



CITY OF ST. LOUIS

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MEDICAL EXAMINER'S OFFICE

REVENUE AND EXPENDITURE REVIEW

JULY 1, 2011 THROUGH DECEMBER 31, 2012

PROJECT #2013-RRV06

DATE ISSUED: MARCH 27, 2013

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

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HONORABLE DARLENE GREEN, COMPTROLLER



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DR. KENNETH M. STONE, CPA
Internal Audit Executive

FILE COPY

March 27, 2013

Michael A. Graham, M.D., Chief Medical Examiner
Medical Examiner & Morgue
1300 Clark Avenue
St. Louis, Missouri 63103-2718

RE: Revenue and Expenditures Review of the Medical Examiner's Office
(Project #2013-RRV06)

Dear Dr. Graham:

Enclosed is the Internal Audit Section's revenue and expenditure review report of the Medical Examiner's Office for the period July 1, 2011 through December 31, 2012. A description of the scope of our work is included in the report.

Fieldwork was completed on February 14, 2013. Management's responses to the observations and recommendations noted in the report were received on March 21, 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
MEDICAL EXAMINER'S OFFICE
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EXECUTIVE SUMMARY

Purpose

The purpose was to determine if the Medical Examiner's Office effectively and efficiently manages risks to ensure the:

- Accomplishment of established objectives and goals.
- Compliance with applicable laws, regulations, policies and procedures.
- Revenue is recorded and reported in a timely manner.
- Proper safeguarding of assets.
- Reliability and integrity of financial and operational information.
- Economic and efficient use of resources.
- Contractual and other service expenditures are properly authorized, budgeted and recorded.
- Department followed required City purchasing and bidding procedures.
- Goods and services paid for were received.

Scope and Methodology

The review included revenues and expenditures (Contractual and Other Services) from July 1, 2011 through December 31, 2012 and was confined to evaluating internal controls over fiscal activities relating to the objectives noted above. Review procedures included:

- Inquiries of management and staff.
- Observations of relevant processes.
- 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 Medical Examiner's primary responsibility is to investigate deaths in the City that occur under unusual or suspicious circumstances, as well as for certain deaths that, by law, fall under its jurisdiction.

Investigations requiring post-mortem examinations may include one or more of the following: radiology, toxicology, histology, chemistry, microbiology and other medical examinations.

Exit Conference

An exit conference was conducted at the Medical Examiner's Office on March 13, 2013. The Medical Examiner's Office was represented by the Chief Medical Examiner and Executive Assistant. The Internal Audit Section was represented by the Auditor-in-charge.

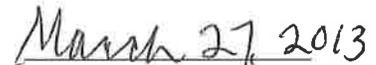
Conclusion

The opportunity exists for the Medical Examiner's Office to improve controls over revenues and expenditures. The following are observations resulting from the review.

1. Opportunity to develop written policies and procedures.
2. Opportunity to comply with City Charter on deposit of money received.
3. Opportunity to reconcile to City general ledger.
4. Opportunity to improve controls over expenditure approval. **(Repeated)**
5. Opportunity to improve the procedures for the processing of invoice payments. **(Repeated)**

Each of these observations 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

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OBSERVATIONS

Status of Prior Observations

Internal Audit Section (IAS) has not performed a recent revenue and expenditure review of the Medical Examiner's Office. Internal Audit Section followed-up on observations included in the State Auditor's report issued April 2010. The State Auditor's observations are as follows:

- Did not have adequate segregation of duties for processing and approving expenditures. **(Not Resolved – see current observation #4)**
- Did not submit some invoices in a timely manner to the City Comptroller's Office for payment. **(Not Resolved – see current observation #5)**

Summary of Current Observations

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

- The Medical Examiner's Office followed City purchasing policies and procedures.
- Proper authorization and approval of revenues collected.
- Proper segregation of duties in the collection of revenues.
- Proper safeguarding of assets.
- Receipts are pre-numbered, sequentially issued and accounted for.

The opportunity exists for management to improve internal controls over the Medical Examiner's Office fiscal activities. The following are observations resulting from our review:

1. Opportunity to develop written policies and procedures.
2. Opportunity to comply with City Charter on deposit of money received.
3. Opportunity to reconcile to City general ledger.
4. Opportunity to improve controls over expenditure approval. **(Repeated)**
5. Opportunity to improve the procedures for the processing of invoice payments. **(Repeated)**

Each of these observations 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

1. Opportunity To Develop Written Policies And Procedures

The Medical Examiner's Office did not develop written policies and procedures for processing contractual and other service expenditures and the collections of revenues. Policy and procedures manual should give detail step by step instructions on how employees are to perform their expenditure and revenue collection duties.

Written policies and procedures assist in ensuring that procedures and job functions are effectively communicated to and understood by staff and consistently performed in accordance with management's goals and objectives. Policies and procedures provide guidance to the staff in the performance of their duties.

Management has not assigned the responsibility for the development of written policies and procedures for the processing of expenditures and the collection of revenue.

The absence of written policies and procedures increases the risk that expenditures and collection of revenues may not be performed in a consistent manner and in compliance with laws and regulations. Employees may not be effectively trained and appropriate performance standards may not be developed or communicated to the staff.

Recommendation:

The Internal Audit Section recommends that management develop written policies and procedures manual for the processing of expenditures and the collection of revenues. The policies and procedures manual should be approved by management and effectively communicated to the staff.

Management's Responses:

Management will produce written policies and procedures regarding these activities. Steps are underway currently to begin this process.

2. Opportunity To Comply With City Charter On Deposit Of Money Received

The Medical Examiner's Office deposits funds received once a month to the Treasurer's Office. The funds collected are accumulated for the month and then one deposit is made to the Treasurer's Office. The deposit totals ranged from \$193 to \$1,342 during the scope of the audit. The Medical Examiner's Office cash receipt(s) for a day could be as low as \$3.

2. Continued...

The City Charter Article XV Section 24 states that “All money belonging to the city received by any officer or agent thereof shall be deposited daily in the Treasury Division ...”.

The Medical Examiner’s Office management has decided to make a monthly deposit due to the low volume and dollar amount of cash receipts.

The lack of daily deposit may result in the misplacement and loss of funds, and the opportunity for the misappropriation of funds.

Recommendation:

The Internal Audit Section recommends that the Medical Examiner’s Office request/obtain a waiver from the Comptroller’s Office to make daily deposits. The Medical Examiner’s Office may set a limit on how much cash is accumulated before a deposit is needed.

Management’s Responses:

For years the Medical Examiner has adhered to City Code 3.22 which specifically required the Coroner (Medical Examiner) to make monthly deposits. Following a closer review of the City Code with Internal Audit we have concluded that this code does not apply and management will seek a wavier from the Comptroller and City Treasurer to modify the daily deposit requirement. Coupled with development of our written policy and procedures for handling of collection of revenues we will develop time and maximum cash on hand parameters to determine when deposition of funds occurs. Initiating deposits every two weeks should be adequate until the above noted parameters are established.

3. Opportunity To Reconcile To City General Ledger

The Auditor’s interview with the Medical Examiner’s Office indicated that a reconciliation of deposits was made to an online general ledger screen and that a check was made to remaining encumbrance balances to see if there was money available for expenditure payment. There was no formal documentation showing that the reconciliation of revenue deposits and expenditures was done.

Good management practice requires the monthly reconciliation of revenue and expenditure transactions to the general ledger.

3. Continued...

Management has not developed the documentation for a formal reconciliation process of revenue and expenditures transactions to the general ledger.

The lack of financial record reconciliation to the general ledger may result in untimely detection of errors, and unauthorized transfer or use of funds.

Recommendation:

The Internal Audit Section recommends that the Medical Examiner's Office develop a procedure for the reconciliation of revenue and expenditure transactions on a monthly basis. The reconciliation should be documented, reviewed and signed by management.

Management's Responses:

Management will make every effort to comply with your recommendation.

Since all expenditures and revenues are recorded internally, we suggest that either the Comptroller's Office or the City System Programmer's develop a program that can be used by all departments to achieve these objectives. Since the City already is using some sort of accounting software it seems logical to conclude that it can be modified and implemented at the department level to record the additional information required.

If this cannot be achieved with the current software the use of different software package, like QuickBooks, could be developed for city wide usage.

4. Opportunity To Improve Controls Over Expenditure Approval (Repeated)

The Medical Examiner's Office has the same person preparing, approving and authorizing the expenditures for the department.

It is good management practice to maintain adequate internal controls over expenditures. A good internal control should segregate the responsibilities for the preparation, approval, authorization and reconciliation of the expenditures to the general ledger.

The Medical Examiner's Office is a small office and lacks the staffing needed to segregate the duties of expenditure processing.

4. Continued...

The lack of segregation of duties in the preparation, approval, authorization and reconciliation of expenditures increase the risk of loss and timely detection of errors in the approval of expenditures process.

Recommendation:

The Internal Audit Section recommends that the Medical Examiner's Office segregate the duties of processing payments for expenditures. Management's review should be considered where segregation of duties is not possible.

Management's Responses:

I agree with your observation; however, besides myself, there aren't any other high-level administrative personnel to handle these matters. The Executive Assistant position is the highest level administrative position in the office and is responsible for the daily operations of the office. I have granted him signature authority through the Comptroller Office as well as Supply Division for processing purchases and invoices. Nevertheless management has already taken the necessary steps to segregate the processing of expenditures in the future. When required, I will review and sign the vouchers going to the Comptroller's Office.

5. **Opportunity To Improve The Procedures For The Processing Of Invoice Payments (Repeated)**

The Auditor found that 30 out of 76, or 39%, of the invoices submitted for payment were over 30 days old. The late invoices included three invoices for mortuary services for the months of March, June and July 2011, totaling \$9,870. These invoices were submitted for payment in September 2011. The Medical Examiner's Office did not incur any penalties or interest charges on the past due invoices.

It is good management practice to require the timely processing and payment of invoices. It is management's responsibility to avoid payment of interest and late fee charges on past due invoices.

Based on the current staffing of the Medical Examiner's Office, management has assigned a low priority to the processing of invoice payments. The Medical Examiner's Office work load sometimes requires the need to delay low priority tasks, and the processing of invoices.

5. Continued...

Failure to make timely invoice payments may result in unnecessary penalties and interest payments on past due invoices.

Recommendation:

The Internal Audit Section recommends that all invoices received be entered into a log and get a date-stamp of when received. The Medical Examiner's Office should develop a policy for the performance measure on the timely payment of invoices.

Management's Responses:

I have no disagreement with this observation and steps will be taken to ensure more timely payment of invoices. One should consider that our office is not afforded an area exclusive to the receipt and distribution of mail and our time stamp machine is situated in the Morgue Receiving area thereby making stamping of mail difficult to achieve. We will therefore purchase a date-stamp to be used for receipt of mail when received.

Some times vendors do not submit invoices in a timely manner and management must pursue vendors for the invoices. There are also instances when invoices are not accurate. Management is vigilant in the processing of invoices and therefore there are occasional delays in processing vouchers. Management does comply with written documentation to the Comptroller when invoices are over ninety days old.