



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



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DR. KENNETH M. STONE, CPA, CGMA
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FILE COPY

November 19, 2013

Curtis Skouby, Director, Department of Public Utilities
1640 S. Kingshighway Boulevard
St. Louis, Missouri 63110-2285

RE: Special Project–Payroll Expenditure, Water Division–Power and Pumping Section
(Project #2014-FHL01)

Dear Mr. Skouby:

Enclosed is the Internal Audit Section's special project-payroll expenditure review report of the Water Division – Power and Pumping Section for the period July 1, 2012 through July 31, 2013. A description of the scope of our work is included in the report.

Fieldwork was completed on September 26, 2014. Management's responses to the observations and recommendations noted in the report were received on November 8, 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,

Kenneth M. Stone

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

Enclosure:



CITY OF ST. LOUIS

WATER DIVISION POWER AND PUMPING SECTION

PAYROLL EXPENDITURE REVIEW

JULY 1, 2012 THROUGH JULY 31, 2013

PROJECT #2014-FHL01

DATE ISSUED: NOVEMBER 19, 2013

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

EXECUTIVE SUMMARY

Purpose

The purpose was to determine if the Water Division – Power and Pumping Section's (WDPPS) internal controls effectively and efficiently manages risks to ensure:

- Compliance with applicable laws, regulations, and policies and procedures
- All overtime is recorded and reported in a timely manner
- The reliability and integrity of payroll information

Scope and Methodology

The scope of the review included payroll expenditures from July 1, 2012 through July 31, 2013. 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 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

Background

The WDPPS's mission is to efficiently provide a plentiful supply of the highest quality water and outstanding service. WDPPS operates as an enterprise fund, that is, funds for providing water and related functions are derived from revenues that are generated by the division through flat-rate and metered sales of water.

Exit Conference

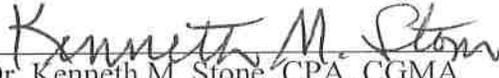
An exit conference was conducted at WDPPS on October 16, 2013. The WDPPS was represented by the Director. The Internal Audit Section was represented by an Audit Supervisor, Auditor II and an Auditor I.

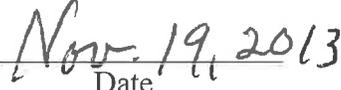
Conclusion

The WDPPS addressed internal controls and risk relating to the objectives noted above, except for the following observation:

- Opportunity to establish adequate controls over overtime usage and expenditure

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, CGMA
Internal Audit Executive


Date

**CITY OF ST. LOUIS
WATER DIVISION POWER AND PUMPING SECTION
PAYROLL EXPENDITURE
JULY 1, 2011 THROUGH JUNE 30, 2012**

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OBSERVATIONS

Status of Prior Observations

There has not been any recent payroll review performed on WDPPS.

Summary of Current Observations

Several control procedures were noted in processing payroll. These included, but were not limited to the following:

- *Compliance with City of St. Louis payroll policies and procedures.*
- *Segregation of payroll approval, review, and authorization functions.*

The opportunity exists for management to improve internal controls over the WDPPS payroll activities. The following observation resulted from our review:

- Opportunity to establish adequate controls over overtime usage and expenditure

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 Fully Staff Mechanical Maintenance Workers

There were a total of five vacant Mechanical Maintenance Worker positions within the Power and Pumping Section of the Water Division. These shortages have caused the Supervisors of the Section to work more overtime than usual. For the six months beginning with pay periods ending from December 29, 2012 through June 15, 2013, a total of 685 hours of overtime were paid to these three employees; a total of \$21,100 was spent on overtime.

Good management practices require that adequate staff is in place to handle the needs of facility and avoid unnecessary overtime.

The requirements listed by the Department of Personnel for the Mechanical Maintenance Worker position are not what management currently requires. Changes have been made to the job responsibilities but those changes have not been reflected in the job descriptions published by Personnel. Therefore, the division has been unable to hire qualified Mechanical Maintenance Workers.

Without updated job descriptions the Power and Pumping Section will continue to receive unqualified applicant; a waste of City resources, time, and lost productivity. In addition, excessive overtime for supervisors can lead to employee burnout. Appropriate staffing at the required level would save the City \$9,393, as shown below.

Class	OT Hours	OT/HR Rate	Total	Class	OT Hours	OT/HR Rate	Total	Cost Difference
Water Plant Maintenance Foreman	300.0	\$30.94	\$9,282	Mechanical Maintenance Worker	300.0	\$17.09	\$5,127	\$4,155
Supervising Stationary Engineer	148.5	\$33.70	\$5,004	Mechanical Maintenance Worker	148.5	\$17.09	\$2,538	\$2,466
Mechanical Maintenance Foreman	236.5	\$28.81	\$6,814	Mechanical Maintenance Worker	236.5	\$17.09	\$4,042	\$2,772
Total	685.0		\$21,100		685.0		\$11,707	\$9,393

Recommendation:

IAS recommends that management communicate the new job requirements/description to the Department of Personnel in order to receive qualified candidates for the vacant positions. These vacancies should be filled as soon as possible to reduce the overtime expenditures.

Management's Responses:

We have reviewed the audit and we are in general agreement with the findings.