



**Nicole Galloway, CPA**

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**Missouri State Auditor**

**City of St. Louis**

**Board of Public Service**

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Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of City of St. Louis - Board of Public Service

Invoicing and Fuel Reconciliation	The Board of Public Service's Equipment Services Division's (ESD) lack of review procedures for fuel invoices allowed system errors to go undetected and, as a result, some ESD fuel costs did not get invoiced. In addition, the ESD has not established procedures to ensure payments for amounts billed are collected. Improvement is needed in the monitoring and preparation of fuel reconciliations.
Inventory Procedures	The ESD has not adequately segregated inventory duties or ensured there is a documented supervisory or independent review of daily inventory counts performed by parts room personnel. The ESD has not established formal controls and procedures to reconcile and document the daily and semi-annual parts inventory counts performed or to monitor and investigate inventory variances at each garage.
Vehicle Assignment Report	The ESD did not attempt to prepare the annual vehicle assignment report for fiscal year ended June 30, 2018, and the fiscal year ended June 30, 2017, report was incomplete.

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

\*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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# City of St. Louis - Board of Public Service

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## **NICOLE GALLOWAY, CPA**

### **Missouri State Auditor**

To the Honorable Mayor  
and  
President of the Board of Public Service  
City of St. Louis, Missouri

We have audited certain operations of the City of St. Louis Board of Public Service in fulfillment of our duties under Section 29.200.3, RSMo. The State Auditor initiated audits of the City of St. Louis in response to a formal request from the Board of Aldermen. The city engaged KPMG LLP, Certified Public Accountants (CPAs), to audit the city's financial statements for the year ended June 30, 2018. To minimize duplication of effort, we reviewed the CPA firm's report. The scope of our audit included, but was not limited to the year ended June 30, 2018. The objectives of our audit were to:

1. Evaluate the Board's internal controls over significant management and financial functions.
2. Evaluate the Board's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

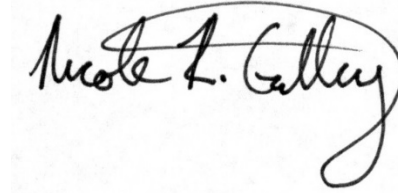
Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the Board, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also 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 applicable 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.

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 Organization and Statistical Information is presented for informational purposes. This information was obtained from the division's management and was not subjected to the procedures applied in our audit of the division.

For the areas audited, we identified (1) deficiencies in internal controls, (2) no significant noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the City of St. Louis Board of Public Service.

Additional audits of various officials and departments of the City of St. Louis are in process, and any additional findings and recommendations will be included in subsequent reports.

A handwritten signature in black ink that reads "Nicole R. Galloway". The signature is written in a cursive style with a large, looping flourish at the end of the name.

Nicole R. Galloway, CPA  
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kelly Davis, M.Acct., CPA, CFE
Audit Manager:	Chris Vetter, CPA, CGAP
In-Charge Auditor:	Steven Re', CPA
Audit Staff:	Morgan Alexander
	Rachel Cline, M.S. Acct.
	Matt Brown

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# City of St. Louis - Board of Public Service

## Management Advisory Report

### State Auditor's Findings

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#### **1. Invoicing and Fuel Reconciliation**

Controls and procedures over fuel and maintenance invoicing and reconciliation need improvement.

##### 1.1 Fuel and maintenance invoicing

The Board of Public Service's Equipment Services Division's (ESD) lack of review procedures for fuel invoices allowed system errors to go undetected and, as a result, some ESD fuel costs did not get invoiced. In addition, the ESD has not established procedures to ensure payments for amounts billed are collected. Each month, ESD personnel prepare a spreadsheet that is forwarded to the Comptroller's office to create a journal entry to credit the ESD's internal service fund for the fuel and maintenance costs for city departments. Also, the ESD prepares and sends invoices to the United States Marshal's Office, 2 not-for-profit organizations, and the city Water Division and License Collector's office for fuel used and maintenance services performed.

##### System errors

ESD personnel were unaware of a system error within the fleet information database that prevented commercial vendor fuel purchases from being invoiced to city offices and other entities until we made a request for information from the database. As a result, ESD personnel did not know fuel purchased from commercial service stations totaling \$380,229<sup>1</sup> was not invoiced between February and September 2018. In addition, ESD personnel were unaware of additional system errors that caused some city departments to be overcharged and/or undercharged.

##### Collection efforts

Our review of monthly fuel and maintenance invoices for fiscal years 2017 and 2018 determined the ESD does not ensure entities invoiced for fuel and maintenance submit payment. Comptroller's office receipt records indicate some organizations and city divisions have not paid amounts invoiced by the ESD or the amounts paid do not agree to amounts invoiced. The ESD does not request information from the Comptroller's office regarding the amounts paid and does not have any procedures to follow up with entities that do not pay. The amounts outstanding for fiscal years 2017 and 2018 are listed in the following table.

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<sup>1</sup> \$167,028 of the \$380,229 in fuel purchased from commercial service stations occurred after June 30, 2018.



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Billed Entity	Fiscal Year		Total	Last Invoice Paid Date <sup>1</sup>
	2017	2018		
Not-for-profit #1	\$ 3,629	32,911	36,540	August 2017
St. Louis City Water Division	22,844	9,204	32,048	May 2018
U.S. Marshal's Office	0	24,771	24,771	September 2017
St. Louis City License Collector	1,564	2,988	4,552	March 2017
Not-for-profit #2	219	122	341	No Payments Received
<b>Total</b>	<b>\$ 28,256</b>	<b>69,996</b>	<b>98,252</b>	

<sup>1</sup> As of October 2018.

Source: St. Louis City Comptroller's Office accounting records.

Procedures such as performing independent reconciliations of ESD costs to amounts invoiced should be established to ensure all amounts are properly invoiced. In addition, proper and timely monitoring of amounts due is necessary to help ensure unpaid amounts are collected and proper follow-up action is taken for nonpayment.

## 1.2 Fuel reconciliation

Improvement is needed in the monitoring and preparation of fuel reconciliations. The ESD reconciliation of fuel use to fuel purchased for large bulk tanks is not consistent with the standard operating procedure (SOP) and no reconciliation is performed for several small bulk fuel tanks and tanker trucks. The ESD spent approximately \$3.8 million on fuel for the year ended June 30, 2018.

The division maintains 3 large bulk gasoline tanks, 4 large bulk diesel tanks, 12 small bulk diesel tanks, 1 small bulk gasoline tank, and 2 tankers at 4 garages (Hampton, Central, Laclede, and Forest Park). We noted the following concerns:

- ESD personnel are not performing the fuel reconciliation for large bulk tanks as defined in SOP 2.1. The SOP requires the parts supervisor at each garage prepare a monthly fuel reconciliation. In addition, the ESD Commissioner indicated an Inventory Control Technician is supposed to perform an independent fuel reconciliation. Our review of the fuel reconciliations performed by the Inventory Control Technician and by the parts supervisors at the Hampton and Central garages for the large bulk fuel tanks, noted procedures used are not consistent and do not follow the reconciliation method outlined in the SOP. In addition, supporting documentation is not maintained and each reconciliation is not reviewed and approved by a supervisor. As a result, there is no assurance the reconciliations performed are complete and accurate. Also, personnel at the Laclede and Forest Park garages do not prepare large bulk tank fuel reconciliations as required.
- The ESD does not monitor and reconcile fuel use to fuel purchased for 11 of the 13 smaller bulk fuel tanks. In addition, although fuel use is



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tracked for the other 2 smaller bulk fuel tanks and 2 fuel tankers, no reconciliation is performed between fuel use and fuel purchased. These smaller tanks and tankers are not addressed in the SOP.

To ensure the reasonableness of fuel costs, the ESD should follow the existing SOP to reconcile fuel use to fuel purchased. Fuel reconciliations are necessary to ensure vehicles and equipment are properly utilized, prevent paying vendors for improper amounts invoiced, and decrease the risk of theft or misuse of fuel occurring without detection.

A similar condition was noted in our prior audit report. In the *Follow-Up Report on Audit Findings City of St. Louis Board of Public Service*, Report No. 2018-062, released in August 2018, the division reported these previous recommendations had been implemented; however, we found that corrective action taken was not always effective and problems continue to exist.

## Recommendations

The Board of Public Service:

- 1.1 Develop procedures to ensure complete and accurate amounts are invoiced for fuel and vehicle maintenance performed. In addition, the Board of Public Service should develop procedures to ensure the collection of amounts invoiced.
- 1.2 Ensure fuel reconciliations are performed as required and reconciliations are documented and reviewed. In addition, the Board of Public Service should update fuel SOPs to include small bulk fuel tanks and tanker trucks to ensure reconciliations are performed.

## Auditee's Response

- 1.1 *We concur with these findings and the need for a SOP jointly developed by the Comptroller's office and BPS accounting to confirm that monthly fuel billings are paid by both internal city and external customers. The Comptroller does monitor internal city customers well. It is the billing of and collection from non-General Fund city customers and non-city entities that has been the problem.*
- 1.2 *We concur with these findings. Small bulk fuel tanks without electronic transaction equipment are located in major city parks for the convenience of refueling off-road equipment used in those parks. The ESD will develop a SOP to be executed by Parks Division employees to reconcile deliveries requested.*

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## 2. Inventory Procedures

Inventory controls and procedures need improvement.

The ESD purchases parts and supplies needed to repair and maintain city fleet vehicles and equipment. The ESD purchased approximately \$2.7 million in vehicle and equipment parts for the year ended June 30, 2018. The value of





the inventory on hand for all 4 garages was approximately \$2.9 million at June 30, 2018.

## 2.1 Segregation of duties

The ESD has not adequately segregated inventory duties or ensured there is a documented supervisory or independent review of daily inventory counts performed by parts room personnel. The fleet parts supervisor and maintenance foreman at each of the 4 garages are responsible for ordering, receiving, distributing, and maintaining the parts and supplies inventory. The same personnel reconcile and make daily adjustments to inventory levels recorded in the inventory database.

The ESD Commissioner said he was unaware the parts supervisors and foremen were performing a daily inventory count when receiving and issuing parts and making adjustments as needed for discrepancies in the inventory totals. As a result, although changes to the inventory were tracked in the inventory database, the ESD Commissioner had not performed a supervisory or independent review of the adjustments made.

Proper segregation of duties helps ensure inventories of maintenance parts are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of daily inventories should be performed.

## 2.2 Inventory procedures

The ESD has not established formal controls and procedures to reconcile and document the daily and semi-annual parts inventory counts performed or to monitor and investigate inventory variances at each garage. As a result, there is no assurance parts inventory quantities and variances are accurate or complete. During our review, we identified the following concerns:

- Semi-annual inventory counts are not always prepared timely. For example, the Hampton and Central garages semi-annual inventories for June 2018, had not been completed as of October 2018.
- The ESD does not maintain complete and accurate supporting documentation of daily or semi-annual inventory counts. For example, several of the semi-annual inventory variance reports prepared during 2018 included vehicle and equipment parts that had been counted multiple times.
- The ESD Commissioner was unaware multiple variance reports for each garage were prepared for the semi-annual inventory count and each needed to be reviewed and approved. For example, the ESD Commissioner determined he had reviewed and approved one of four inventory variance reports prepared for the Laclede garage for fiscal year 2018. As a result, no supervisory review was performed for the other variance reports.



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- Some automotive lubricants and liquids may not be recorded and are not inventoried or reconciled. Each maintenance garage has 2 to 4 bulk tanks which contain the most commonly used lubricants and liquids for each location. Authorized use of lubricants and liquids may not be recorded in the inventory database. For example, the ESD Commissioner said drivers of refuse trucks obtain hydraulic fluid without informing garage personnel. In addition, these bulk liquids are not part of the semi-annual inventory. The ESD Commissioner indicated he has implemented physical controls to the maximum extent possible but the division cannot accurately control the dispensing and use of bulk oil and other fluids. In addition, he said employees at one of the four garages are in the process of installing electronic monitoring on that garage's bulk liquid tanks, however, this monitoring was not operational at the time of our review.

Loss, theft, or misuse of inventory may go undetected if inventory records and counts are not sufficient. Effective internal controls and procedures require maintaining complete and accurate records of all inventory items and performing reconciliations of these records to the balances of items on hand that are reviewed by someone independent of the process.

A similar condition was noted in our prior audit report. In the *Follow-Up Report on Audit Findings City of St. Louis Board of Public Service*, Report No. 2018-062, released in August 2018, the division reported the status of the previous recommendation was in progress.

## Recommendations

The Board of Public Service:

- 2.1 Segregate the inventory duties of ESD parts room personnel. If proper segregation cannot be achieved, ensure a documented independent or supervisory review is performed.
- 2.2 Establish effective controls and procedures to ensure accurate inventory counts are conducted timely, reviewed, and variances are monitored and investigated. In addition, the Board of Public Service should ensure bulk lubricant and liquid usage is recorded.

## Auditee's Response

- 2.1 *We concur with this finding and recommendation. ESD Fleet Maintenance Parts Supervisors nor their subordinate Fleet Maintenance Parts Specialists have permissions within the software used to alter inventory levels. That procedure has now been reserved for the independent Inventory Control Technician II or the manager of that section for auditable changes following the 100 percent inventory of each garage parts room and review of the full variance report by Fleet Maintenance Managers and Commissioner of Equipment Services.*



2.2 *We concur with this finding and recommendation. However, with regard to bulk shop fluids, anything short of 100 percent electronic dispensing controls consistently results in manual efforts falling far short of recording all use. The ESD is currently attempting to implement electronic controls for this inventory problem in the newest Central Garage. If that solution proves successful, the ESD will request budget funds to duplicate the system costing about \$30,000 in each of the other three maintenance and repair facilities.*

### **3. Vehicle Assignment Report**

The ESD did not attempt to prepare the annual vehicle assignment report for fiscal year ended June 30, 2018, and the fiscal year ended June 30, 2017, report was incomplete. ESD personnel indicated they have been unable to complete annual vehicle assignment reports because most city departments are not providing the required information. The ESD commissioner stated the last annual vehicle report was completed for the fiscal year ended June 30, 2016.

Section 3.1.1 of the Vehicle Policy Manual, states the Commissioner of the ESD shall provide an annual vehicle assignment report to the Board of Estimate and Apportionment by October 1. This report is to include information on all city vehicles by department, as well as cost, mileage, vehicle assignments, commuting justification, and verification of valid operators' licenses. In addition, Section 3.1.2 of the manual states each year, in August, every elected official and appointing authority with vehicles maintained and refueled by the ESD will provide the ESD Commissioner with updated information about vehicle assignments.

The vehicle assignment report, when properly and accurately prepared, is a valuable tool for planning for and monitoring the city's vehicle fleet including identifying who is to be assigned a city vehicle for commuting purposes. To ensure the vehicle assignment report is completed annually as required, the BPS should work with the Board of Estimate and Apportionment to ensure city departments and elected officials provide the necessary information.

A similar condition was noted in our prior audit report. In the *Follow-Up Report on Audit Findings City of St. Louis Board of Public Service*, Report No. 2018-062, released in August 2018, the division reported the status of the recommendation as partially implemented.

#### **Recommendation**

The Board of Public Service ensure the vehicle assignment report is completed annually as required by the Vehicle Policy Manual.

#### **Auditee's Response**

*We concur with the finding and will continue to attempt to implement the recommendation.*



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*The 2018 Vehicle Assignment Survey was distributed to all fleet customers in August 2018 with a suspense date of late September 2018 which if complied with would have resulted in the report being submitted as required to the Board of Estimate and Apportionment in October 2018. The last response to the survey from a major fleet component was not returned until February 2019. The report is currently being compiled and will be provided in March 2019.*

*The crux of the problem is that while the Commissioner of Equipment Services bears the responsibility of coordinating and compiling this report, he lacks the authority to compel the cooperation of elected officials and appointing authorities to meet the established timeframe.*

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# City of St. Louis - Board of Public Service

## Organization and Statistical Information

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The Board of Public Service (BPS) was established under the provisions of Article XIII of the St. Louis City Charter. The BPS is made up of the Board President, as well as the Directors of the Departments of Public Utilities, Streets, Human Services, Parks, Health, and Public Safety. The Charter specifies that the Board meet once a week. The Board's duties include approving permits for use of public places, approving permits for private businesses, and accepting or rejecting grants or dedications of highways, streets, and subdivisions. If an ordinance is for a public work it must be first proposed by the Board.

The Office of the President of the BPS is to control and conduct any and all engineering, construction, and reconstruction work undertaken by the city and to supervise all such work in which the city is interested. All plans and specifications for such work shall be prepared under the direction of the BPS and be subject to its approval. To carry out these assignments, the department is divided into planning and programming, design services, construction, and administration.

The Office of the President is also responsible for the following divisions:

1. The Equipment Services Division, responsible for the repair and maintenance of city vehicles and equipment, was formed in 1983. There are 4 garages, 20 refueling sites, and 2 tankers under the direct control of this division.
2. The Facilities Management Division, which maintains approximately 160 buildings citywide, was formed in 1984. There are five trades which function in this division: painters, plumbers, electricians, carpenters, and heating ventilation air conditioning technicians. Custodians for the city hall building are also part of this division.
3. The Soldier's Memorial Military Museum was dedicated as a memorial for veterans and as a museum for preserving a historic collection of military artifacts.

At June 30, 2018, the BPS employed 239 full-time employees. The Board President is appointed by the Mayor of St. Louis. The current Board President, Richard Bradley, was appointed on June 1, 2009.