuting mileage incurred by the inspectors. Mileage logs should include the purpose and destination of each trip and the beginning and ending odometer readings.

To ensure city vehicles are only used for city business, mileage logs should be maintained and the DOH should discontinue allowing APCP inspectors to use city vehicles for commuting purposes.

- B. The APCP did not inspect 11 of 24 required pollution emitting facilities during the year ended June 30, 2008. The APCP receives state grant funds and maintains an agreement with the Missouri Department of Natural Resources (DNR) to inspect pollution emitting facilities in the City of St. Louis including 24 large manufacturing facilities. APCP officials indicated staff vacancies prevented them from inspecting 11 of these large facilities. To ensure compliance with the DNR agreement and maintain grant funding, the APCP should establish a method to inspect all facilities.
- C. The city does not currently have a Board of Air Pollution Control Appeals and Variance Review as required by city code. St. Louis City Revised Code Section 11.34.090 requires the city to maintain a board, consisting of members appointed by the mayor, to conduct hearings on appeals from actions and orders of the health commissioner and all petitions for variance. The board is also responsible for advising the APCP on rules and regulations.

The board was eliminated when the APCP was transferred to the DOH from the Department of Public Safety in 2003. ACPP officials indicated the former board was eliminated with the intention of starting a new board but this was not done. To ensure there is an outlet for appeals of air pollution decisions and compliance with city code, the city should reinstate the board.

WE RECOMMEND the Department of Health:

- A. Require mileage logs for all city vehicles and discontinue the practice of allowing employees to commute in city vehicles when there is no clear business purpose.
- B. Fulfill its agreement with the DNR and inspect all required pollution emitting facilities.
- C. Work with the Mayor's Office to reinstate the Board of Air Pollution Control Appeals and Variance Review to comply with City Code.

AUDITEE'S RESPONSE

The Department of Health submitted the following written response:

The Department of Health agrees with the finding related to the APCP vehicles and immediately responded to the State Auditor's recommendation by discontinuing APC inspectors' use of City vehicles for commuting purposes. As early as October 2008, a policy was implemented to require the eight APC City vehicles to be parked overnight at 634 N. Grand, the Department of Health site. Subsequent to this policy being implemented, the Department of Health has begun the process of reducing the APC fleet to one vehicle required to meet the Special Purpose Monitoring contract deliverables. Commuting usage will not be allowed on this vehicle, and will be parked overnight on City property.

The Department of Health, with the support of the Missouri Department of Natural Resources, has made a cost efficiency decision to replace the Air Pollution Control Program vehicles with mileage reimbursement. Currently, the Department of Health is working with Procurement Commissioner, Mr. Freddie Dunlap, to adhere to the procedures in accordance with the State requirements to surplus the vehicles.

The Department of Health agrees with the finding related to facility inspection compliance. This issue arose due to the APCP being understaffed during the 2007-2008 grant period. During the State and Local Agreement meeting prior to the beginning of the grant period, the Department of Health's Air Pollution Control Program informed the Missouri Department of Natural Resources of the staffing issues, and stated that there potentially would be compliance issues regarding facility inspection. The Missouri Department of Natural Resources acknowledged the issue and verbally granted a waiver given that the Department of Health agreed to a) work diligently to fill the vacant positions and b) inspect as many facilities it could with its current staff. As of the 2008-2009 grant period, APCP is fully staffed and is on target for fulfilling its agreement with the DNR and to inspect all required pollution emitting facilities.

The Department of Health agrees with the finding related to reinstating the Board of Air Pollution Control Appeals and Variance Review and will work with the Mayor's Office to comply with City Code.

4.

School Nurse Program

The DOH provides nurses to private schools in the City of St. Louis but does not provide a similar service to the city's public schools. The DOH maintains a memorandum of understanding with the Archdiocese of St. Louis and the Lutheran Elementary School Association of St. Louis to provide nursing staff on-site at their associated private schools as well as nurse consulting services. Neither organization provided compensation for the services, and the program is funded by the city's use tax. In fiscal year 2008, 5 nurses served 36 private schools at a cost to the city of \$223,025. Per DOH officials, city public schools are not provided the same services because the public schools provide nursing staff with school district funds.

While this appears to be a beneficial service, the school nurse program operated by the DOH is providing services with public funds to a limited group without compensation. Sound business practices dictate city public funds should be used to benefit all city residents. The DOH should consider providing nursing services to both city public and private schools with city funds, seeking compensation from the private schools for these services, or discontinuing the program.

WE RECOMMEND the Department of Health review the school nurse program and consider providing equitable services to all city students.

AUDITEE'S RESPONSE

The Department of Health submitted the following written response:

The Department of Health agrees with the findings and will proactively approach and work with the Board of Estimate and Apportionment to provide equitable services to all city students.

HISTORY AND ORGANIZATION

CITY OF ST. LOUIS
DEPARTMENT OF HEALTH
HISTORY AND ORGANIZATION

The City of St. Louis Department of Health's (DOH) mission is to assure a healthy St. Louis community through continuous protection, prevention, and promotion of the public's health. This is done with the administration of federal, state, and city programs by various bureaus. The department operates under the direction of the Interim Director, Pamela Rice-Walker, and Commissioner of Health, Melba Moore. The department employs 212 individuals in the following six offices and bureaus:

1. Director of Health

The Director of Health is responsible for providing leadership and direction to the DOH by establishing strategic goals and objectives for planning, developing, implementing, and evaluating programs and services provided. The Lead Safe St. Louis Program operates under the director's office.

2. Commissioner of Health

The Commissioner of Health is responsible for implementing the strategic goals and objectives of the DOH, along with providing administrative support to the other offices and bureaus. Services include personnel management, budget preparation, grant administration, and the promotion of health programs.

3. Communicable Disease Control

The Communicable Disease Control Bureau monitors, protects, and promotes public health to the citizens of St. Louis with regards to communicable diseases. Services include prevention programs, diagnostic testing, treatment, follow-up, and contact investigations for all reported communicable diseases.

4. Animal Care and Control

The Animal Care and Control Bureau is responsible for operation of the animal shelter and enforcing animal regulations. The Vector Control Section is responsible for containing and controlling mosquito and rat populations. Services include the apprehension of stray animals, public education, vaccinations, animal adoption services, containment and elimination of mosquito and rat populations, and disease testing and monitoring of mosquitoes and birds.

5. Environmental Health Services

The Environmental Health Services Bureau is responsible for monitoring the air quality in the city and monitoring food establishments. Services include hazardous materials

management, water quality monitoring, sanitation control, air pollution control and monitoring, and food regulation enforcement.

6. Family/Community/School Health Services

The Family/Community/School Health Services Bureau performs services to help prevent disease, provide care to families, and provide community outreach services. Services include school health screenings and referrals, providing school nurses to private schools, immunization audits, community outreach, infant mortality initiatives, and other prenatal care services.