



CITY OF ST. LOUIS

DEPARTMENT OF PUBLIC SAFETY

CITY EMERGENCY MANAGEMENT AGENCY (CEMA)

PROCESS REVIEW

SEPTEMBER 1, 2011 THROUGH AUGUST 31, 2012

PROJECT #2013-P09

DATE ISSUED: MAY 8, 2013

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER



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Internal Audit Executive

FILE COPY

May 8, 2013

Gary Christmann, Commissioner
City Emergency Management Agency
1315 Chestnut Street – Lower Level
St. Louis, MO 63103-2391

RE: City Emergency Management Agency (Project #2013-P09)

Dear Mr. Christmann:

Enclosed is the Internal Audit Section's report on the process review of the City Emergency Management Agency (CEMA) for the period September 1, 2011 through August 31, 2012. A description of the scope of the work is included in the report.

Fieldwork was completed on March 20, 2013. Management's responses to the observations and recommendations noted in this report were received on May 2, 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

cc: Charlene Deeken, Director of Public Safety
Eddie Roth, Director of Operations - Mayor's Office

**CITY OF ST. LOUIS
CITY EMERGENCY MANAGEMENT AGENCY
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EXECUTIVE SUMMARY

Background

The City Emergency Management Agency (CEMA) and staff were established under the Department of Public Safety by Chapter 3.40.02 of the Revised Code of St. Louis. CEMA is responsible for planning and developing response plans for disasters or other emergencies.

The CEMA directs the operations and maintenance of the City Emergency Operation Center (EOC). The EOC is the central point for allocation and deployment of resources to support response and recovery efforts, such as vehicles heavy equipment, fuel and other emergency supplies.

CEMA also oversees the operations and maintenance of an outdoor warning siren system, maintains the City's mobile emergency communications van, and is involved in emergency preparedness training for citizens.

CEMA's operations during the review period were funded by Homeland Security grants, Missouri Emergency Management Performance Grants (EMPG) and some direct City appropriations. Funding for EMPG for the calendar years of 2011 and 2012 was \$122,566 and \$165,200 respectively. Funding for the Homeland Security grants was \$89,830.12 for 2008 and \$77,562.55 for 2009.

Purpose

CEMA was selected for review based on IAS' annual risk assessment. The purpose was to determine if CEMA's internal controls effectively and efficiently manage risks in achieving goals and objectives relating to:

- Compliance with laws, regulations, grants, and policies and procedures applicable to goals and objectives.
- 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 included the adequacy of CEMA's response plans for disaster or other emergencies and compliance with the terms of grant agreements for the period September 1, 2011 through August 31, 2012. The review was confined to evaluating internal controls over the financial and operational activities relating to the objectives noted above. The review procedures included:

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

Exit Conference

An exit conference was conducted at CEMA on April 12, 2013. The Commissioner and the Administrative Assistant represented CEMA. The Auditor Supervisor and Auditor-in-Charge represented the Internal Audit Section.

Conclusion

Several control procedures were noted within CEMA's financial and operational activities. These included, but were not limited to, the following:

- The State Emergency Management Agency Department conducted an annual review of CEMA's local emergency operations plan during the fiscal year 2012. There were no major concerns.
- CEMA was in compliance with National Incident Management System (NIMS).
- CEMA maintained an updated Emergency Operation Plan, Standard Operational Guide, and a 24/7 Emergency Operations Center.
- Approvals of requisitions were obtained from the State before expenses were incurred.
- Vouchers and reimbursement claims were approved by the Commissioner.
- Requests and supporting documents for the Homeland Security grants were submitted electronically.
- Fund allocation reports were used to monitor actual and budget expenditures of the Homeland Security expenditures. Reports were periodically generated.
- Homeland Security expenditures were allowable and properly approved.

CEMA adequately addressed internal controls and risks relating to the goals and objectives noted above, except for the following observations:

1. Opportunity to properly report and classify grant transactions
2. Opportunity to develop written policies and procedures
3. Opportunity to improve grant management
4. Opportunity to submit timely reimbursement claims and reports
5. Opportunity to improve controls over receipts

6. Opportunity to implement supervisory / independent reviews
7. Opportunity to properly code disbursement vouchers

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

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OBSERVATIONS

Status of Prior Observations

There were no observations noted in the State Auditor's report issued in November 2009. This is the first process review of CEMA conducted by the Internal Audit Section (IAS).

Summary of Observations

Several control procedures were noted within CEMA's financial and operational activities. These included, but were not limited to, the following:

- The State Emergency Management Agency Department conducted an annual review of CEMA's local emergency operations plan during the fiscal year 2012. There were no major concerns.
- CEMA was in compliance with National Incident Management System (NIMS).
- CEMA maintained an updated Emergency Operation Plan, Standard Operational Guide, and a 24/7 Emergency Operations Center.
- Approvals of requisitions were obtained from the State before expenses were incurred.
- Vouchers and reimbursement claims were approved by the Commissioner.
- Requests and supporting documents for the Homeland Security grants were submitted electronically.
- Fund allocation reports were used to monitor actual and budget expenditures of the Homeland Security expenditures. Reports were periodically generated.
- Homeland Security expenditures were allowable and properly approved.

However, the opportunity exists for CEMA to improve internal controls to ensure compliance with grant requirements. The following observations resulted from the review:

1. Opportunity to properly report and classify grant transactions
2. Opportunity to develop written policies and procedures
3. Opportunity to improve grant management
4. Opportunity to submit timely reimbursement claims and reports
5. Opportunity to improve controls over receipts
6. Opportunity to implement supervisory / independent reviews
7. Opportunity to properly code disbursement vouchers

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

1. Opportunity To Properly Report And Classify Grant Transactions

It was noted that the grant award documents did not have a signature page indicating the grants were submitted to the Comptroller's office or the Register's office for proper execution as required by Article IX of the Charter. It was also noted that the EMPG transactions were not properly reported and classified in the City's general ledger. The transactions were recorded in the general fund as opposed to a "special fund."

The accounting of federal funds should be separate in accordance with generally accepted accounting principles and the Comptroller's grant procedures. The procedures require:

- A copy of the grant application is sent to the Federal Grants Section at the same time the application is being submitted to the grantor agency.
- All grants are approved by the Board of Aldermen.
- The Mayor, Appointing Authority, City Counselor, Comptroller and the Register must sign the grant award document.

Federal regulations 44 CFR 13.20 require each sub-grantee to maintain a system that accounts for FEMA funds on a project by project basis. The system must disclose the financial results for all funded activities accurately and completely. In addition, the grants require CEMA to establish a proper accounting system in accordance with generally accepted accounting principles.

Improper processing of grants increases the risk that the city may incur liabilities without authority of law or ordinance. Since the grants were not properly executed and reported, the federal expenditures were not reported on the City's Schedule of Expenditures of Federal Awards (SEFA). Also, the Register's office was unable to properly index the grant agreements as required by the Charter.

It was noted that CEMA was not familiar with the Comptroller's grant procedures. The Assistant stated the EMPG funds have been recorded in the general fund for the last twenty years or since her tenure at CEMA.

Recommendation

It is recommended that CEMA follow the Comptroller's procedures in processing future grants. A signature page should be added to ensure that all parties are aware of the grants; they are properly classified in the general ledger; and reported on the SEFA.

Management's Response (Received May 2, 2013)

CEMA will work closely with the Office of the Comptroller to ensure that all grant documents have the proper certification page with proper signatures. All future grants will be properly classified in the general ledger and reported on the SEFA. CEMA has already

1. Continued...

set up an 1169 account in the FY 14 budget to properly classify this year's Emergency Management Performance Grant.

2. Opportunity To Develop Written Policies And Procedures

CEMA did not have written policies and procedures. Therefore, control procedures such as the recording of transactions in a ledger and reconciliations were not implemented. The establishment of control procedures and internal records enhances the ability to make comparisons of actual to budget transactions and reconcile to the City's general ledger.

The EMPG grants required CEMA to establish a proper accounting system in accordance with generally accepted accounting principles. In addition, it is the Government Finance Officers Association (GFOA) recommendation that:

- Every government should document its accounting policies and procedures.
- A well-designed and properly maintained system of documenting accounting policies and procedures enhances accountability and consistency. The resulting documentation can also serve as a training tool for staff.
- The documentation of the account policies and procedures should explain the design and the purpose of control-related procedures to increase the employees' understanding of and support of controls.
- Reconciliation of the general ledger and other supporting accounting ledgers in a timely manner is preformed.

The lack of written policies and procedures increase the risk that:

- Records are not accurate and consistently maintained.
- Control procedures will not be effective or may be over-ridden.
- Employees will not be effectively trained.
- Performance standards and measures may not be developed.

Due to the lack of proper accounting records and reconciliation control procedures:

- Differences in total expenditures recorded in the general ledger and grant close-out reports for the 2008 Homeland Security grant of \$1,593.91 and (\$337.50) for the 2009 grant were not detected and corrected.
- Through miscommunication, a reimbursement of \$337.50 for the 2009 grant was erroneously recorded in an expense account instead of the revenue account.

It was learned that some procedures were established years ago, but were not updated and approved by the current Commissioner. These procedures were not made available during the review. Also, CEMA stated the City's procurement procedures were followed.

2. Continued...

Recommendation

Management should develop written policies and procedures that require all transactions to be recorded in a ledger and reconciled. The procedures should delineate the responsibility of all employees, authority to authorize transactions, and the responsibilities for the safekeeping of assets and records. In addition, the policies and procedures should be:

- Approved by management and dated.
- Reviewed and updated periodically.
- Formally communicated to the staff.

Management's Response (Received May 2, 2013)

A written policies and procedures manual will be developed to ensure continuity of operations with the administration of delegated authorities, safekeeping of assets records and the procedures of the Administrative Assistant. However, it should be noted that a copy of the Administrative Assistant position operational procedures was submitted to the audit section after the exit interview. These responsibilities will be updated to reflect any recent revisions.

3. Opportunity To Improve Grant Management

The review of the final claims and documents for three grants awarded to CEMA revealed \$24,895.79 or 9% of the awards were de-obligated at the end of the grant periods. These were as follows:

Grant Description	Period With Extensions	Date of Last Claim	Date Closed	Award Amount	Expenditures	Amount De-obligated
2011 EMPG **	1/1/11 -12/31/11	12/31/12	*	\$122,566.00	\$114,829.63	\$7,736.77
2008 HSRT	1/15/09 - 8/31/11	11/10/11	7/03/12	\$89,830.12	\$89,064.19	\$3,765.93
2009 HSRRS	5/1/10 - 6/30/12	6/27/12	7/23/12	\$77,562.55	\$64,169.06	\$13,393.49
Totals				\$289,958.67	\$265,022.88	\$24,895.79

* The official date was not documented.

** The 2012 EMPG reimbursement claims were still under review by the State.

The EMPG May 2010 *Program Manual* requires that any funds not claimed for reimbursement by the sub-grantee will be de-obligated at the end of the period. Extensions to the period of performance will be considered only through formal requests to SEMA and must be received by January 31, 2012. It was learned that no extension was submitted.

3. Continued...

Sec. III of the *HSRRS 2009 Guidance and Conditions* require that once all expenditures are completed for the award, the remaining funds need to be de-obligated back to Office of Homeland Security (OHS). This allows the Department of Homeland Security to maximize awards and re-allocate grant funds prior to close-out of the performance period.

As a result, the City was not able to maximize resources and services through the full use of the funds awarded.

It was learned that there were difficulties in coordinating various departments' purchase commitments. In addition, due to the year end shut-down, some vouchers could not be processed. CEMA also stated that there were times when the State made decisions to close a grant in order to use the funds.

Recommendation

It is recommended that CEMA establish a system to track fund balances, and implement performance measures to ensure the efficient use of federal funds.

Management's Response (Received May 2, 2013)

All federal grants will be tracked through a developed system in conjunction with the Federal Grants Section to ensure that funds received are tracked properly.

4. Opportunity To Submit Timely Reimbursement Claims And Reports

The reimbursement claims and reports were not submitted in accordance with the EMPG requirement. The State requires the federal share of costs be reported on FEMA 85/21 forms and that the each claim includes a Statement of Work.

Except for the 2011 third quarter claim, it was noted that the 85/21 forms were prepared on the date the claims were due. The 85/21 form for the third quarter was dated November 1, 2011 or 17 days after the October 15, 2011 due date.

Article IV (A) of the grant requires that:

- Quarterly reports are due within 15 days of the end of the quarter.
- Future awards and funds draw down may be withheld if reports are delinquent.
- The final report is due 30 days after the end date of the performance period.
- Requests for extensions must be received by January 31, 2012.

The risks exist that reimbursements may be delayed and future funding may be reduced in the event there is a problem with State funding. It was noted that the reimbursement for the third quarter 2011 was not received until January 2012.

4. Continued...

The Administrative Assistant stated that the due date was generally reported on the State's form 85-2. CEMA maintained no documentation to support when claims were submitted.

Recommendation

It is recommended that claims and reports are submitted in accordance with the grant requirement. It is also recommended that CEMA establish a designated time frame before the due dates to prepare the claims and reports. The authorized time frame should be included in the written policies and procedures.

Management's Response (Received May 2, 2013)

Timelines will be developed in the policies and procedures manual to ensure timely submission of all grant requests for reimbursements.

5. Opportunity To Improve Controls Over Receipts

CEMA received checks from the State for the Homeland Security and EMPG claims. During the review of CEMA's procedures and test for timeliness of deposits, the following control weaknesses in safeguarding and reporting of receipts were noted:

- Checks were not logged upon receipt by CEMA; therefore, there was no documentation as to when checks were received.
- Checks were made payable to CEMA as opposed to the Comptroller's office.
- The Homeland Security checks were sent to the Federal Grant Section for preparation of the Receipts Coding Form (RCF) for deposit. No exceptions were noted in the timeliness of the deposit; however, one check was not timely submitted to the Federal Grants Section.
- The RCFs for the EMPG deposits were prepared by CEMA. One of the four EMPG RCFs appeared to be prepared late, approximately eight business days from the date of the check.

The Comptroller's procedures require that the grantor agencies must be notified that all checks are made payable and sent "Comptroller, City of St. Louis". In addition, Article XV, Section 24 of the City's Charter requires that money belonging to the City be reported daily in the treasury.

The Government Finance Officers Association (GFOA) encourages departments to direct all receipts to the central treasury function. Departments should utilize information provided by the cash receipt and general ledger system in determining the propriety and reasonableness of such revenue relative to the department function.

5. Continued...

As a result of the items noted above, CEMA's check processing procedures were not in compliance with the Charter and Comptroller's procedures. When checks are not promptly recorded and reported, there is the risk of loss, misappropriation, and that incomplete and inaccurate postings to the general ledger may occur.

As noted in observation 2, CEMA did not have written policies and procedures for recording, reporting or reconciling transactions. Also, CEMA was unaware of the Comptroller's procedures for processing grant checks or the requirement for daily deposits.

Recommendation

It is recommended that control procedures are established to ensure checks/receipts are adequately safeguarded and reported in accordance with the Charter and Comptroller's procedures. It is also recommended that CEMA's written policies and procedures require that:

- All checks /receipts are recorded in a log or ledger immediately upon receipt.
- The receipts are electronically remitted to the Treasurer's Office and RCFs are promptly prepared for deposit and recording in the general ledger.
- The internal records include the claim amount, date and amount received, RCF number and whether the amount deposited agreed with the general ledger.
- Differences should be investigated and documented.

Management's Response (Received May 2, 2013)

CEMA has already submitted the State of Missouri Vendor Input/ACH-Application in order to begin electronic deposits for 2013. This form has been processed and approved by the Treasurer's Office and Bank Of America. Submission to the State of Missouri was on April 25, 2013. Previously, incoming checks were not logged; however, the RCFs and checks were copied and kept in a file as well as attached to each quarterly report.

6. Opportunity To Implement Supervisory / Independent Reviews

The 2011 EMPG reimbursement claims included several repeated adjustments made by the State. They represented \$10,872 of claims submitted for unallowable costs for purchases outside the grant period, lack of adequate documentation and incorrect travel rates.

Expenditures incurred prior to or after the performance period should not be charged to the grant. Only allowable costs as outlined in the *EMPG Program Manual*, subject to budget restrictions, should be claimed.

6. Continued...

An independent review of the claims processed is needed to ensure errors are detected and corrected prior to submission to the State. This would also help mitigate the concern regarding segregation of duties, since the Administrative Assistant prepared reimbursement claims, received and deposited checks, and was responsible for all expenditure transactions.

When claims are not prepared in accordance with the grant requirement, reimbursements may be delayed resulting in additional use of City funds and resources.

Due to limited staffing, the Administrative Assistant was responsible for all the fiscal activities of the agency. It was noted that the Commissioner signed certification statements that bills were paid; however, there was no indication that the costs were reviewed for accuracy and were allowable. A second review would help to ensure that claims are accurate and State adjustments are limited.

Recommendation

It is recommended that procedures are implemented requiring periodic reviews of the claims and supporting documentation prior to submission to the State. The reviews should be documented.

Management's Response (Received May 2, 2013)

Supervisory reviews will be implemented to review claims prior to submission and will be added to the policies and procedures manual.

7. Opportunity To Properly Code Disbursement Vouchers

Disbursement vouchers were not properly coded to identify, fixed assets, property control items or as regular purchases. It was noted that only one of the seven Homeland Security disbursement vouchers reviewed was properly coded and there were many inconsistencies. The remaining six vouchers were recoded in the Comptroller's Office.

It is the City's policy to capitalize equipment with a unit value of \$5,000 and report the item on the Fixed Asset Management System (FAMS) report. The procedures require the fixed asset field on the voucher be coded to identify a fixed asset purchase as "E" for equipment, "P" for property control item, or as "N" for neither fixed asset or property control. The Administrative Assistant was not familiar with the policy and procedures.

Emergency items and equipment intended by management to be monitored and safeguarded may be subject to loss and unavailable in the event emergency use is required. In addition, the recoding of the disbursement vouchers by another employee results in efficient use of resources.

7. Continued...

Recommendation

It is recommended that CEMA contact the FAMS Coordinator for procedures and training on the proper documentation of equipment and property control items. In addition, management should review its equipment listing and determine if property control items should be reported on the FAMS property control report for tracking purposes.

Management's Response (Received May 2, 2013)

CEMA will work with the Comptroller's Office to ensure that the proper FAMS codes are used to indentify fixed assets and properly control items. CEMA will follow up on training offered on FAMS. Additionally, FAMS procedures will be part of the policies and procedures currently being developed.