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CITY OF ST. LOUIS



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FILE COPY

September 11, 2012

Eddie Roth, Director
Department of Public Safety
Division of Corrections
1200 Market Street, Room 401
St. Louis, MO 63103-2860

RE: Division of Corrections - Special Payroll Review (Project #2012-34)

Dear Mr. Roth:

Enclosed is the Internal Audit Section's report of the Division of Corrections-Medium Security Institution (MSI) and City Justice Center (CJC) Special Payroll Review for the period January 1, 2011 through December 31, 2011. A description of the scope of work is included in the report.

Fieldwork was completed on May 3, 2012. Management's responses to the observations and recommendations noted in the report were received on August 23, 2012, 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, as requested by the Director, Department of Public Safety, 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: Charlene Deeken, Deputy Director
Dale Glass, Interim Commissioner of Corrections



CITY OF ST. LOUIS

DEPARTMENT OF PUBLIC SAFETY

DIVISION OF CORRECTIONS

**MEDIUM SECURITY INSTITUTION- MSI (#632)
CITY JUSTICE CENTER- CJC (#633)**

SPECIAL PAYROLL REVIEW

JANUARY 1, 2011 THROUGH DECEMBER 31, 2011

PROJECT #2012-34

DATE ISSUED: SEPTEMBER 11, 2012

**Prepared By:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

Honorable Darlene Green, Comptroller

CITY OF ST. LOUIS
DEPARTMENT OF PUBLIC SAFETY
DIVISION OF CORRECTIONS
MEDIUM SECURITY INSTITUTION (MSI) AND CITY JUSTICE CENTER (CJC)
SPECIAL PAYROLL REVIEW
JANUARY 1, 2011 THROUGH DECEMBER 31, 2011

EXECUTIVE SUMMARY

Purpose

The Internal Audit Section (IAS) has completed a special payroll review of the Division of Corrections (MSI & CJC). The purpose was to determine if the Division of Corrections effectively and efficiently manages risks to ensure the:

- Accomplishment of established objectives and goals
- Compliance with applicable laws, regulations, written policies and procedures
- Safeguarding of assets
- Reliability and integrity of payroll records
- Economic and efficient use of resources

Scope and Methodology

The review was confined to evaluating internal controls over the payroll processing and distribution. Procedures included inquiries of Division of Corrections (MSI & CJC) payroll specialists, Division's Superintendents, Policy Chair, Administrative Assistant and other staff; observations of relevant processes; and reviews for compliance with policies and procedures, as well as applicable laws and regulations. Limited tests of controls, and other procedures considered necessary were performed.

Background

The mission of the Division of Corrections is to serve and protect the citizens of the City of St. Louis by providing for the care, custody and control of incarcerated individuals, either pre-trial or sentenced, at the City Justice Center and Medium Security Institution. The City Justice Center is a maximum security facility which also serves as the central intake unit for both of the two jail facilities and houses males detainees after initial assessment and housing assignment. Processing detainees under the jurisdiction of the St. Louis Metropolitan Police Department, Sheriff's Department and City Marshal's Office, occurs at the City Justice Center. The Medium Security Institution houses both male and female pre-trial detainees and sentenced offenders.

The Director of the Department of Public Safety in a letter dated January 10, 2012 requested a comprehensive payroll audit of the Division of Corrections (MSI & CJC). Concerns were expressed over the state of the payroll records and lack of accounting controls which may have resulted in the overpayment or underpayment for overtime hours worked.

EXECUTIVE SUMMARY

Exit Conference

An exit conference was conducted at the Department of Public Safety (Conference Room), Room 401, City Hall, St. Louis, MO 63103 on July 31, 2012. The Department of Public Safety and Division of Corrections were represented by the Director of Public Safety, Deputy Director, Interim Commissioner of Corrections and the Division's Business Office Manager.

Internal Audit Section (IAS) was represented by the Internal Audit Executive, Internal Audit Supervisor and the Auditor-in-Charge.

Conclusion

The opportunity exists for the management of Division of Corrections to improve internal controls over the payroll processing and distribution. The following are observations that resulted from the review:

1. Excessive use of Family and Medical Leave of Absence (FMLA).
2. Opportunity to establish adequate budgetary planning and fiscal controls over overtime usage/expenditure.
3. Opportunity to develop written policies and procedures for payroll processing and distribution.
4. Opportunity to improve control over employee's military leave pay (Questioned Cost, \$768.00).

These observations are 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
DEPARTMENT OF PUBLIC SAFETY
DIVISION OF CORRECTIONS
MEDIUM SECURITY INSTITUTION (MSI) AND CITY JUSTICE CENTER (CJC)
SPECIAL PAYROLL REVIEW
JANUARY 1, 2011 THROUGH DECEMBER 31, 2011**

TABLE OF CONTENTS

Description	Page(s)
OBSERVATIONS	
Status of Prior Observations	1
Summary of Current Observations	1
DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES	2-11

OBSERVATIONS

Status of Prior Observations

IAS performed a payroll distribution review of the Division of Corrections (MSI and CJC) for the pay periods ended March 13, 2010 and March 27, 2010 and noted the following observations:

- Opportunity for MSI to comply with the City of St. Louis policies and procedures on fraud prevention, deterrence and detection (Questioned Costs \$6,725). Employee involved had since resigned his appointment with the Division of Corrections.
- Opportunity for MSI and CJC to eliminate negative sick leave balances (Questioned Costs \$1,505). **Resolved**

Summary of Current Observations

IAS noted internal control procedures were established by the Division of Corrections that enhanced its payroll processing and distribution at MSI and CJC. These included, but not limited to the following:

- Shift Commandants or Supervisors in the various units reviewed and approved employees' daily sign-in rosters and the leave benefit request forms (Overtime Adjustment Forms- OTA) submitted by employees.
- Various payroll reports received from the Comptroller's Office, Payroll Services, were reviewed by the Payroll Specialists. Corrections and adjustments made to the reports were verified and certified by the respective Center Chief of Security.

The opportunity exists, however, for the Division of Corrections (MSI and CJC) to improve internal controls over the payroll processing and distribution. The following are observations that resulted from the review:

1. Excessive use of Family and Medical Leave of Absence (FMLA).
2. Opportunity to establish adequate budgetary planning and fiscal controls over overtime usage/expenditure.
3. Opportunity to develop written policies and procedures for payroll processing and distribution.
4. Opportunity to improve control over employee's military leave pay (Questioned Cost, \$768.00).

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

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANGEMENT'S RESPONSES

1. Excessive Use Of Family And Medical Leave Of Absence (FMLA)

Review of the City Justice Center (CJC) and Medium Security Institution (MSI) Family Medical Leave of Absence (FMLA) records revealed very high use of FMLA by employees. The following were noted.

MSI:

- Seventy-three of the 189 employees listed on the Payroll register for the pay period ended March 10, 2012 were on approved FMLA. This represents 39% of the center's total work force. The total FMLA hours taken by individual employees range from two hours to 471 hours from January 24, 2011 through February 28, 2012 (per the FMLA report).
- Three employees had reached the limit of the twelve weeks FMLA leave allowed as of pay period ended March 10, 2012 and were docked for 80 hours.
- A total of about 8,093 work hours were taken as FMLA by the employees during the period January 24, 2011 through February 29, 2012. With the nature of operations and the need to provide adequate coverage at the center, overtime hours were constantly approved by management to cover the duty posts as required. This resulted in overtime expenditures payment in excess of the budget appropriation.

CJC:

- Sixty-eight of 235 employees listed on the Payroll register for the pay period ended March 10, 2012 were on approved FMLA. This represents 29% of the total work force. The total hours taken by individual employees range from eight to 577.25 hours from January 1, 2011 through February 28, 2012.
- Three employees had reached the limit of the twelve weeks FMLA allowed as of pay period ended March 10, 2012 and were docked for 80 hours.
- A total of 13,621.60 work hours were taken as FMLA by the employees during the period January 24, 2011 through February 29, 2012. With the nature of operations and the need to provide adequate coverage at the center, overtime hours were constantly approved by the management to cover the duty posts as required. This resulted in overtime expenditures payment in excess of the budget appropriation.

It was also noted that:

- Several employees at MSI and CJC had multiple FMLA approvals for self, spouse, child, and parents (mother or father).

1. Continued...

- The approved FMLA hours were for twelve weeks during a twelve-month period and taken at different times.
- Employees intermittently used FMLA ranging from 15 minutes to eight hours and in some cases more frequently, such as every week.

According to the Department of Public Safety/Division of Corrections Family and Medical Leave policies and procedures, and Department of Personnel Administrative Regulation No. 133, a qualified employee is eligible for twelve weeks of leave within a twelve-month period. Eligible employee is a current employee who has worked for the City of St. Louis for a total of twelve months within the prior seven years and has worked at least 1,250 hours within the year immediately preceding the FML event.

Family / Medical Leave (FMLA) are approved for employees upon request for the following reasons:

- For a personal serious health condition which renders employee unable to perform the functions of his/her job.
- To care for the following qualifying relatives with serious health conditions. Qualified relatives are defined as legal spouse or domestic partner, parent (including natural or adoptive parent, stepparent, legal guardian, but excluding in-laws; person with "in loco parentis" status to the employee when the employee was a child; son or daughter (including natural, adoptive or foster child, or stepchild, who is under 18 years of age, or 18 years of age or older and incapable of self-care because of a mental or physical disability); child for whom employee has status as "in loco parentis".

Management's control of employees' excessive use of FMLA is hampered by the following:

- The Department of Personnel directives on FMLA prevented management from reviewing employee's application for FMLA.
- The nature of the duties performed by the Correction Officer dealing with inmates was considered to be stressful and demanding.
- The need to ensure minimum coverage standards for the inmates at the facilities which required employees to perform mandatory overtime.
- Employees' intermittent use of FMLA which was often renewed with the submission of another request and an updated certification form.
- Employees avoided being docked or reprimanded for excessive use of sick and medical leave.

1. Continued...

Failure to control or properly manage excessive use of FMLA by employees may result in any of the following:

- Incurring overtime expenditure in excess of the approved appropriation for the year.
- Disruptions of the daily planned activities at the Centers.
- A negative impact on employees' morale. Employees on the work schedule may be compelled to fill in the vacant positions to ensure adequate coverage for the inmates.
- Creating administrative difficulties for Lieutenants and Shift Supervisors in preparing workable employees shift rosters.

Recommendation

IAS recommends the following to control the excessive use of FMLA:

- Review the medical certification submitted carefully to ensure the form is fully and properly completed by the physician. Any medical certification that appears ambiguous or simply leaves parts of the form blank should be returned to employee and given seven days to re-submit the certification as provided by FML guideline.
- Request second opinions if a certification's validity is doubtful or unsatisfactory.
- Request that the medical practitioner certification be mailed directly to the respective Center's Superintendent.
- Request re-certification where the pattern or duration of leave changes.
- Provide additional training to Shift Supervisor and Lieutenants to identify the possible need for FMLA leave and to interact with employee to obtain lawful information about their medical condition and be able to properly manage an employee with a FMLA medical condition.
- Physical fitness program as part of the recruitment activity to be completed prior to employment and included in the annual training program to be completed by all Correction Officers.
- Require employees to provide reports periodically on their condition and intent to return to work.

1. **Continued...**

- Management works with Department of Personnel to provide on- site recreation and stress relief activities (Aerobics or Yoga) to employees in an effort to address job related stress and motivate employees at work.

Management's Response

As mentioned in the exit conference, the Department of Personnel provided a written response to some of the comments made in your report and I have attached a copy of this response for your review and consideration. We have discussed this topic many times with the Department of Personnel and they have committed to providing assistance in the area of instituting adequate review of FML to ensure consistency with the information provided by medical providers, and in general to improve our record-keeping and follow-up processes to ensure that we meet the requirements of the federal law in this area.

2. **Opportunity To Establish Adequate Budgetary Planning And Fiscal Controls Over Overtime Usage And Expenditure**

An analytical review of the Division's regular employees' overtime expenditures during the fiscal years 2009, 2010, 2011 and for the period ended December 31, 2011 (FY 2012) revealed a trend of actual expenditures in excess of amounts appropriated.

ACCT. #51720000 Overtime Regular Employees

Fiscal Year	Budget	Actual	Overage	Percentage
2009	\$230,000	\$889,304	\$659,304	286%
2010	150,000	718,059	568,059	379%
2011	150,000	975,472	825,472	550%
2012*	102,500	477,903	375,043	366%

* Pro-rated six months budgeted and actual overtime expenditure

Further analysis of overtime expenditure revealed the following:

- A total of \$52,272 was paid as overtime to administrative employees of the Division of Corrections (MSI & CJC) between January 1, 2011 and December 31, 2011
- A total of 21 administrative employees of both MSI and CJC were approved and paid various hours of overtime during the same period

2. Continued...

- The categories of administrative employees allowed overtime hours included Secretary, Account Clerks, Payroll Specialists, Social Workers, Accountants and Maintenance Supervisor. The employees were allowed overtime hours to perform regular jobs and special assignments
- The work performed by the affected administrative employees could not be described as essential and could have been performed without the use of overtime

Sound budgetary and fiscal management requires adequate funding of expenditures and proper controls over the use of overtime by employees.

The excessive actual overtime expenditure was attributed to the need to ensure adequate coverage of duty posts at the facilities. Shift Supervisors approved overtime for employees to fill in for those employees calling in sick or not showing up for work. The uncontrolled use of FMLA by employees created unplanned staff shortages and the resulted in mandatory and or voluntary overtime.

Management also claimed the actual regular employees' salaries expenditures were under-budgeted due to employee turnover and vacant positions not filled over the years. The administrative employees were approved for overtime hours to perform special assignments for the Division's Commissioner. Payroll Specialists worked overtime every other weekend to process employees' payroll for submission to the Comptroller's Office Payroll Services.

Inadequate staffing may result in the division's violation of Federal and State regulation pertaining to minimum coverage of posts within the facilities. This may also affect negatively the morale of employees working overtime either mandatorily or voluntarily. In addition, the ability to effectively monitor inmates may be jeopardized.

Recommendation

It is recommended that:

- The Division's management ensures that all vacant positions are filled and reasonable relief staff is maintained. Management should constantly review the staffing situation with the Department of Public Safety Director and Department of Personnel to ensure vacant positions are promptly filled.
- The Division's management discusses the overtime budgeting with the Department of Public Safety Director to ensure adequate funding is provided in the budget submitted to the Board of Estimate and Apportionment.
- The Division's management discusses with the Department of Personnel the possibility of increasing the number of applicants on the Civil Service listing to provide enough candidates for screening and selection.

2. Continued...

- Provisions be made in the budget for relief employees as a back-up to fill open positions.
- Overtime hours be limited to only operational employees (Correction Officers) whose job function is considered essential to the operations of the Centers.
- The Division's employees payroll processing be automated with the aim of reducing time expended in preparing payroll information.
- Overtime hours be processed in the next payroll period to reduce the need for clerical overtime hours.

Management's Response

Management agrees that every effort should be made to minimize overtime expenditures within the Division of Corrections while at the same time ensuring that minimum staffing is maintained for both jail facilities. The overtime accrued by administrative personnel has and will continue to diminish as we make some work hour adjustments and redistribute some of the workload to appropriate classifications within the division. At the present time, a Payroll Specialist I vacancy is prohibiting us from making all the changes required to minimize administrative overtime within the business office. All other vacancies in the business office have been filled.

In the area of maintenance personnel, the division has acquired the services of a professional engineer and a new position of Building Maintenance Operations Supervisor at the City justice Center to evaluate and reorganize the maintenance area and its personnel, and this has further reduced overtime. Finally, the Interim Commissioner of Corrections is committed to reducing other administrative overtime for non-essential functions that can be carried out during normal business hours among other administrative personnel.

The overtime usage among Correctional Officers is influenced by a number of factors most especially unscheduled absences and vacancies. An analysis of absenteeism from all causes, including FML, jury duty, disciplinary action, medical leave, sick leave, vacation, compensatory time and military leave, was conducted in conjunction with the FY 13 budget process. Additionally, management personnel at both facilities identified all posts that were required to be filled, on a shift-by-shift basis. The result of this effort was a request for and approval of an increase in the authorized strength of the division by a total 35 new Correctional Officer I positions to accommodate the identified posts and relief factor calculation for each post. The overtime savings will not be realized until such time as all vacancies are filled and new staff received the appropriate training, through the academy, to ensure their readiness for post assignments. As part of this effort, the division was successful in acquiring two new positions of Correctional Training Officer to more professionally provide training for new recruits as well as continuing education for uniformed staff.

2. Continued...

Utilization of overtime is the only means to assure that mandatory posts are filled so long as the division has vacancies. The Department of Personnel has been most helpful in keeping the position open continuously in an effort to get the division to full strength. We believe adequately budgeting for needed posts, including relief factor, is the ideal way to budget for the division rather than simply requesting extraordinary dollars for overtime compensation.

3. Opportunity To Develop Written Policies And Procedures On Payroll Processing And Distribution

Based on responses received from the questionnaire and subsequent discussions with the Division's Payroll Specialist, there are no written policies and procedures of the payroll processing and distribution. This was confirmed with the division's Policy Manager. The payroll specialist at MSI has a prepared job description which is considered inadequate.

Written policies and procedures assist in ensuring that procedures and job functions are:

- Approved by management.
- Effectively communicated to and understood by staff.
- Consistently performed.
- In accordance with management goals and objectives.
- The basis for training and cross training of new and current employees, and the development of performance standards.

The payroll specialist indicated that the daily job routine and other demands from employees have preoccupied them, leaving no room to develop written policies and procedures of payroll processing and distribution.

Lack of written policies and procedures increases the risk that procedures will not be:

- Approved by management.
- Effectively communicated to and understood by staff.
- Consistently performed.
- In accordance with management goals and objectives.

Recommendation

It is recommended that the payroll specialist in collaboration with the Division's Policy Manager develop standard policies and procedures for payroll processing and distribution. The policies and procedures should be:

3. Continued...

- Approved by the Superintendents.
- Formally communicated to the staff and documented.
- Reviewed and updated periodically.

The policies and procedures should at minimum describe the following:

- Specific forms to be completed by employees for payroll processing (OJA, daily sign-in-rosters, etc.).
- Bi-weekly payroll processing and specific day's activities.
- Listing of reports received from Comptroller's Office Payroll Services (Bi-weekly time sheet).
- Information required to update various reports received from Payroll Services.
- Various levels of review and approval of forms and reports.
- Pay checks and check stubs distribution.
- Paychecks and check stubs retention and return to Payroll Services.

Management's Response

The new business office manager, in conjunction with the Department of Personnel, is reorganizing the payroll function, including the process for distribution of paychecks. Additional, the division was successful in acquiring a new time clock system through competitive bidding at the end of FY 12 and we expect to have this system on line before the end of the first quarter of FY 13. This should result in reduced volume of paperwork. We are also exploring alternative schedules and overtime payment processes to determine which would best meet the needs of the organization.

Written job descriptions, performance standards and procedures are currently being developed for payroll personnel within the division, as well as a protocol for employee interaction with payroll specialists so as to minimize disruptions in workflow.

4. **Opportunity To Improve Control Over Employees Military Leave Pay (Questioned Cost \$768.00)**

Review of military leave requests and approval documents revealed an employee received military leave pay outside the approved period. The Employee Status form approved by the appointing authority stated that the military leave will be effective

4. Continued...

March 26, 2011 through April 18, 2012. However, the supporting letter from the Military (Navy) directed the employee to report for active duty on March 18, 2011. Employee received six (6) days of military leave with pay during the pay period ended March 12, 2011, which was outside the Military Leave period approved by the division's management. The six (6) day military leave pay of \$768.60 outside the approved military leave period is considered a questioned cost.

Department of Personnel Administrative Regulation No. 138 Section III, subsection C stated, "public employees of this state who are or may become members of the National Guard or of any reserve component of the armed forces of the United State, shall be entitled to leave of absence from their respective duties, without loss of time, pay, regular leave, impairment of efficiency rating, or of any other rights or benefits, to which otherwise entitled, for all periods of military services during which they are engaged in the performance of duty or training in the service of this state.... for a period not to exceed a total of 120 hours in any federal fiscal year".

The payment was approved because the employee's letter requesting last working day to be March 4, 2011 was approved by the division's management. The 15 days military leave pay granted to the employee was allowed by the Department of Personnel Administrative Regulation No. 138.

The Military Leave pay to employee for period outside the formally approved period or prior to mobilization date is considered non-compliance with the applicable Department of Personnel Administrative Regulation No. 138.

Recommendation

IAS recommends as follows:

- The fifteen days (120 hours) Military Leave pay should only be approved for qualified employees during the approved military leave period.
- The Military Leave period approved by the appointing authority should be effective from the date the Military authority directed employee to report for active duty.
- Employees should be requested to submit letter of notification of active duty using the sample letter suggested in the administrative regulation.

Management's Response

Department of personnel Administrative Regulation No. 138 mandates that during periods of military service state employees be given a leave of absence from their

4. Continued...

respective duties "without loss of time, pay, regular leave ... for a period not to exceed a total of 120 hours in any federal fiscal year."

The employee noted in the report received the annual maximum military leave pay of 120 hours allowed by Department of Personnel Administrative Regulation No. 138. The applicable federal fiscal year is October 2010 to September 2011. The employee received 6 days paid military leave (\$768.60) during the pay period ending March 12, 2011 and 9 days paid military leave (\$1,152.90) during the pay period ending March 26, 2011.

At issue is whether the 120 hours military leave pay is to be calculated from the date of the employee's last working day or the date the military authority directed the employee to report to duty. Applicable state and federal regulations are not clear on this matter and arguments can be made for either date.

In this case, the Division of Corrections chose the date of the employee's last working date as the beginning of the 120 hours pay period.

The IAS also recommended that employees be requested to submit a letter of notification of active duty using the sample letter suggested in the administrative regulations. However, the administrative specifically states that "no particular format if required..." The employee did timely submit their notification letter.

The Department of Public Safety appreciates the assistance provided by the Internal Audit Section of the Comptroller's Office. Should you have any question, please do not hesitate to contact me.