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OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



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June 28, 2007

Pamela Walker, Acting Director
Department of Health
634 N. Grand 9th Floor
St. Louis, MO 63103-1002

RE: Department of Health (DOH) (Dept. #700), Payroll Review for A-133
Compliance Pay Periods October through December 2006 (Project #2007-DOH-
A133)

Dear Ms. Walker:

We have conducted a review of payroll documentation for Department of Health employees whose salaries are federally funded. Our review was for pay periods October 1, 2006 through December 31, 2006. The objectives of this review were to determine that:

- Records for federally funded employees were properly and accurately maintained based on the retention policy for payroll records
- A-87 Certifications were completed for employees' salaries federally funded 100%
- Time sheets allocated hours appropriately if salaries were paid from multiple funding centers
- Time sheets are signed by employees and approved by supervisors/management or other appointed authority

Our field work was completed on January 31, 2007. Management responses were received on May 25, 2007 and have been incorporated into this report.

Time Sheets selected for testing were signed by employees and approved by supervisors/management. However, we made the following observations:

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1. Payroll records were not properly maintained

During discussions with the Department of Health, Fiscal Section Accounting Supervisor, and testing of documentation provided for a sample of federally funded Title I employees, we noted the following:

- Air Pollution Control employees did not document on their time sheets the allocation of hours worked when time was spent on both State funded and Federal funded grants.
- One employee did not have a signed A-87 Certification on file for the time allocated to a grant up until the employee's resignation in November 2006.
- Two employees had their times incorrectly allocated to Title I. One employee's time should have been allocated to another grant (HERR). The other employee's time should have been allocated 50% to the City Sales and Use Tax fund.

Recommendation

We recommend that DOH comply with the A-133 requirements and perform the following:

- Maintain time sheets for *all* federally funded employees. The time sheets should clearly document the employees allocation of hours worked when time is spent on multiple funding sources.
- Complete A-87 Certifications for employees' salaries federally funded 100% for the time spent on the grant even when it is less than the grant period or one year.

Management Responses

DOH has taken action to correct this issue by establishing a standard time documentation form to be completed by all employees whose salary is federally funded. This form was reviewed and accepted by the Missouri Department of Natural Resources (Air Pollution Control Program grant [funding source]) and clearly documents the employee's time worked, including time allocated across multiple funding centers and for less than 100% federally funded employees.

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1. continued...

In addition, DOH has taken action to correct this issue by:

- *maintaining a grant funded employee report, listing a) all DOH employees whose salary is federally funded (regardless of the percentage of funding), b) all funding sources applicable to each employee, and c) the funding source percentage;*
- *including 'Completion of the A-87 Certification' as a line item on the monthly expenditure report/reconciliation checklist to ensure that the issue is addressed each month; and*
- *consulting the grant funded employee list before an employee terminates from DOH to determine if an A-87 Certification form needs to be completed.*

2. Untimely submission of payroll exception reports

Our review of documentation to allocate multiple federally funded salary expense disclosed that *Payroll Distribution Department Exceptions* reports were not submitted to Federal Grants in a timely manner. On January 17, 2007, we observed the Federal Grants Accounting staff processing a report for the pay period ending September 17, 2005. The staff informed us that the reports are processed when received and are typically received one month after the end of the pay period.

We further observed during our testing that payroll exception forms to allocate salaries among multiple grants were submitted to Federal Grants up to three months after the end of the pay period.

When Payroll Exception forms are not submitted in a timely manner (by Wednesday following the end of the pay period), salary expenses may not be properly matched and allocated to the grant revenues for the same period in which both occurred.

Recommendation

DOH should establish standards for preparing payroll exception reports and submitting them to Federal Grants by the end of the pay period. This will ensure the forms are then forwarded to the Comptroller's Payroll Section on the Wednesday following the end of the pay period as required.

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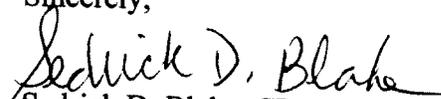
Management Responses

DOH has taken action to correct this issue by establishing and strictly enforcing a policy of submitting all payroll exception reports to the Federal Grants section by the end of the pay period.

This review was made under the 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 me at 589-6132.

Sincerely,



Sedrick D. Blake, CPA

Audit/Fiscal Executive

cc: Melba Moore, Commissioner of Health
Ronald Smith, City Operations Manager-Mayor's Office