



OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



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Comptroller

**Internal Audit Section**  
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July 31, 2015

John Zakibe, Deputy Comptroller  
City of St. Louis  
1200 Market Street, Room 311  
St. Louis, MO 63103-2806

RE: Police Credit Card Expenditures Review (Project #2015-SP04)

Dear Mr. Zakibe:

Based on your request, we have completed a review of the St. Louis Metropolitan Police Department's credit card expenditures for the period January 1, 2015 through January 31, 2015. A description of the scope of the work is included in the report.

Fieldwork was completed on June 29, 2015. Management's responses to the observations and recommendations noted in the report were received on July 29, 2015 and have been incorporated in the report.

This review was made under authorization contained in Article XV, Section 2 of the City of St. Louis Charter, as revised; and, has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

If you have any questions, please contact the Internal Audit Section at (314) 657-3490.

Respectfully,

Dr. Ishmael Ikpeama  
Internal Audit Supervisor

Enclosure

Cc: Colonel Samuel Dotson, Chief of Police  
Carol Shepard, Supply Commissioner



# CITY OF ST. LOUIS

**ST. LOUIS METROPOLITAN POLICE DEPARTMENT (SLMPD)**

**CREDIT CARD EXPENDITURE REVIEW**

**JANUARY 1, 2015 THROUGH JANUARY 31, 2015**

**INTERNAL AUDIT PROJECT #2015-SP04**

**DATE ISSUED: JULY 31, 2015**

**Prepared by:  
The Internal Audit Section**



## OFFICE OF THE COMPTROLLER

**HONORABLE DARLENE GREEN, COMPTROLLER**

**CITY OF ST. LOUIS**  
**ST. LOUIS METROPOLITAN POLICE DEPARTMENT (SLMPD)**  
**CREDIT CARD EXPENDITURE REVIEW**  
**JANUARY 1, 2015 THROUGH JANUARY 31, 2015**

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**SUMMARY**

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**Background**

On November 6, 2012, a majority of the voters of the State of Missouri approved Proposition A, which enabled the City of St. Louis to establish a locally controlled Municipal Police Department in place of the existing State-controlled St. Louis Metropolitan Police Department.

Sections 84.343 to 84.345 of the Revised Statutes of Missouri (RSMo) requires, “the City must adopt an ordinance accepting responsibility, ownership, and liability as successor-in-interest for contractual obligations, indebtedness, assets, and other lawful obligations of the Board of Police Commissioners of the Police Department”. Based on Section 84.344.4 of RSMo and St. Louis City Ordinance #69489, the City accepted responsibility, ownership and liability as successor-in-interest effective September 1, 2013.

**Purpose**

The purpose of this review was to determine if St. Louis Metropolitan Police Department (SLMPD) effectively and efficiently managed fiscal risks related to credit card expenditures to ensure:

- Compliance with applicable laws, regulations, policies and procedures.
- Purchases were reasonable, properly and adequately supported.
- Purchases were authorized in accordance with the department policies and procedures.
- Purchases were used for business purposes only.
- Purchases were properly classified and recorded.
- Controls over credit card usage were adequate and operating effectively.

**Scope and Methodology**

The scope of the review included credit card expenditures from the period January 1, 2015 through January 31, 2015. The review was confined to evaluating internal controls over the fiscal activities relating to the objectives noted above. The review procedures included:

- Inquiries of management and staff.
- Observations of relevant processes.
- Reviews of compliance with applicable laws, regulations, policies and procedures.
- Limited tests of internal controls and transactions.
- Other procedures considered necessary.

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**Conclusion**

Opportunities exist for SLMPD to improve controls over credit card expenditures. The following observation resulted from the review:

1. Implement control procedures in accordance with City laws and regulations

This observation is discussed in more detail in the *Detailed Observations, Recommendations and Management's Responses* section of this report.

**Exit Conference and Management's Responses**

An exit conference was conducted at SLMPD on July 29, 2015. In attendance from SLMPD were the Chief of Police, Supply Commissioner, Fiscal Manager, Purchasing Manager, and the Executive Assistant to the Police. In attendance from the Internal Audit Section were the Internal Audit Supervisor and the Internal Auditor II. The report observation and recommendations were discussed at the exit conference. Management's responses were provided during the exit conference and have been incorporated in this report.

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**DETAIL OBSERVATION, RECOMMENDATIONS, AND MANAGEMENT'S RESPONSES**

**1. Implement Control Procedures in Accordance with City Laws and Regulations**

The Internal Audit Section (IAS) performed a limited review of SLMPD's credit card expenditures for the month of January 2015. We found that the department lacked adequate control procedures to reduce the risk of abuse or misuse of credit cards and did not follow the City's procurement policies and procedures. Instead, SLMPD followed the provisions of Chapter 34 RSMo – *State Purchasing and Printing*.

It was noted that while SLMPD did not have written policies and procedures regarding the use of credit cards, policies and procedures were in development. However, IAS noted certain information within SLMPD's *Purchasing Policy and Procedures*, such as the preparation, approval and review of requisitions, as well as the bidding process, were applicable for credit card expenditures.

IAS learned that credit card charges were placed through the use of requisitions and many online/phone charges. Charges appearing on the monthly bank statements were recorded on disbursement vouchers and the vouchers were submitted to the City's Accounts Payable Section for payment without proper supporting documentation.

The total charges made in January 2015 were \$61,617.51. A sample of twenty-nine (29) charges consisting of twelve (12) requisitions and seventeen (17) online/phone charges, and totaling \$27,578 was selected for review. The following exceptions were noted:

Exception	Online/Phone	Requisitions
Lack Review of Availability of Funds *	17	5
Lack Documentation of Review & Approval of Invoice	7	0
Lack Proper Supporting Documentation **	3	9
Lack Documentation/Confirmation of Receipt of Item Purchased ***	6	0

\* Required per City's and SLMPD'S procedures

\*\* Includes invoices, bills, correct rates

\*\*\* Includes office, computer supplies, equipment and services

Other questionable and non-contractual purchases included:

- A charge of \$1,755 under an emergency requisition, approved May 3, 2014, made eight (8) months later on January 13, 2015.
- A charge of \$3,627, approved April 10, 2014 under a sole source provider, for server and software on January 8, 2015.
- Two charges for monthly background checks totaling \$1,793 not under contract.
- Recruitment advertising package purchased for \$795 which was purchased online and not under contract.

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IAS also observed that a small amount of sales taxes was included on the January credit card invoice/statement.

Since SLMPD was under the jurisdiction of the City ordinance #69489, it must also purchase equipment, supplies and enter leases under City ordinances #59773 and #66330. The ordinances and Supply Division's procedures require:

- Supplies, equipment and materials to be purchased or leased only through the Supply Division.
- In cases of emergency, to be determined by the Board of Standardization, purchases or leases may be made without advertising.
- Purchases and leases in amounts not exceeding five thousand (\$5,000) under any one contract may be made, with the written approval of the Comptroller, without advertising, after securing competitive bids, but there shall be no division of requisitions or contracts for the purpose of securing this privilege.
- The Supply Commissioner shall inspect and receipt for all supplies, equipment and materials.
- Supplies, equipment or materials shall not be ordered or contracted for by the Supply Division unless the Comptroller shall certify that a fund is applicable for payment thereof.

IAS was informed that in the future:

- Requisitions will be used for all charges.
- Documentation of the receipt of items charged will be noted on online invoices.
- The department will execute contracts for continuous purchases.

**Recommendation**

The Internal Audit Section recommends that written policies and procedures for the use, review and approval, and the accounting for credit card expenditures are implemented. It is recommended that they are consistent with the City's laws and regulations and include controls to ensure:

- The availability of funds is reviewed and documented prior to ordering.
- Adequate documentation exists to support all expenditures.
- All invoices are properly authorized and authorizations are documented.
- Purchase orders and requisitions are reviewed for agreement to price/rates and quantity received and invoiced.
- Employees and vendors are aware of the City's tax exempt status.

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*Management's Response*

*The St. Louis Metropolitan Police Department (SLMPD) wishes to thank the Internal Audit Section for the review of the credit card procedures and transactions. The suggestions and comments are appreciated. With that being said, the SLMPD would like to respond to the report with the following.*

*It is important to note that this review did not uncover any abuse of credit card use. Moreover, with the nine (9) credit cards assigned to SLMPD personnel, there were no instances of personal use or charges being made which were not for the benefit and operation of the Department.*

*Not mentioned in the review is the physical control of credit cards. The number of credit cards currently held by members of the SLMPD is lower than with any previous administration. This action has greatly enhanced the internal control over expenditures.*

*Procedures for the payment of credit card statements changed under local control. The SLMPD requires either an internal requisition or travel form approved through the chain of command prior to charge. Previously, this requisition would produce a purchase order for each charge which could be used to document the receipt of goods or services. The Comptroller's Office discontinued the use of the purchase orders and is paying for all charges directly. The procedures for credit card use and processing are being documented in a special order currently in the approval process.*

*The month chosen for review was at a turning point for the SLMPD. In the months prior to January, the Department was involved in wide spread civil unrest that required several emergency purchases. During this same time period, administrative offices were learning the procedures to correctly pay invoices. Because the SLMPD is a 24/7 operation, emergency items are needed outside of normal business hours. Unfortunately, many businesses will not accept an order without a credit card; therefore, purchases are made by credit card with the paperwork following. Some of the charges are purchases made during the civil unrest detail but not paid in a timely manner. As such, the purchases had to be charged to the credit card just to ensure the invoice was satisfied.*

*Two items considered questionable or non-contractual purchases are items that are available only through on-line purchases. One company controls the SLMPD's domain name. A failure to renew the domain name would make the name available to anyone wishing to purchase it. Loss of the domain name could result in a public affairs nightmare. Several attempts were made to secure a contract with the company; however, this company does not contract on paper and is unwilling to discuss our process. There was no choice but to charge to a credit card. The other charge was for a recruiting fair that again conducted business on an online basis.*

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*The SLMPD has found it necessary to have the ability to use a credit card to complete transactions in this modern business environment. The credit card allows for quick action to a Department moving at a quick pace. The SLMPD will continue to use the credit card for emergency purchases as needed to support the operations of the Department.*

*SLMPD maintains the suggestions made by IAS can improve the use of credit cards. The suggestions regarding receipt of goods, availability of funds and approval of invoices will be implemented.*