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OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



DARLENE GREEN
Comptroller

Internal Audit Section

2004-38
Carnahan Courthouse Building
1114 Market St., Room 608
St. Louis, Missouri 63101
(314) 622-4723
Fax: (314) 613-3004

August 10, 2004

Mr. Gene Stubblefield, Superintendent
Department of Public Safety – Corrections
200 South Tucker Blvd.
St. Louis, Missouri 63102

RE: Payroll Distribution of the Medium Security Institution (MSI)
For Pay Period Ending February 21, 2004

Dear Mr. Stubblefield:

Enclosed is a report of our payroll distribution of the Division of Corrections – Medium Security Institution (MSI) (#632) for the pay period ending February 21, 2004. The objective of this review was to:

- Determine if eligible City Employees receive wages.
- Determine whether wages are adequately safeguarded.
- Determine if employees are only paid for actual hours worked.
- Determine if the accrual and use of paid leave is accurate.

Our fieldwork was substantially complete on April 28, 2004. Management declined an exit conference to discuss the observations and recommendations noted in the report.

Management responses to the observations and recommendations noted in the report were received on July 30, 2004 and have been attached to the report.

We have made the following observations and recommendations:

1. **Opportunity to Ensure Internal Leave Records Maintained By MSI Agree To The City of St. Louis Vacation and Sick Leave Report**

During the payroll distribution at MSI, we selected a sample of nineteen (19) out of two hundred thirty-five (235) employees who accrued vacation, sick leave and compensatory leave during the pay period ending February 21, 2004. We noted the following concerns for the nineteen (19) employees:

- Five (5) employees' sick leave accrual balances on the Vacation and Sick Leave Report did not agree with the Division's internal records.
- Five (5) employees' compensatory accrual balances on the Vacation and Sick Leave Report did not agree with the Division's internal records.
- One (1) employee had a negative compensatory time balance on the Vacation and Sick Leave report.

Per the Payroll Clerk, the discrepancies were due to rounding. Continued cumulative differences could result in significant balances over a period of time. Employee hours should reflect accurately the amount of time the employee actually has available.

Recommendation

We recommend that MSI management ensure that sick and compensatory leave accrual balances maintained by the Division are reconciled and consistent with leave accruals reported on the City of St. Louis Vacation and Sick Leave Report.

2. Opportunity to Ensure Employees Are Assigned to the Correct Pay Location

During the payroll distribution at MSI, we noted forty-five (45) employees listed on the City of St. Louis Payroll Signature Register who were not assigned to MSI.

When we discussed this concern with management, we were informed that some employees were listed as assigned to MSI (center 632) because their positions are listed on MSI's budget, but are permanently assigned to the City Justice Center (Center 633) or another Division under Corrections.

This results in the misapplication of payroll costs to the improper center and circumvents the budget process. Payroll costs that should be charged to the City Justice Center (633) are now charged to MSI (632).

Recommendation

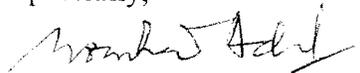
We recommend that the management of the Medium Security Institute (MSI) discuss with the Comptroller's Payroll Section the following:

- Submission of payroll status forms or other necessary forms so that employees are reflected under the center to which they are permanently assigned to work, and
- For those centers that have multiple locations, consider the establishment of separate pay locations.

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 Professional Practice of Internal Auditing.

If you have any questions, please contact me at (314) 613-7410.

Respectfully,



Mohammad H. Adil, CPA
Internal Audit Supervisor

cc: Honorable Darlene Green, Comptroller
Rita Kirkland, Director of Operations, Mayor's Office
Marie Jeffries, Executive Assistant, Budget Division
Sam Simon, Director – Department of Public Safety
Kathryn Lawson, Payroll Manager, Comptroller's Office
Patrick Schommer, Executive Assistant, Division of Corrections

Attachment



DEPARTMENT OF PUBLIC SAFETY
SAMUEL J. SIMON, DIRECTOR
DIVISION OF CORRECTIONS
GENE STUBBLEFIELD, SUPERINTENDENT

July 29, 2004

Mr. Keenan McKinney, CPA
Internal Audit Manager
Internal Audit Section
Carnahan Courthouse Building
1114 Market Street, Room 608
St. Louis, MO 63101

Dear Mr. McKinney:

The following is the Division of Corrections Management Response to the recommendations by the Internal Audit Section as a result of the Payroll Distribution Audit of the Medium Security Institution recently completed by the City of St. Louis Internal Audit Section.

Internal Audit Section Recommendation No. 1

"We recommend that MSI management ensure that sick and compensatory leave accrual balances maintained by the Division are reconciled and consistent with leave accruals reported on the City of St. Louis Vacation and Sick Leave Report."

Management's Response

The Division of Corrections Payroll Section reconciles Division employee leave time records to the Vacation and Sick Leave Report generated by the Payroll Services **each** time the report is generated (bi-weekly). There are numerous valid reasons why employee leave time balances must be adjusted, however, these differences are identified as a result of the bi-weekly reconciliation. Because the reconciliation can only be completed after the division receives the Vacation and Sick Leave Report, it is unlikely that the Vacation and Sick Leave Report will ever be consistent to Division records especially since adjustments are always necessary. If evidence is provided to indicate that reconciliations are conducted this should not be an issue of concern unless improper adjustments are made. A valid concern would be if there are differences between the Vacation and Sick Leave Report and Division records which are not identified after the Payroll Section has completed the reconciliation. Management would like to receive a list from the Internal Audit Section identifying those cases in which the Division of Corrections records of leave time do not agree with the Vacation and Sick Leave

Mr. Keenan McKinney
July 29, 2004
Page 2

Report and the necessary correction has not been identified as a result of the bi-weekly reconciliation and/or the necessary adjustment forms have not been submitted.

Internal Audit Section Recommendation No. 2A

“We recommend that the management of the Division of Corrections discuss with the Comptroller’s Section on the following:

- Submission of payroll status forms or other necessary forms so that employees are reflected under the center to which they are permanently assigned to work,”

Management’s Response

Specific information is needed regarding the cases referenced in the Internal Audit Section Report. The Division of Corrections has 2 cost centers 632 (MSI) and 633 (CJC). Cost Center 633 includes 2 programs, Program 1 – CJC Inmate Housing and Program 2 – Intake Services. Cost Center 632 includes 3 programs, Program 1 – MSI Inmate Housing, Program 2 – Parole and Probation, and Program 3 – Administration. Employees of Cost Center 632 may be assigned to Parole and Probation facilities, MSI or CJC. Most of the employees assigned to Program 3 are actually located at CJC. Employees of Cost Center 632, Program 2 – Parole and Probation may be permanently assigned to Parole and Probation facilities, MSI or CJC. The Internal Audit Section report states that, “This results in misapplication of payroll costs to the improper center and circumvents the budget process.” Division management does not consider this a valid statement in that so long as the employee is performing functions consistent with the program they are assigned to the issue of where the employee may be performing those duties is irrelevant. Employees are frequently transferred from one cost center to another (primarily Correctional custody staff) due to urgent staffing concerns, however, according to the centers established in the budget process all necessary status forms have been submitted. Management would like to receive a listing of the names of employees identified in the audit to determine if the list includes any employee for which submission of a status form is required but not yet been completed.

Internal Audit Section Recommendation No. 2B

“We recommend that the management of the Division of Corrections discuss with the Comptroller’s Section on the following:

- For those centers that have multiple locations, consider establishment of separate pay locations.”

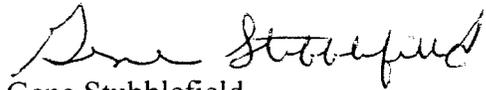
Management’s Response

The Division of Corrections would seem to be in compliance with the second bullet point of this recommendation in that separate pay locations have been established. Upon the verbal recommendation by staff of the Internal Audit Section the Division now requires employees to pick their checks up at the facility they are assigned to work at. To save

Mr. Keenan McKinney
July 29, 2004
Page 3

employees the inconvenience and cost of driving and parking downtown, upon request by the employee the division had been forwarding their check to MSI for pickup.

Sincerely,



Gene Stubblefield
Correctional Superintendent

cc: Samuel Simon, Director of Public Safety