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# CITIZENS SUMMARY

## Findings in the audit of the City of St. Louis - Department of Public Utilities

Water Division Revenues	<p>The City of St. Louis has not ensured water revenues are sufficient to adequately maintain the city's water distribution system. Water rate increases have not been implemented in over 10 years despite 4 rate sufficiency studies recommending such increases over that timeframe. As a result, needed capital improvements to the system were delayed and projected costs have significantly increased. Additionally, by not performing necessary maintenance of the water system, the Water Division is at risk of violating bond covenants. The delay of rate increases will also potentially result in more significant rate increases in the future to make up for past inaction, which would negatively impact rate payers. The Water Division also forgoes potential revenues by not billing the city for water consumption at city-owned buildings and properties.</p>
Payroll Controls and Procedures	<p>Water Division payroll procedures need improvement. The Water Division modified the permanent work schedules for some Water Division employees without obtaining approval from the city's Department of Personnel, resulting in the underpayment of overtime earned that was not in accordance with the city's overtime policy or Fair Labor Standards Act requirements. In addition, hours reported on individual employee timesheets did not agree to hours reported on summarized bi-weekly attendance records and/or departmental timesheets created for processing in the city's payroll system. Additionally, our review identified instances of the inconsistent application of city policy related to paid holiday compensation resulting in some employees being compensated for more time than is required by city policy.</p>
Billing Adjustment Procedures	<p>Controls over non-monetary adjustments posted to the Water Division billing system are insufficient and need improvement. Water Division customer service personnel have the ability to post non-monetary adjustments to the accounting system when necessary; however, the Water Division does not have adequate written formal policies and procedures for preparing and approving non-monetary adjustments, including when an adjustment form is required and for what types of transactions. Without sufficient controls in place, non-monetary adjustments can present a significant fraud risk.</p>
Construction Deposits	<p>The Water Division has not processed and disbursed construction deposits held in escrow on a timely basis. Seven of the 9 constructions deposits reviewed showed the related projects were completed prior to 2018; however, the deposits for these 7 projects totaling approximately \$45,000 continued to be held by the Water Division. Invoices had not been generated for these projects, deposits had not been applied to the open invoices, and no invoice or refund had been sent to customers.</p>

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## Capital Assets

Water Division personnel have not performed a recent, documented, physical inventory of capital assets as required by division policy. Additionally, with the exception of vehicles, the Water Division has not established procedures to ensure assets are tagged, numbered, or otherwise identified as Water Division property. As a result, assets are more susceptible to theft or misuse and asset records may be incomplete and inaccurate.

In the areas audited, the overall performance of this entity was **Fair**.\*

\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.



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**Recommendations in the audit of the City of St. Louis - Department of Public Utilities**

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**Water Division Revenues**

The Water Division:

- 1.1 Consider the suggestions of completed rate sufficiency studies and formally document any proposed rate increases suggested to the Mayor and Board of Aldermen. In addition, work with the Mayor and Board of Aldermen to ensure water rates are more evenly increased to allow customers to more easily absorb rate increases and ensure critical infrastructure is updated and maintained.
- 1.2 Work with city officials to meter water usage or develop alternative water usage estimates to determine the city's water usage and compensate the Water Division for city water use.

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**Payroll Controls and Procedures**

The Water Division:

- 2.1 Obtain the proper schedule approvals for all personnel with the Department of Personnel, and work with that department to ensure overtime is being calculated properly for all employees going forward.
- 2.2 Ensure proper supervisory reviews of employee hours recorded in the payroll system are performed, hours recorded in the payroll system agree to individual employee timesheets, and timesheets are calculated accurately and in compliance with city ordinances.

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**Billing Adjustment Procedures**

The Water Division develop formal policies and procedures to perform adjustments on customer accounts. Additionally, the Water Division should ensure all non-monetary adjustments made to the computer system are properly approved and compared to actual changes posted to the computer system, and documentation of all such adjustments should be retained.

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**Construction Deposits**

The Water Division perform a review to identify and expedite any potential refunds being held from previous periods, and establish procedures to ensure construction deposits held in escrow are reviewed periodically, construction projects are invoiced timely, and money held in escrow is properly handled and disbursed timely.

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**Capital Assets**

The Water Division ensure complete and accurate inventory records are maintained and annual documented physical inventories are conducted, and ensure assets are properly tagged for identification in accordance with division policy.