



CITY OF ST. LOUIS

BUDGET DIVISION

PROCESS REVIEW

JULY 1, 2011 THROUGH JUNE 30, 2012

PROJECT #2013-P07

DATE ISSUED: JUNE 21, 2013

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER



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DR. KENNETH M. STONE, CPA
Internal Audit Executive

FILE COPY

June 21, 2013

Paul Payne, Budget Director
City of St. Louis Budget Division
1200 Market Street, Room 419
St. Louis, MO 63101

RE: Budget Division (Project #2013-P07)

Dear Mr. Payne:

Enclosed is the Internal Audit Section's report on the process review of the Budget Division for the period July 1, 2011 through June 30, 2012. A description of the scope of the work is included in the report.

Fieldwork was completed on April 5, 2013. Responses to the observation and recommendations noted in this report were received on June 20, 2013, 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. Kenneth M. Stone, CPA, CGMA
Internal Audit Executive

Enclosure

**CITY OF ST. LOUIS
BUDGET DIVISION
PROCESS REVIEW
JULY 1, 2011 THROUGH JUNE 30, 2012**

EXECUTIVE SUMMARY

Background

Serving under the Board of Estimate and Apportionment, the Budget Division has the responsibility of developing and monitoring the City's budget and developing the Annual Operating Plan. The Budget Division obtains and analyzes revenue and budgetary information, and works with departments in reviewing budgetary requirements. Also, the Budget Division may conduct a variety of fiscal analyses related to special projects, such as bond issues, revenue and expenditure trend analyses and potential impact statements on proposed legislation.

Purpose

The Budget Division was selected for review based on the annual risk assessment conducted by the Internal Audit Section. The purpose of this process review is to determine if Budget Division's internal controls effectively and efficiently manage risks in achieving goals and objectives relating to:

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

Scope and Methodology

The scope of the period of review included the budget process from the period July 1, 2011 through June 30, 2013. The review was confined to evaluating internal controls over the operational activities relating to the objectives noted above. The review procedures included:

- Inquiries of management and staff.
- Observation of relevant processes.
- Reviews for compliance with policies and procedures, as well as applicable laws and regulations applicable to goals and objectives.
- Limited tests of controls.
- Other procedures, as considered necessary.

Exit Conference

An exit conference was conducted at the Budget Division on May 25, 2013. Budget Director represented the Budget Division. Internal Audit Supervisor represented the Internal Audit Section.

Conclusion

Several control procedures over the Budget Division's operational and fiscal activities were noted as strengths. These included, but were not limited to, the following:

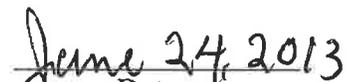
- A written Budget Manual is distributed to departments, which provides detailed instructions on budgetary requirements and deadlines.
- Written job descriptions exist for all employees.
- Revenues and expenditures are tracked and documented on a periodic basis and are used to provide an analytical basis for budget considerations.
- Budget process activities and deadlines are tracked and documented.
- Budget information and allocations are reconciled through meetings with departments.
- There are controls in place to make sure that the budget deadlines are met.
- The Division is transparent and makes information available to the general public, concerning the budget process, budget timeline, and Annual Operating Plans.
- There is budget oversight by the Board of Estimate & Apportionment, as well as the Ways and Means Committee of the Board of Aldermen.

The opportunity exists, however, for the Budget Division to improve internal controls over operational and fiscal activities. The following observation resulted from the review:

Opportunity to develop written employee policies and procedures

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


Dr. Kenneth M. Stone, CPA
Internal Audit Executive


Date

**CITY OF ST. LOUIS
BUDGET DIVISION
PROCESS REVIEW
JULY 1, 2009 THROUGH JUNE 30, 2010**

TABLE OF CONTENTS

Description	Page(s)
OBSERVATIONS	
Status of Prior Observations	1
Summary of Current Observations	1
DETAILED OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT'S RESPONSES	2

OBSERVATIONS

Status of Prior Observations

There are no known prior observations.

Summary of Observations

Several control procedures over the Budget Division's fiscal and operational activities were noted as strengths. These included, but were not limited to, the following:

- A written Budget Manual is distributed to departments, which provides detailed instructions on budgetary requirements and deadlines.
- Written job descriptions exist for all employees.
- Revenues and expenditures are tracked and documented on a periodic basis and are used to provide an analytical basis for budget considerations.
- Budget process activities and deadlines are tracked and documented.
- Budget information and allocations are reconciled through meetings with departments.
- There are controls in place to make sure that the budget deadlines are met.
- The Division is transparent and makes information available to the general public, concerning the budget process, budget timeline, and Annual Operating Plans.
- There is budget oversight by the Board of Estimate & Apportionment, as well as the Ways and Means Committee of the Board of Aldermen.

The opportunity exists, however, for the Budget Division to improve its internal controls over the operational and fiscal activities. The following observation resulted from the review:

Opportunity to develop written employee policies and procedures

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

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

Opportunity To Develop Written Employee Policies And Procedures

Despite having written job descriptions for all employees, the Budget Division does not have written policies and procedures to provide its employees with step-by-step instructions on how to perform each job-related process.

Written policies and procedures provide a basis for training and cross-training of new and current employees, as well as for the development of performance standards and measures.

The Budget Division relies upon hands-on training as a basis for familiarizing its employees to the policies and procedures that relate to their duties and has not realized the necessity of developing written documentation of such duties.

The lack of written policies and procedures increases the risk that control procedures may not be performed or may be over-riden, employees may not be adequately trained, and appropriate performance measures and standards may not be developed.

Recommendations

It is recommended that the Budget Division develop written policies and procedures for its employees that provide step-by-step instructions on how to perform the duties related to their positions.

When implementing written policies and procedures, several controls will need to occur:

- Approval by the appointing authority and the date approved.
- Formal communication to the appropriate staff.
- Periodic review and written update of the policies and procedures.

Management's Response (Received June 20, 2013)

The Budget Division operates with a relatively small staff yet has significant responsibilities with regard to developing and monitoring the City's annual budget. As such, the loss of any one individual particularly at given points of the fiscal year can present a certain level of operational risk related to the loss of institutional knowledge and familiarity with budget processes. In order to address this issue as much as possible, the Budget Division has developed a procedures manual containing procedures for producing all major budget reports developed on regular basis. A hard copy (and electronic version) of the manual is kept in a centralized location that can be accessed by the analysts of the office. Budget analysts are encouraged to become familiar with this manual as well as keep it up to date with latest revisions if necessary. While some level of operational risk is inherent in a small office such as ours, it is hoped that steps such as these will help ensure a certain degree of operational consistency and continuity in office operations.