



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



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September 17, 2015

Otis Williams, Executive Director
St. Louis Development Corporation (SLDC)
1520 Market Street, Suite 2000
St. Louis, MO 63103

RE: Port Authority (Fund 1116) Expenditure Review (Project #2015-ER05)

Dear Mr. Williams:

The Comptroller's Internal Audit Section has completed an expenditure review of the Port Authority (Fund 1116). Enclosed is our report covering the period July 1, 2014 through March 31, 2015. A description of the scope of our work is included in the report.

Fieldwork was completed on August 18, 2015. Management's responses to the observations and recommendations noted in the report were received on September 4, 2015, and have been incorporated in the report.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, 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. Ishmeal Ikpeama
Internal Audit Supervisor

Enclosure

CC: Charles Hahn, Controller
Nick Nichols, Port Management and Development



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**ST. LOUIS PORT AUTHORITY
EXPENDITURE REVIEW
JULY 1, 2014 THROUGH MARCH 31, 2015**

PROJECT #2015-ER05

DATE ISSUED: SEPTEMBER 17, 2015

Prepared By:

The Internal Audit Section



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HONORABLE DARLENE GREEN, COMPTROLLER

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ST. LOUIS PORT AUTHORITY
EXPENDITURE REVIEW
JULY 1, 2014 THROUGH MARCH 31, 2015**

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EXPENDITURE REVIEW
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SUMMARY

Background

The St. Louis Port Authority (Port Authority) was established in 1975 pursuant to chapter 68 of the Missouri Revised Statutes. The Port Authority has broad powers to conduct port operations in an area designated as the St. Louis Port District. The Port Authority is responsible for mooring leases of City owned property, including the docks and facilities of the St. Louis Terminal. The Port Authority is also responsible for monitoring and coordinating development within the St. Louis Port District. Port Authority personnel work with the staff of the U.S. Army Corps of Engineers and the U.S. Coastal Guard on all river related activities within the Port district.

The Port Authority is one of the independent development agencies whose administrative services are coordinated by St. Louis Development Corporation (SLDC). SLDC employees serve as staff for the Port Authority.

Purpose

The purpose of this review was to determine if the Port Authority effectively and efficiently managed risks relating to expenditures to ensure:

- Accomplishment of established objectives and goals.
- Compliance with applicable laws, regulations, policies and procedures.
- Safeguarding of assets.
- Reliability and integrity of financial and operational information.
- Economic and efficient use of resources.

Scope and Methodology

The scope of the review covered the period July 1, 2014 through March 31, 2015. The review was confined to evaluating internal controls over the Port Authority's expenditure procedures relating to the objectives noted above. The review procedures included:

- Inquiries of management and staff.
- Analytical review of past three years expenditures.
- Reviews of expenditure policies and procedures, and compliance with applicable laws, contract agreements, and regulations.
- Limited tests of approved and paid expenditures.
- Other procedures as considered necessary.

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SUMMARY

Exit Conference

An exit meeting offered to the management of SLDC/Port Authority was declined.

Status of Prior Observations

A process review of St. Louis Port Authority was previously performed by the Internal Audit Section. The report dated February 24, 2011 included observations and recommendations pertaining to lease payments and collections (revenue). This is considered outside the scope of this review and, as such, we did not follow-up on the status of these observations in our current report.

Conclusion

The opportunity exists for the Port Authority to improve controls over expenditures.

Current Observations

The following are observations resulting from our review.

1. Improve Controls Over Invoices
2. Follow City Procurement Policies
3. Obtain and Document Approval for Expenditure Budget Revision

These observations are discussed in more detail in the *Detail Observations and Recommendations* section of this report.

Management Response

The management of the Port Authority provided written responses to the Internal Audit Section on September 4, 2015, which have been incorporated in this report.

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DETAILED OBSERVATIONS AND RECOMMENDATIONS

1. Improve Controls Over Invoices

Based on our review of selected expenditure invoices processed by the Accountant and payments approved by the Port Authority appointed official, none of the invoices paid were date- stamped when received.

An efficient accounts payable system requires expenditure invoices submitted for payment be date- stamped.

There is no procedure requiring the invoices received to be date- stamped.

The Port Authority may not be able to determine the efficiency in the processing of submitted invoices. There may also be disputes as to when an invoice was submitted for payment.

Recommendation

Internal Audit recommends that voucher payment procedures be updated to include the date-stamping of the invoices when received.

Management Response

We will update our voucher payment procedure to include a date received stamp to be used on all Port invoices in the future. We expect to implement the new process within 30 days.

2. Follow City Procurement Policies

The Port Authority made several payments to a Contractor in fiscal years 2013 and 2014 for the maintenance of the warehouse building and security services at the Dock. A total of \$7,200.00 and \$12,900.00 were paid in FY 2013 and FY 2014 respectively. We noted the following concerns related to the procurement of these services:

- There was no evidence of a competitive selection process in accordance with City Ordinance #64102.
- A written agreement was not in place with between the City and the Contractor.
- The Contractor was not registered with License Collector's Office.

The St. Louis City Ordinance #64102 authorizes the director of any City department, division, authority or agency of the City to enter into professional service contracts through a selection

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DETAILED OBSERVATIONS AND RECOMMENDATIONS

committee process for services over \$5,000. In addition, a business license is required for contractors performing work and businesses operating in the City.

Failure to follow City procurement policies and establish written service agreements may result in disputes pertaining to scope of work to be performed. Also, there is no established basis to measure contractor's performance. In addition, the City may be losing revenue from the unpaid business tax.

Recommendation

Internal Audit recommends the Port Authority:

- Comply with the City of St. Louis Ordinance 64102 pertaining to the procurement of services.
- Establish a written agreement between the Port Authority (City) and any contractor stating the scope of work, or services to be provided, along with other terms and conditions.
- Inform the Contractor of their responsibility and duty to obtain a City business license.
- Verify the contractor's status with the License Collector's Office in future business dealings.

Management Response

As previously mentioned the documentation/invoice submitted by the contractor was used as the written agreement. Future contractual arrangements will be in writing and include the scope of work, along with the terms and conditions.

3. Obtain and Document Approval for Expenditure Budget Revision

Based on the FY 2015 City of St. Louis Operating Plan, the approved budgetary limit for SLDC Lease/Debt Services was \$515,475. The total expenditure on the account as of June 30, 2015 was \$529,998.47. This represents an increase of about \$14,523 over the approved budget limit.

Sound budgetary practice requires formal approval of expenditures in excess of the approved budget.

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Port Authority management transferred surplus funds from other line items /accounts (professional services and Special Purpose) to cover the deficit.

Recommendation

Internal Audit recommends that formal budgetary revisions be approved by the Comptroller's Office for transfer of funds from surplus accounts to the account in deficit.

Management Response

We agree with the finding and will comply by documenting budget revisions in writing.