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OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



DARLENE GREEN  
Comptroller

*Internal Audit Section*

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October 27, 2006

Sedrick D. Blake, CPA  
Internal Audit Executive  
1114 Market Street, Room 642  
St. Louis, Missouri 63101

RE: Special Review of Comptroller's Office-Federal Grants Section Operations  
(Project #2007-16)

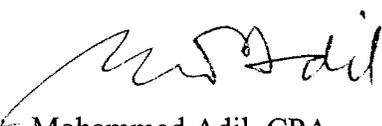
Dear Mr. Blake:

Enclosed is our Special Review report of Federal Grants Section Operations. Our report is a summary of the functions and activities of Federal Grants Section. We do not express an opinion on the operations of Federal Grants Section.

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 Professional Practice of Internal Auditing.

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

Sincerely,

  
Mohammad Adil, CPA  
Internal Audit Manager

Enclosure

cc: Honorable Darlene Green, Comptroller  
Elaine Spearman, Legal Advisor & Chief Staffing Officer to the Comptroller



# CITY OF ST. LOUIS

**COMPTROLLER'S OFFICE  
FEDERAL GRANTS SECTION OPERATIONS  
SPECIAL REVIEW**

**PROJECT #2007-16**

**DATE ISSUED: OCTOBER 27, 2006**

**Prepared by:  
The Internal Audit Section**



## OFFICE OF THE COMPTROLLER

**HONORABLE DARLENE GREEN, COMPTROLLER**

**CITY OF ST. LOUIS  
COMPTROLLER'S OFFICE  
FEDERAL GRANTS SECTION OPERATIONS  
SPECIAL REVIEW**

**DETAILED OBSERVATIONS, RECOMMENDATIONS AND  
MANAGEMENT RESPONSES**

**1. Opportunity to Submit Accurate Schedule of Federal Awards Expenditures in a Timely Manner**

We noted that the Federal Grants Section has been late in submitting the Schedule of Expenditures of Federal Awards (SEFA) to the City's external auditors (KPMG). The external auditors require this information to complete the City's annual A-133 Report. According to Federal Grants Section, the delay in the submission of SEFA is due in part to staff turnover/changes and delays in receiving feedback from KPMG, necessitating revisions to SEFA. We also noted fiscal year 2005 SEFA included inaccurate expenditures for fiscal year 2004.

The late submission of SEFA has led to the Comptroller requesting extensions to complete the City's annual A-133 Report. Not completing the A-133 report in a timely manner may negatively affect the City's credit rating and the amounts of the future Federal funds awards.

**Recommendation**

We recommend that Federal Grants Section management establish procedures to ensure:

- Accurate and timely completion of SEFA.
- Better communication with the external auditors.
- Reporting of the expenditures in the correct fiscal year.

**Management's Response**

*Federal Grants Section management will meet with the external A-133 auditors to establish time frames for providing information. The lateness of A-133 information was also due to key personnel not submitting information to A-133 auditors during review of the major programs. We are currently meeting with auditors to keep things on schedule.*

**2. Opportunity to Eliminate Repeated Suspension of DHS Draw Downs**

HUD frequently suspends the Supportive Housing Program (SHP) draw downs because Federal Grants Section does not submit sub-recipients' Annual Progress Reports (APRs) to the HUD field office within 90 days after the end of the operating year as required by HUD regulations.

The City's inability to collect reimbursement from HUD for vouchers paid under this program in a timely manner results in:

**CITY OF ST. LOUIS  
COMPTROLLER'S OFFICE  
FEDERAL GRANTS SECTION OPERATIONS  
SPECIAL REVIEW**

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MANAGEMENT RESPONSES**

**2. Continued...**

1. City resources are not available in a timely manner for other projects that can directly benefit the City.
2. The loss of interest income the City could have earned on the suspended funds.

**Recommendation**

We recommend Federal Grants Section submit the sub-recipients' APRs within 90 days after the end of the operating year as required in HUD regulation, Community Planning and Development, Section N: Annual Progress Report.

**Management Response**

*DHS should submit APRs to Federal Grants within the 80 days allowed with no exceptions.*

**3. Opportunity to Submit CDA Programmatic Reports in a Timely Manner**

We noted Federal Grants Section did not submit its programmatic reports to CDA according to its contractual agreement with CDA. The reports are due to CDA by the 10<sup>th</sup> of the month following the end of each quarter. CDA stated that the reports were usually received by the 20<sup>th</sup> of the month.

**Recommendation**

We recommend Federal Grants submit its Programmatic Administrative Support reports to CDA in accordance to its contractual agreement, by the 10<sup>th</sup> of the month following the end of each quarter or request from CDA and extension of the due date.

**Management Response**

*In the past and currently, Federal Grants and CDA are considering revising the due dates for the programmatic reports because of the conflicting reports also due to HUD on the 10<sup>th</sup> of the month. Federal Grants management will ensure the revised due dates are included in the next contractual agreement with CDA.*

**4. Opportunity for Proper Allocation of Federal Grants Section Staff Salaries**

We were informed that some Federal Grants Section employees spend a significant portion of their workday (50-60%) processing grants related to specific departments (DOH, DHS,

**CITY OF ST. LOUIS  
COMPTROLLER'S OFFICE  
FEDERAL GRANTS SECTION OPERATIONS  
SPECIAL REVIEW**

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MANAGEMENT RESPONSES**

**4. Continued...**

etc.). However, the majority of salary expenses for these employees are charged to the City's general fund instead of being charged to the related specific department.

**Recommendation**

We recommend that Federal Grants Section management attempt to secure funding which will allow it to allocate its employees' salary expenses to the specific department in proportion to the amount of time spent each workday processing grants and other information for the specific departments.

**Management's Response**

*Federal Grants management does track the amount of time spent on all facets of jobs. Our problem is that we can only charge sources for the amount of funding provided. For example, DHS funds Accountant II salary up to \$25,000, but does not fund the Accounting Supervisor or Accounting Manager salary. These salaries have to be charged to the general fund (instead of a specific grant fund).*

**5. Opportunity to Establish Controls over Office Keys Distribution**

Based on our inquiry, we noted that Federal Grants Section could not account for all keys issued to its personnel. Specifically, of the eleven (11) sub-master keys (#257) issued, eight (8) were not accounted for. Also of the nine (9) other keys issued, three (3) were not accounted for. According to Federal Grants Section, this was possibly because some employees were instructed to report to City Hall upon their severance but were not provided the opportunity to return to Federal Grants Section to return their keys.

**Recommendation**

We recommend the Federal Grants Section develop and implement a key policy requiring employees to sign an acknowledgement of receipt and responsibility of the keys they have been issued and upon severance from the City that employees complete a form stating the keys have been returned.

**Management's Response**

*The Internal Audit Executive Secretary will be in charge of all keys and procedures will be established by the Internal Audit Executive.*

**CITY OF ST. LOUIS  
COMPTROLLER'S OFFICE  
FEDERAL GRANTS SECTION OPERATIONS  
SPECIAL REVIEW**

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**6. Opportunity to Safeguard Payroll Information**

We observed several binders of general ledger printouts containing confidential payroll information were left unattended on a desk in a common work area. It is important to note that the binders contain all City employees' social security numbers and pay rate status.

**Recommendation**

We recommend Federal Grants Section management maintain sensitive information in a locked file cabinet drawer or manager's office when such information is not being processed or reviewed.

**Management's Response**

*Federal Grants management has established procedures where payroll ledgers will now be safeguarded in a file cabinet in the Accounting Supervisor's office.*

**7. Opportunity to Utilize Nu-Paradigm**

During discussion with the Federal Grants Section staff, we noted that some employees were neither aware of nor did they have access to the Nu-Paradigm software that allows previously processed vouchers to be retrieved via computer. The utilization of this software will eliminate the need for the Federal Grants Section to maintain hard copies of voluminous vouchers in their file cabinets thus freeing up office space. It is important to note the Federal Grants Section had approximately sixty (60) file cabinets, countless numbers of storage boxes as well as files on top of file cabinets and on floors. There were an additional twelve (12) file cabinets reported to have been on order before new management of this staff. Approximately three (3) offices were used to house the aforementioned files. Today, there is one file room which houses this information.

**Recommendation**

We recommend Federal Grants Section management consult with Information Technology Services Agency (ITSA) to obtain access to and training for the Nu-Paradigm web retrieval software voucher system for its staff.

**Management's Response**

*Federal Grants management has requested training on the Nu-Paradigm voucher retrieval system from the Accounts Payable Section of the Comptroller's Office.*

**CITY OF ST. LOUIS  
COMPTROLLER'S OFFICE  
FEDERAL GRANTS SECTION OPERATIONS  
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**8. Opportunity to Purge Outdated Files**

During a tour of the Federal Grants Section offices, we noted file boxes and cabinets overflowing with information dating back twenty years. Retaining information for such an extended period creates expense of obtaining storage space and additional file cabinets. Additionally, there is a security risk of such information being illegally accessed and undetected.

**Recommendation**

We recommend the Federal Grants Section develop and implement a records retention schedule following the guidelines of Federal Regulations, State statues and City policies. Most records may be purged after three to six years, or once it has been determined that grant/contract agreements and obligations have been fulfilled and/or audited.

**Management's Response**

*The Federal Grants Section has begun and almost completed the shredding process of excessively outdated files. A records retention schedule is currently underway.*

**9. Opportunity to Improve Employee Performance**

During discussions with Federal Grants Section staff, we were informed that employees receive only a required annual performance evaluation. Regular periodic (semiannual) performance evaluations are essential to address recurring issues affecting employees' performance. In addition, we noted the department lacks a training plan to ensure employees are performing their duties with the most recent technology and in accordance with updated guidelines and regulations for processing grant related expenditures. Without training and continuing education, unallowable grant costs may be paid by the City and not be reimbursed by the funding source.

**Recommendation**

We recommend that management perform interim (quarterly or semiannual) performance evaluation. Also, Federal Grants Section management should take advantage of educational and update seminars especially related to grants processing and develop an annual training plan for each employee.

**Management's Response**

*Federal Grants management will begin conducting semi-annual performance evaluations of its employees.*

**CITY OF ST. LOUIS  
COMPTROLLER'S OFFICE  
FEDERAL GRANTS SECTION OPERATIONS  
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**10. Opportunity to Improve Controls over Fixed Assets and Property Control Items**

During our review, we were informed that Federal Grants Section does not maintain its own complete internal listing of fixed assets and property control items purchased with general or grant funds. Instead, Federal Grants relies on the asset reports completed by the Comptroller's Office Fixed Asset Management Section and had documentation of only assets and equipment purchased with CDA funds.

**Recommendation**

We recommend Federal Grants Section management designate a FAMS (Fixed Asset Management System) Coordinator and develop its own internal list of fixed assets and equipment purchased with general and grant funds.

**Management's Response**

*Since the Federal Grants and Internal Audit Sections are under one management, the IAS FAMS Coordinator may also be the same for Federal Grants.*

**11. Opportunity to Better Utilize Technology to Assist with the Accurate and Timely Completion of Section's Work**

The Federal Grants Section presently relies on a system which is mostly manual to process its vouchers. There are no real safeguards to prevent a voucher from being paid more than once. There has been no research to determine if there is a better way to process vouchers. In fact, when the new management came in and started making changes which have already positively impacted the department, there was a tremendous level of resistance. One employee is quoted as having said, "Why are you making all of these changes? I like things just they way that they are."

**Recommendation**

Federal Grants Section management should research other possible ways to strengthen internal controls. Current and future staff should be better educated regarding improved methods of performing the work of the Section.