

**OFFICES OF THE
STATE AUDITOR OF MISSOURI
JEFFERSON CITY**

OFFICE OF THE CITY COUNSELOR
CITY OF ST. LOUIS, MISSOURI
YEAR ENDED JUNE 30, 1988

MARGARET KELLY, CPA



Report No. 90-16
February 22, 1990

OFFICE OF THE CITY COUNSELOR
CITY OF ST. LOUIS, MISSOURI

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STATE AUDITOR OF MISSOURI

JEFFERSON CITY, MISSOURI 65102

MARGARET KELLY, CPA
STATE AUDITOR

(314) 751-4824

Honorable Vincent C. Schoemehl Jr., Mayor
and
James J. Wilson, City Counselor
City of St. Louis, Missouri 63103

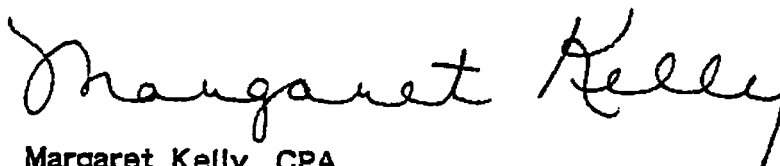
The State Auditor was petitioned under Section 29.230, RSMo 1986, to perform an audit of the city of St. Louis, Missouri. Accordingly, we have conducted a review of the Office of the City Counselor, city of St. Louis. Our review included, but was not limited to, the year ended June 30, 1988. The purposes of our review were to:

1. Study and evaluate the office's system of internal controls.
2. Perform a limited review of certain management practices to determine the efficiency and effectiveness of those practices.
3. Review probable compliance with certain constitutional provisions, statutes, administrative rules, attorney general's opinions, and city ordinances as we deemed necessary or appropriate.
4. Perform a limited review of the integrity and completeness of the office's financial reporting system.
5. Perform procedures deemed necessary to evaluate petitioner concerns.

Our review was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the office's financial records, payroll procedures and documents, expenditures, contractual agreements, and other pertinent procedures and documents; interviewed personnel of the City Counselor's office; and compiled the information in the appendices from the records and reports of the City Counselor's office. The data presented in the appendices were obtained from the city's accounting system. However, they were not verified by us via additional audit procedures and, therefore, we express no opinion on them.

The accompanying History and Organization is presented for informational purposes. This background information was obtained from management and was not subject to the audit procedures applied by us in our audit.

Our comments on management practices and related areas are presented in the accompanying Management Advisory Report.

A handwritten signature in cursive script that reads "Margaret Kelly". The signature is written in dark ink and is positioned above the printed name and title.

Margaret Kelly, CPA
State Auditor

June 16, 1989

HISTORY AND ORGANIZATION

**OFFICE OF THE CITY COUNSELOR
CITY OF ST. LOUIS, MISSOURI
HISTORY AND ORGANIZATION**

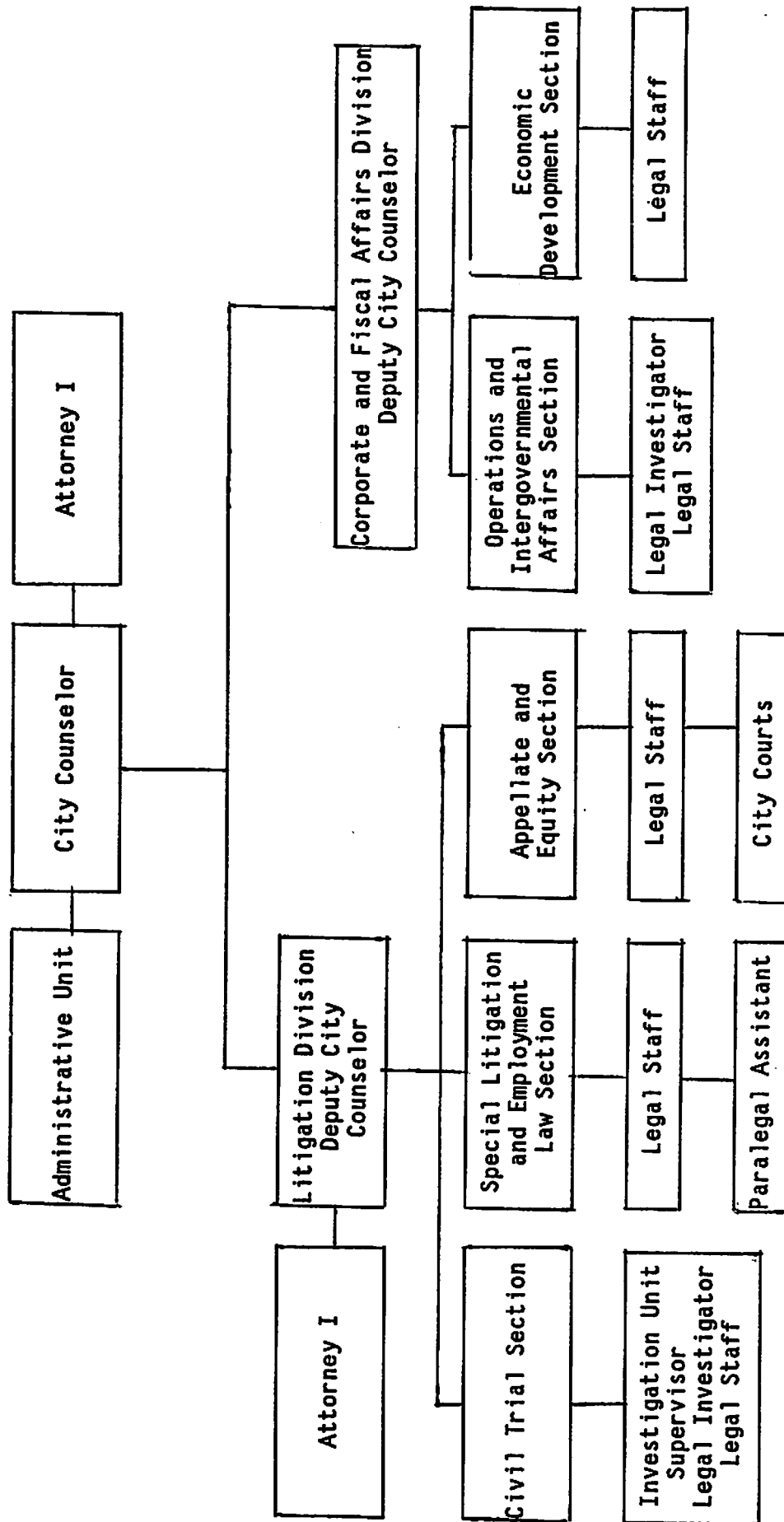
James Wilson currently serves as the City Counselor for the city of St. Louis. He has served in that capacity since his initial mayoral appointment in 1983.

The City Counselor's office provides legal assistance to all city departments and represents the city in all litigation. The office also renders various legal opinions and advises in city contractual matters. At June 30, 1988, key office personnel were as follows:

Eugene P. Freeman, Deputy City Counselor, Litigation Division
Thomas J. Ray, Deputy City Counselor, Corporate and Fiscal Affairs
Division
Jordan D. Young, Administrative Assistant

At June 30, 1988, the City Counselor's office employed approximately forty-three full-time employees.

OFFICE OF THE CITY COUNSELOR
CITY OF ST. LOUIS, MISSOURI
ORGANIZATION CHART
JUNE 30, 1988



MANAGEMENT ADVISORY REPORT

OFFICE OF THE CITY COUNSELOR
CITY OF ST. LOUIS, MISSOURI
SUMMARY OF FINDINGS

1. Property Damage Collection Procedures and Controls (pages 10-12)

Because of the deficiencies in the internal accounting controls of the city counselor's claims collection division, assurance that all monies received were properly recorded and deposited cannot be provided. Recorded receipts for the year ended June 30, 1988, exceeded \$700,000.

2. Public Facilities Protection Corporation (pages 13-14)

- A. Public Facilities Protection Corporation (PFPC) cash and investment transactions and balances are not adequately monitored. An assistant treasurer is responsible for handling virtually every aspect of the \$1.5 million fund.
- B. Only one signature is required to negotiate checks.
- C. Interest payments on certificates of deposit were often paid by check instead of wire transfer.

3. Collection Procedures (pages 14-15)

- A. The City Counselor's office does not have a written collection policy.
- B. The City Counselor did not competitively bid collection services or formulate written agreements addressing collection services. As a result, the collection retention fees may not be reasonable.
- C. Written documentation and authorization is not available for accounts written off as uncollectable.

4. Cash Accounting Controls and Procedures (pages 15-17)

- A. Prenumbered receipts are not issued for all monies received.
- B. There is excessive handling of cash prior to deposit.
- C. Cash receipts are not deposited daily in accordance with Article XV, Section 24 of the City Charter.
- D. The procedure for handling soda commissions results in excessive cash handling.

5. Legal Services (pages 17-18)

- A. A written contract does not exist for all entities receiving legal services.

- B. Departments and agencies receiving legal services on a billable basis are not consistently billed the proper amount. Further, payments received do not always reflect the amount billed.

6. Expenditure Policies and Procedures (pages 18-19)

- A. The manual expenditures ledger does not contain any information relating to payroll expenditures.
- B. The City Counselor did not competitively bid all contractual services.

7. Payroll Procedures (page 19)

There is inadequate segregation of duties over payroll functions.

OFFICE OF THE CITY COUNSELOR
CITY OF ST. LOUIS, MISSOURI
MANAGEMENT ADVISORY REPORT

As part of our review of the Office of the City Counselor, city of St. Louis, for the year ended June 30, 1988, we studied and evaluated the internal accounting control system to the extent needed to evaluate the system as required by generally accepted government auditing standards. For the purpose of this report, we have classified the significant internal accounting controls as cash, payroll, revenues, and expenditures. Our study included each of these control categories. Since the purpose of our study and evaluation was to determine the nature, timing, and extent of our audit procedures, it was more limited than would be needed to express an opinion on the internal accounting control system taken as a whole.

It is management's responsibility to establish and maintain the internal control system. In so doing, management assesses and weighs the expected benefits and related costs of control procedures. The system should provide reasonable, but not absolute, assurance that assets are safeguarded against loss, and that transactions are carried out as authorized by management and are recorded in a manner that will permit the subsequent preparation of reliable and proper financial reports.

Because of the inherent limitations in any internal control system, errors or irregularities may still occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation was made for the limited purpose described in the first paragraph and, thus, might not disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the internal accounting control system of the city taken as a whole. However, our study and evaluation disclosed certain conditions that we believe are material weaknesses and these findings are presented in this report.

We reviewed probable compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate. This review was not intended to provide assurance of full compliance with all regulatory provisions and, thus, did not include all regulatory provisions which may apply. However, our review disclosed certain conditions that may represent noncompliance and these findings are presented in this report.

During our review, we identified certain management practices which we believe could be improved. Our review was not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in this report should not be considered as all inclusive of areas where improvements may be needed.

The State Auditor was petitioned under Section 29.230, RSMo 1986, to audit the city of St. Louis. We included those procedures necessary in our judgment to evaluate petitioner concerns and those concerns requiring corrective action are addressed in this report.

The period of review for the purposes stated above included, but was not limited to the period covered by the financial statements for the year ended June 30, 1988.

1. Property Damage Collections

- A. During our review of accounting records in the City Counselor's claims collection division, we noted that some receipts had not been remitted to the appropriate city department and were not being held by the division. The cumulative shortage for the period April 5, 1989, through May 9, 1989, was at least \$438. This apparent shortage went undetected by department officials due to numerous control weaknesses, including a lack of segregation of duties, little or no independent review, and an inadequate cash control system (See Management Advisory Report No. 1.B.)

The City Counselor's office serves as the centralized collection agency for all claims involving damage to city-owned property. Damage claims are initially processed by the respective city departments responsible for the assets or property. If the claim is not settled within a reasonable time period, the case is referred to the City Counselor's office for collection. After assignment to the City Counselor's office, damage receipts are received in one of three ways: by the city department originally involved, by a staff attorney of the City Counselor's office, or by the clerk in claims division. The claims division clerk records the receipt information on detailed ledger cards and forwards the funds to the applicable city department.

We were unable to reconcile \$438 of property damage receipts recorded on the detailed ledger cards to remittances to the city departments or to cash on hand during the time frame mentioned above.

- B. Our review of controls surrounding the collection and recording of property damage receipts noted the following weaknesses which would permit a misappropriation of funds to occur and go undetected:

- 1) There is no segregation of duties related to recording, custody, and remittance of funds in the claims collection division. For monies received by the claims division, the clerk is solely responsible for maintaining records of payments received and associated defendant balances, maintaining custody of undeposited monies, and preparing remittances to city departments.

There is little, if any, oversight exercised by either the city department or any supervisor in the City Counselor's office. We did note the clerk prepares and remits a weekly collection report to an attorney in the City Counselor's office; however, we found these reports are not reviewed or otherwise used to monitor the claims division activities.

When duties are not adequately segregated and monitored, there is no assurance all monies received are properly recorded and deposited.

- 2) The initial collection function is not centralized. As a result, it is not possible to determine where the monies were originally received and whether monies were accounted for properly. As discussed above, monies related to property damage can be received from one of three sources. The source of initial receipt is not documented and, therefore, no audit trail of cash receipts is available.
- 3) Prenumbered receipt slips are not issued for monies received. Unnumbered receipt slips are issued for cash received; no receipt slips are issued for checks received. No original record is maintained for monies received through the mail.
- 4) Remittances to city departments are not made on a timely basis. During review in April 1989, we observed two checks dated December 1988 and January 1989 that had not been turned over to the respective department.

Untimely deposits significantly increase the risk of misappropriated funds. Monies received should be deposited daily in accordance with Article XV, Section 24 of the City Charter. One way to ensure compliance with this provision would be to immediately eliminate the transferring of monies between departments. Monies should be deposited directly with the City Treasurer along with appropriate documentation to indicate what city department should receive revenue recognition. A copy of this documentation could be forwarded to each respective city department for record-keeping purposes.

- 5) Checks are not restrictively endorsed immediately upon receipt. In fact, they are not endorsed by the claims division clerk at all. Any restrictive endorsement is made by the department the monies are sent to by the clerk. This weakness allows undeposited funds to be placed under unnecessary risk. Checks should be restrictively endorsed immediately upon receipt.
- 6) Remittances to city departments are not made intact. Monies are often held for months at a time. This weakness results in an inability to associate monies with available records and evidence of remittances. Receipts should be deposited with the City Treasurer intact on a daily basis.
- 7) Undeposited monies are not adequately safeguarded. Inadequate physical safeguards over monies significantly increase the risk of misappropriation. During our review, we counted undeposited monies and amounts ranged from \$310 to \$11,029. The need for stronger controls over undeposited monies is apparent.

An effective system of controls is necessary to ensure the integrity of the collection cycle. Because of the serious weaknesses disclosed by our review, we have no assurance that all monies were properly handled by the damage collection division. During the fourteen months ended June 30, 1988, recorded receipts associated with property damage collections exceeded \$700,000. Immediate attention is needed to ensure proper accountability over these funds.

WE RECOMMEND the City Counselor immediately attend to this situation by:

- A. Reviewing the circumstances surrounding the apparent shortage and determine if other shortages may exist. Appropriate action should be taken to recover the apparent shortage and any additional shortages that may be discovered.
- B.1. Independently assigning record-keeping and cash custody responsibilities. In addition, a supervisory review should be regularly conducted. This review should include a periodic comparison of cash balances to recorded receipts and remittances.
2. Centralizing the collection function.
3. Issuing prenumbered receipt slips for all over-the-counter collections. These receipt slips should be accounted for periodically and a log of collections received by mail should be established.
4. Daily depositing, intact, all receipts with the City Treasurer in accordance with Article XV, Section 24 of the City Charter.
5. Restrictively endorsing all checks immediately upon receipt.
6. Improving the physical safeguards for funds prior to deposit with the City Treasurer.

AUDITEE'S RESPONSE

We acknowledge the need for greater professional accounting controls. The collection procedures are the result of our piecemeal attempts in accounting for property damage collections. Other areas of recoupment and penalty collections were added in our attempts to realize all receivables possible for the city. Recognizing our lack of expertise in accounting procedures, we sought such support from the Comptroller's office but help never materialized. We believe, coincident with your report, some help in this regard has been under study by the Comptroller's office.

As you point out, the substantial value of the realization of the city receivables involved justifies the commitment of the necessary resources - both personnel and mechanical. We have long been plagued by such scarcities and concur with your findings. Within our present capacities, we will try to implement such concrete recommendations you make.

2. Public Facilities Protection Corporation

In an effort to reduce insurance and employee bonding costs, the city implemented a risk management program. In conjunction with this move, the Public Facilities Protection Corporation (PFPC), a not-for-profit corporation, was formed. The PFPC is funded through the appropriation process and exists to provide self-insurance for city assets, provide employee fidelity bond coverage, and make funding available for settling legal judgments involving the city as a defendant. Two checking accounts and numerous certificates of deposit (CD) comprise the PFPC's assets. The Deputy City Counselor serves as the corporation's president. Our review of the PFPC revealed the following concerns:

- A. The PFPC cash and investment transactions and balances are not adequately monitored. The PFPC assets are managed by the Treasurer's office Assistant Treasurer for cash management. This individual maintains the checking accounts and can negotiate checks. In addition, he also makes investment decisions, maintains investment records, and occasionally receives investment proceeds directly. According to the Deputy City Counselor, the only involvement he has in this process is a monthly telephone call from the Assistant Treasurer. The telephone call consists of an informal update on investment balances. The Deputy City Counselor neither requests nor receives any written documentation relating to the PFPC assets. The Assistant Treasurer's sole responsibility for cash and investment management, and the Deputy City Counselor's failure to adequately monitor the PFPC assets create a high risk environment for errors or irregularities to exist without detection. At April 30, 1989, the PFPC asset balances totaled approximately \$1.5 million. To ensure these assets are adequately protected, independent monitoring of transactions, balances, and investment decisions is necessary.
- B. Only one signature is required to negotiate checks. During our review, the Treasurer and his two assistant treasurers were the designated signatures. We noted during an examination of canceled checks, the Assistant Treasurer who handles cash and investment transactions, also signs most of the checks. This assignment of responsibilities unnecessarily increases the risk assets will not be accounted for properly. To increase the control environment over the PFPC assets, two signatures on checks should be required. Preferably, one of the PFPC officers should be a second signature.
- C. The CD interest payments were often paid by check as opposed to wire transfer. This process results in excessive cash handling, lost interest due to excessive time delays in depositing interest checks, and an increased risk of unaccounted for funds. Our review of CD interest earnings revealed in those instances where a check was written to the PFPC for interest, time delays in depositing the funds ranged from one day to fourteen days. Dollar amounts associated with these untimely deposits ranged from \$4,569 to \$18,974. The PFPC officers should instruct all CD interest to be credited to an official account via a bank wire transfer.

WE RECOMMEND the PFPC officers:

- A. More adequately monitor the PFPC cash and investment transactions and balances. This monitoring should include, at a minimum, a periodic review of bank correspondence, involvement in investment decisions, and analysis of collateral securities.
- B. Revise current procedures to require two signatures on all checks. Consideration should be given to having a PFPC officer as one of the two required signatures.
- C. Instruct all CD interest to be paid via a bank wire transfer.

AUDITEE'S RESPONSE

- A. This office generally agrees. Since becoming knowledgeable of this finding and recommendation, the President of PFPC meets at least weekly with the Assistant Treasurer to discuss the existing investments and their rates, maturity, type, etc., and liquidity of the fund. The Assistant Treasurer provides this office with written confirmation of all investments, with copies to the Comptroller and Treasurer's office internal auditor, with the Assistant Treasurer retaining copies. The bank provides formal confirmation to the Treasurer's office. Copies of the bank's confirmations are available on request to the President. Monthly meetings are held to verify the collateral of the investments.
- B. While this office appreciates the concept of requiring two signatures on all checks, it is our belief that such is impractical and may encroach upon the duties imposed by law on the Treasurer. A check is drawn and would require the President, an attorney with several clients requiring his presence out of City Hall, or another officer of the corporation, to countersign same. This is difficult at best to accomplish. The Assistant Treasurer-Systems Manager signs these checks on an as needed basis.
- C. All investment interest has been paid via wire transfer after this office became aware of your finding and recommendation.

3. Collection Procedures

The City Counselor's office serves as the city's centralized collection department. Our review of the office's procedures related to accounts receivable collections identified the following concerns:

- A. The City Counselor's office does not have a written collection policy addressing at what point an account is deemed uncollectable and should be turned over for outside collection efforts. After internal collection efforts fail, unpaid accounts are remitted to either a collection agency or a privately employed attorney. During our review of various inactive accounts receivable, we noted time lags related to collection turnover ranging from one month to eighteen months. These inconsistencies lend less assurance all accounts will be collected in a timely and complete manner. A written collection policy should be formulated.

- B. The City Counselor did not competitively bid collection services. Further, written agreements do not exist with the collection agency or the outside attorney. Consequently, the collection fees charged and collection services received may not be reasonable. According to a verbal agreement, a 33 percent fee is assessed on all accounts collected. However, in some nonroutine cases, the outside attorney will withhold up to a 50 percent collection fee. We were provided no documentation that defined a nonroutine case. The City Counselor's failure to competitively bid services and document the collection fee structure provides little assurance collection services are procured in the most efficient method available. Further, Section 432.070, RSMo 1986, requires all contractual agreements to be made in writing.
- C. Written documentation and authorization is not available for accounts written off as uncollectable. Upon advisement from the office's collection agency, the staff attorney primarily responsible for city collection efforts will close an accounts receivable file. City departments are then notified orally of the uncollectable account. There is no independent authorization for ceasing collection efforts. Such an informal policy increases the risk of unauthorized account write-offs. All accounts written off should be independently authorized and written documentation of the procedure should be retained.

WE RECOMMEND:

- A. A written collection policy be formulated and implemented to address internal collection efforts and subsequent referrals for outside collection.
- B. Collection services be competitively bid and awarded on a basis which provides the best services at the lowest cost. Written agreements outlining charges, expectations, etc., should be formalized.
- C. Written authorization be obtained for all accounts receivable deemed uncollectable and subsequently written off.

AUDITEE'S RESPONSE

A "collection policy" is presently under review to determine if a practical partial system can be established under present circumstances. An objective is to improve accounting and obviate opportunity for failure of the improved methods.

4. Cash Accounting Controls and Procedures

The City Counselor collects various types of cash receipts, primarily related to the office's collection efforts. Our review of cash accounting controls and procedures identified the following weaknesses:

- A. Prenumbered receipts are not issued for all monies received. This weakness increases the risk all monies will not be accounted for properly. Prenumbered receipts should be issued for all monies

received. The receipts should be independently accounted for and agreed to monies collected and subsequently deposited.

- B. There is excessive handling of cash prior to deposit. Monies either received through the mail or hand-delivered are often given first to a staff attorney prior to restrictive endorsement or deposit preparation. The attorney generally uses the actual monies to record receipts. Actual checks and cash are not necessary to make record-keeping entries. When cash is excessively handled, the risk for loss or other misuse of funds is significantly enhanced. Monies received should be deposited and the attorneys should use copies of receipts and/or a revenue entry log to conduct their record keeping.
- C. Cash receipts are not deposited daily in accordance with Article XV, Section 24 of the City Charter. On April 5, 1989, we identified a \$1,225 check which was received in December 1988. In addition to City Charter noncompliance, such time lags indicate controls over the receipt and deposit of monies provide little assurance all monies are appropriately deposited. Further, when monies are allowed to remain idle for several months, interest revenue is forfeited. Cash receipts should be deposited daily in accordance with City Charter provisions.
- D. The procedure for handling soda commissions results in excessive cash handling. Commissions from the soda machine located in the City Counselor's office are first given to a City Counselor employee. The money is then transferred to the Comptroller's office for deposit preparation. Soda commissions generated through other machines located throughout city hall are directly deposited with the Comptroller. To reduce the excessive handling of monies, soda commissions should be directly deposited with the Comptroller's office by the vendor.

WE RECOMMEND:

- A. Prenumbered receipts be issued for all monies received. The numerical sequence of receipts should be accounted for and the total of receipt amounts should be independently agreed to cash collected and deposited.
- B. Monies received be prepared for daily depositing.
- C. Cash receipts be deposited daily in accordance with Article XV, Section 24 of the City Charter.
- D. The vendor send soda commissions directly to the Comptroller's office.

AUDITEE'S RESPONSE

A,B,

- & C. Specifically, the technique of duplicate serialized receipts is being undertaken; transmittal capability is being surveyed to improve daily

deposits coordination with the Comptroller and Treasurer; also enlargement of our logging system to cover the noted lapses is being undertaken.

- D. Soda machine commission checks are now being sent by the soda company directly to the Comptroller as per our prior repeated requests directed such course.

5. Legal Services

In a cost saving effort for the city, the City Counselor's office provides legal services to various city departments and quasi-city agencies. For those entities receiving services on a billable basis, the City Counselor charges a \$50 per hour fee. Discussions with office staff regarding entities receiving services and a review of the related record-keeping system revealed the following deficiencies:

- A. A written agreement does not exist for all entities receiving legal services. From our review, we determined the City Counselor provided legal services, on a billable basis, to the Airport, Port Authority, Water Division, Planned Industrial Expansion, Land Clearance Redevelopment Authority (LCRA), and several others. A written agreement existed only for LCRA. To avoid potential misunderstandings and contractual disputes, and to clearly outline what services will be provided at what fee, the City Counselor should enter into written agreements with all departments and agencies receiving legal services.
- B. Departments and agencies are not consistently billed the proper amount. Further, payments received do not always equal the amount billed. From a limited review of four bills, one from each quarter of the year ended June 30, 1988, we found the following errors:
- 1) In one of four bills reviewed, the number of attorney hours billed did not agree to the supporting time records maintained by the attorney.
 - 2) In two instances, the incorrect amount was billed. These errors resulted in the City Counselor undercharging for services by approximately \$400.
 - 3) In one case, the payment received differed from the amount billed by \$36. We saw no evidence of the difference being pursued.

The errors noted above indicate the City Counselor has little assurance appropriate payment is received for legal services provided. Further, such errors lend less reliance to the city's contention that providing in-house legal services is a cost-saving effort. To ensure this service is cost-beneficial to the city and payments received appropriately reflect legal services rendered, adequate record keeping and monitoring controls are needed.

WE RECOMMEND the City Counselor:

- A. Enter into written agreements with all departments and agencies requesting legal services. These agreements should outline the services to be provided and payments to be rendered.
- B. Improve record-keeping procedures to ensure all legal services rendered are appropriately billed and the payments received are correct.

AUDITEE'S RESPONSE

- A. In an effort to realize as much cost savings to the city as possible it is not prudent or conducive to maintenance of good working relations to attempt to impose strict legal services charges arrangements upon independent governmental agencies. In some instances written agreements are possible without fracturing the relationship and in others such a course would most likely largely terminate the representation. (In most instances the cost of outside legal services would be added to these agencies' budgets subsidized by the city.)
- B. After discussing your recommendation, the billings and receipts are reconciled with monthly time sheets.

6. Expenditure Policies and Procedures

- A. The City Counselor processes all payments for goods and services, including personal services, through the Comptroller's office. Monthly, the Comptroller's office provides the City Counselor reports of monthly and year-to-date charges against appropriations.

The City Counselor maintains a manual expenditures ledger. The ledger does not contain any information relating to payroll expenditures. To ensure all amounts charged against their appropriations represent bona-fide office expenditures and appropriation balances are sufficient to process payments, it is essential the manual ledger contain complete expenditure information.

- B. The City Counselor did not competitively bid some contractual services. For example, a mailing service contract for processing and mailing delinquent payment notices was awarded without competitive bidding. According to office personnel, telephone calls were made to several mail service companies and the first company to show an interest in performing the service was selected. This method provides little assurance the City Counselor is paying a reasonable sum for services received. To determine the services are being provided at the best available cost, competitive bids should be solicited. Bids received and the selection process should be well documented.

WE RECOMMEND:

- A. Personal service and fringe benefit expenditures be included in the expenditure ledger.

- B. Contractual services be competitively bid. The bid analysis and selection process should be well documented and retained.

AUDITEE'S RESPONSE

- A. A new record manual or hard copy of computerized personal service and fringe benefit expenditure information is now very readily available under a computerized Lotus software system which began in July 1989.
- B. Contractual services, incident to receipts collection, could, of course, be procured upon formal competitive bidding procedures. However, past practice demonstrates the superior service achieved through treating such service as highly technical or professional in nature, and not like a common commodity or service. In fact, the possible serving participating companies willing to supply our needs for the very modest charge is very small and they change, going out of business, etc. In our operation we need very personal service not obtainable from the large professional companies. Our solicitations and bids are now documented.

7. Payroll Procedures

There is inadequate segregation of duties over payroll functions. The administrative secretary maintains employee records, prepares the payroll requisition, and receives and distributes payroll checks. This combination of responsibilities increases the risk unauthorized transactions and undetected errors will occur. To provide reasonable assurance all payroll transactions are valid and accurate, the check distribution function should be independently performed from the record-keeping functions.

WE RECOMMEND procedures be initiated to segregate the payroll record-keeping and check distribution functions.

AUDITEE'S RESPONSE

As recommended, we have initiated separate payroll record-keeping and check distribution functions.

APPENDICES

Appendix A

OFFICE OF THE CITY COUNSELOR
CITY OF ST. LOUIS, MISSOURI
STATEMENT OF REVENUES COLLECTED
FOURTEEN MONTHS ENDED JUNE 30, 1988

(U N A U D I T E D)

	<u>Collected Revenues</u>
Services provided for airport	\$ 249,500
Miscellaneous	12,730
	<u> </u>
Total Revenues	<u>\$ 262,230</u>

Appendix B

OFFICE OF THE CITY COUNSELOR
CITY OF ST. LOUIS, MISSOURI
STATEMENT OF APPROPRIATIONS AND EXPENDITURES - GENERAL FUND
FOURTEEN MONTHS ENDED JUNE 30, 1988

(U N A U D I T E D)

	Appropriations	Expenditures	Appropriation Balance
PERSONAL SERVICE			
Salaries	\$ 1,739,223	1,733,275	5,948
Fringe benefits	195,857	190,041	5,816
Workers' compensation - disability	200	-0-	200
Overtime	2,877	1,612	1,265
Total Personal Service	1,938,157	1,924,928	13,229
EXPENSE AND EQUIPMENT			
Office supplies	10,150	7,122	3,028
Postage	19,000	8,804	10,196
Membership dues	29,000	30,238	(1,238)
Allowance - car fare	2,900	1,408	1,492
Repairs to office and other operating equipment	11,600	10,657	943
Equipment rental	11,500	10,048	1,452
Miscellaneous contractual services	284,700	342,221	(57,521)
Mandatory continuing professional education	10,000	4,461	5,539
Construction material and building hardware	300	-0-	300
Discretionary fund	1,455,000	2,444,346	(989,346)
Total Expense and Equipment	1,834,150	2,859,305	(1,025,155)
Total General Fund	\$ 3,772,307	4,784,233	(1,011,926)

Appendix C

OFFICE OF THE CITY COUNSELOR
CITY OF ST. LOUIS, MISSOURI
COMPARATIVE STATEMENT OF GENERAL FUND EXPENDITURES

(U N A U D I T E D)

	Year Ended				
	June 30, 1988*	April 30,			
		1987	1986	1985	1984
Salaries	\$ 1,733,276	1,290,493	1,322,401	981,318	1,030,677
Witness fees and expenses	-0-	-0-	-0-	-0-	6,132
Fringe benefits	190,040	213,688	215,266	232,035	111,489
Workers' compensation - disability	-0-	-0-	119	314	833,700
Overtime	1,612	1,173	911	37	-0-
Office supplies	7,122	5,772	6,184	6,936	5,541
Postage	8,804	34,346	29,527	4,000	4,500
Membership dues	30,238	28,808	26,040	19,732	20,941
Allowances - car fare	1,408	1,438	1,650	1,153	1,305
Repairs to office and other operating equipment	10,657	7,043	6,598	443	1,019
Expense rental	10,048	10,298	14,194	26,938	35,900
Printing services	-0-	5,970	10,410	6,792	5,580
Miscellaneous contractual services	342,221	59,645	89,910	172,232	177,488
Mandatory continuing professional education	4,461	-0-	-0-	-0-	-0-
Participation in REJIS	-0-	1,865	42,250	-0-	-0-
Discretionary funds	2,444,346	939,275	2,879,623	888,779	371,722
Collection program	-0-	-0-	-0-	22,353	-0-
Total	\$ 4,784,233	2,599,814	4,645,083	2,363,062	2,605,994

* Fourteen months ended June 30, 1988.

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