



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



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FILE COPY

July 29, 2014

Frank Oswald, Building Commissioner
Building Division
1200 Market Street, Room 426
St. Louis, MO 63103-2826

RE: Payroll Distribution - Building Division
(Project #2014-PRD12)

Dear Mr. Oswald:

A Payroll Distribution was conducted for the Building Division (Department 620) for the pay period ending June 14, 2014. The objectives of this review were to determine if:

- Eligible City Employees received wages.
- Wages were adequately safeguarded.
- Employees were only paid for actual hours worked.
- Accrual and use of paid leave were accurate.

Fieldwork was completed on July 09, 2014. The Building Division management's responses to the observations and recommendations noted in this report were received on July 24, 2014 and have been incorporated in the report.

This review was made under authorization contained in Article XV, Section 2 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. Kenneth M. Stone, CPA, CGMA
Internal Audit Executive

Enclosure:

cc: Randall Mourning, Executive Assistant



CITY OF ST. LOUIS

BUILDING DIVISION

PAYROLL DISTRIBUTION

PAY PERIOD ENDING JUNE 14, 2014

PROJECT #2014-PRD12

DATE ISSUED: JULY 29, 2014

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

EXECUTIVE SUMMARY

Purpose

The purpose was to determine if the Building Division effectively and efficiently had procedures in place to ensure:

- Eligible City employees received wages.
- Wages were adequately safeguarded.
- Employees were only paid for actual hours worked.
- Accrual and use of paid leave were accurate.

Conclusion

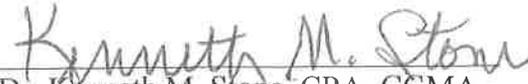
Several control procedures were noted as strengths during the review of Payroll Distribution. These included, but were not limited to the following:

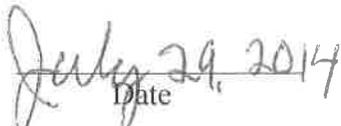
- Procedures were established for overtime hours appear to be adequate for the Building Division and are approved by the immediate supervisors.
- The Building Division has procedures for Unclaimed Wages.
- Vacation, medical, and sick leave procedures appear to be in compliance with the City of St. Louis rules and regulations.
- Building Division employees appear to be in the proper pay grade in accordance with their job classifications.

The opportunity exists for the Building Division to improve controls over fiscal activities. The Building Division has the opportunity to:

1. Complete bi-weekly attendance sheets.
2. Improve controls to adequately record Imputed Value.
3. Update Flat Rate Automobile Allowance Form.

These observations are discussed in more detail in the *Detailed Observations, Recommendation, and Management's Responses* section of this report.


Dr. Kenneth M. Stone, CPA, CGMA
Internal Audit Executive


Date

**CITY OF ST. LOUIS
BUILDING DIVISION
PAYROLL DISTRIBUTION
PAY PERIOD ENDING JUNE 14, 2014**

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PROCEDURES

Background

The Building Division is responsible for ensuring that residents and businesses comply with the City building code. The Building Division issues building permits, conducts building inspections, demolishes vacant buildings, and enforces zoning ordinances. The division also operates the Housing Conservation Program designed to preserve the City's housing stock.

Scope and Methodology

The scope of the review was for pay period ending June 14, 2014. The review procedures included:

- Inquiries of management and staff.
- Observations of relevant processes.
- Reviews for compliance with policies and procedures, as well as applicable laws and regulations.
- Limited tests of controls.
- Follow-ups on prior audit observations.
- Other procedures considered necessary.

Status of Prior Observations

A payroll distribution review was conducted for the Building Division on November 21, 2009. No prior observations were noted during this review.

Exit Conference

An exit conference was offered to management, but was declined.

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

1. Employees To Complete Bi-weekly Attendance Sheets.

Our review of the Bi-weekly Individual Attendance Sheets, found that 92 of the 203 (45%) Building Division employees do not complete timesheets. Further discussion with the Payroll Specialist noted that these employees included the Electricians, Plumbers, and the Administrative staff.

The City of St. Louis Administrative Regulation NO. 134, Section 3(A) (1) states:

"It is the responsibility of each appointing authority to assure that employees on their payroll have actually worked the time for which they are paid."

The Building Commissioner stated that he was not aware that some employees were not completing Bi-Weekly Individual Attendance Sheets.

Employees should be completing and submitting bi-weekly attendance sheets to avoid the risk of:

- Violation of Administrative Regulation 134.
- Inadequate tracking of paid leave hours.
- Inadequate tracking of actual hours worked.

Recommendation:

It is recommended that the Building Division establish procedures to require all employees to complete and submit bi-weekly attendance sheets. The bi-weekly attendance sheets should be approved by management.

Management's Response:

The Building Division agrees with the recommendation to require all employees to complete and submit bi-weekly attendance sheets and to have the attendance sheets approved by management.

2. Improve Controls To Adequately Record Imputed Value.

During our review of the Imputed Value Report, it was noted that 4 of the 58 (7%) employees that utilize city vehicles to perform work duties were not properly assessed for days actually worked. These included the following:

- Three employees were deducted \$3.00 for a day during the pay period they did not actually work or use the City vehicle.
- One employee was not deducted \$3.00 during the pay period for a day that the employee actually worked.

The City Vehicle Policy manual states:

“An imputed value of \$3.00 per day or such amount required by law shall be assessed to all employees taking home non-exempt, City vehicles for days actually worked”.

The Payroll Specialist was not updating the imputed value listing accordingly. The information was not given to the Payroll Specialist in time to be processed before the payroll period ended.

By not complying with the City Vehicle Policy, the Building Division runs the risk of:

- Inefficient use of resources.
- Unreliable data on the imputed value report.

Recommendation:

It is recommended that the Building Division establish procedures to ensure that imputed values are updated, reviewed, correctly recorded and approved by management.

Management's Response:

The Building Division agrees with the recommendation to establish procedures to ensure that imputed values are updated and reviewed and will be implementing procedures requiring line supervisors to update imputed values on a regular, systematic basis.

3. Update The Flat Rate Automobile Allowance Form

Internal Audit review of the Flat Rate Automobile Allowance Form for the month of June 2014 noted that 5 of the 80 (6%) employees were also listed on the Imputed Value Report.

These employees are receiving the \$270.00 allowance for the usage of their own personal vehicles to perform work duties. However, they are also listed on the Imputed Value Report for the usage of city vehicles and are being deducted the \$3.00 per day.

The City Vehicle Policy manual states:

“An imputed value of \$3.00 per day or such amount required by law shall be assessed to all employees taking home non-exempt, City vehicles for days actually worked”.

Ordinance No. 69189, Section 2(r) states:

“City employees who are required by their appointing authority to routinely use their personal vehicle in the performance of their duties shall be compensated by receiving a vehicle maintenance allowance of two-hundred seventy dollars (\$270.00) per month.”

The Building Division has no procedures in place to perform the necessary updates to the Flat Rate Automobile Allowance and the Imputed Value Report.

Without ensuring that the Flat Rate Automobile Allowance form and the Imputed Value Report are properly being updated, the Building Division runs the risk of:

- Funds being spent improperly.
- Inefficient use of resources.
- Unreliable data on the Flat Rate Automobile Allowance form.

Recommendation:

It is recommended that the Building Division establish procedures to ensure that the Flat Rate Automobile Allowance and the Imputed Value Report are updated accordingly. Employees who are paid vehicle maintenance allowance of \$270.00 should not be assessed \$3.00 for the same pay period.

Management's Response:

The Building Division agrees with the recommendation to establish procedures to ensure that the Flat Rate Automobile Allowances are updated and will be implementing procedures requiring line supervisors to update accordingly.