



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



FILE COPY

DARLENE GREEN
Comptroller

Internal Audit Section

Carnahan Courthouse Building
1114 Market St., Room 642
St. Louis, Missouri 63101
(314) 622-4723
Fax: (314) 613-3004

DR. KENNETH M. STONE, CPA
Internal Audit Executive

March 03, 2010

Honorable Sharon Carpenter, Recorder of Deeds
City Hall, Room 126
1200 Market Street
St. Louis, MO 63103-2881

RE: Payroll Distribution for the Recorder of Deeds' Office for the Pay Period Ending
January 2, 2010 (Project #2010-37)

Dear Ms. Carpenter:

The Internal Audit Section of the Comptroller's Office has conducted a payroll distribution observation of the Recorder of Deeds' Office for the pay period ending January 2, 2010.

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) 622-4723.

Sincerely,

Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Enclosure



CITY OF ST. LOUIS

RECORDER OF DEEDS

**PAYROLL DISTRIBUTION REVIEW
FOR PAY PERIOD ENDING JANUARY 2, 2010**

PROJECT #2010-37

DATE ISSUED: MARCH 03, 2010

**Prepared By:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**RECORDER OF DEEDS' OFFICE
PAYROLL DISTRIBUTION REVIEW
FOR PAY PERIOD ENDING JANUARY 2, 2010**

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INTRODUCTION

Background

The Recorder of Deeds shall have charge and control of the real estate records of the city, and all papers, maps, and other records pertaining to her Office as established by law and may enforce all needful regulations for their care, use and management not inconsistent with the laws of the state.

Purpose

The objectives of this review were to determine if:

- Employees were paid for actual hours worked.
- Only eligible employees received wages.
- Accruals and use of paid leave were accurate.
- The reliability and integrity of time sheets and operational information are accurate.

Scope and Methodology

The payroll distribution review was confined to evaluating actual hours worked, wages received by eligible employees, accuracy of vacation and sick leave use and accruals, and the reliability of time sheets. The procedures included inquiries of management and staff and reviews for compliance with applicable laws and regulations. Fieldwork was completed on January 25, 2010.

Exit Conference

An exit conference was conducted at the Recorder of Deeds' Office on February 18, 2010. The Internal Audit Section was represented at the exit conference by Dr. Kenneth M. Stone, CPA-Internal Audit Executive; Dr. Ishmael Ikpeama-Audit Supervisor; Chance Key, Auditor-In-Charge.

The Recorder of Deeds' Office was represented by Honorable Sharon Carpenter-Recorder of Deeds; Peggy Meeker-Deputy Recorder of Deeds; Peggy Sarich-Administrative Assistant.

Management's Responses

Management's responses to the observations and recommendations noted in this report were received from the Recorder of Deeds' Office on March 2, 2010. The responses have been incorporated into this report.

OBSERVATIONS

Status of Prior Observations

There were no prior observations relating to payroll distribution reviews.

Summary of Current Observations

The opportunity exists for the department to improve its operations and internal controls over its payroll activities. The following observations were noted:

1. Opportunity to comply with Code of State Regulation (CSR) Title 1 Division 20 Chapter 5 (E) regarding compensatory time, questioned costs \$62,054.
2. Opportunity to ensure employees' time worked is accurately documented.
3. Opportunity for automation and standardization of time sheets.

**DETAILED OBSERVATIONS, RECOMMENDATIONS
AND MANAGEMENT'S RESPONSES**

1. Opportunity To Comply With Code Of State Regulation (CSR) Title 1 Division 20 Chapter 5 (E) Regarding Compensatory Time, Questioned Costs \$62,054.

Individual Employee Time Earned and Used Record prepared for compensatory time earned were not accurate and did not agree with daily time sheets prepared. Forty-five employees out of forty-six (98%) employees were paid for eight (8) hours each per day but worked less than eight (8) hours per day. The amount expended from August 1, 2009 through December 31, 2009 was \$12,647 for unearned hours. An additional \$4,306 was paid for unearned compensatory time.

The employees were paid or given two (2) times their hourly salary for compensatory time. The Fair Labor Standards Act (FLSA) requires that compensatory time should be earned at a rate not less than one and one-half times the employees' regular rates of pay for all hours worked over 40 in the workweek.

Code of State Regulation (CSR) Title 1 Division 20 Chapter 5 (E) states "...shall be compensated at the regular rate of pay for their positions or, at the discretion of the appointing authority, by allowing an equal amount of compensatory time off for those work assignments which cause the employee to exceed forty (40) hours in pay status during a workweek. An employee shall receive an additional one-half (1/2) time compensation, by pay or compensatory time off, any hours of work which exceed forty (40) hours actually worked within the workweek".

Total compensatory time, from August 1, 2009 through December 31, 2009, earned was not calculated in accordance with Code of State Regulation (CSR) Title 1 Division 20 Chapter 5 (E). It appears that 223 hours or \$4,306 of compensatory time which employees did not earn was paid or given to them.

Based on the incorrect methodology used to calculate the compensatory time, the total compensatory balance for the Recorder of Deeds' Office, as of December 31, 2009, was \$45,101 which is a potential liability to the City of St Louis.

The Deputy Recorder of Deeds informed the auditor that the method of calculating compensatory time has been the practice in the Recorder of Deeds' Office for many years.

Recommendation

It is recommended:

- The Recorder of Deeds comply with Missouri State Regulation Title 1 (CSR) Division 20, Chapter 5 (E).

Continued

- The Recorder of Deeds cease these payroll practices that are costing the City of St Louis an extra \$62,054.

Management's Response

The Recorder of Deeds was never made aware of a Missouri State Regulations Title 1 (CSR) Division 20, Chapter 5 (E) until the exit interview. It is our hope to be notified by the Comptroller's Office of any new or additional Regulations by the State. The Recorder of Deeds Office after review of the regulations is now following the State Code.

2. Opportunity To Ensure Employee Time Worked Is Accurately Documented

Payroll records indicating hours worked were not accurate and did not agree to daily time sheets prepared by the Recorder of Deeds' Office. For example, one employee's Individual Employee Time Earned and Used Record indicated she worked 40 hours during the pay period ending January 2, 2010, while the daily sign-in sheet showed zero hours actually worked for the week. The supervisor did not sign the employee's Individual Employee Time Earned and Used Record.

Time sheets prepared by the Recorder of Deeds' Office sometimes were not signed by either the employee or the supervisor. Adequate control over payroll disbursements requires documentation, such as properly completed time sheets signed by employees and approved by supervisors, to provide evidence of time worked. It was determined that some time sheets could not be located in the Recorder of Deeds' Office before August 1, 2009 because they may have been misplaced during remodeling of the office.

The Code of Federal Regulations Title 29 Subtitle B Part 516.6 (a) (1) requires each employer to preserve supplementary basic records for a period of at least two years.

The lack of proper attendance records (time sheets) may increase the following risks:

- Actual hours worked daily may not be properly accounted for and determined.
- Hours for which employees are paid may not be properly verified and supported.
- Starting and ending times may not be documented.
- Employees may be paid for hours not worked.

Recommendation

It is recommended that the Recorder of Deeds' Office:

- Adequately review employee's time sheets for accuracy including signatures of the employee and supervisor's approval.

Continued

- Maintain and preserve the records in compliance with the regulation for at least 2 years.

Management's Response

No employee was ever paid for hours not worked and the Recorder of Deeds feel that the employee's actual work hours were properly accounted for by both the Supervisor and Chief Deputy.

3. Opportunity For Automation And Standardization Of Time Sheet

The Recorder of Deeds' Administrative Assistant processes time sheets manually. Manual processing of time sheets increases the possibility of errors occurring.

Good management and industry practices recommend automation of the organization's time sheets for efficiency and effectiveness.

Manual processing of time sheets increases the possibility of errors occurring.

The Recorder of Deeds' Office may not have considered the automation and standardization of time sheets.

Recommendation

It is recommended that the Recorder of Deeds' Office consider the automation of processing and standardization of its time sheets to improve efficiency and effectiveness.

Management's Response

The Recorder of Deeds before the audit was in the process of reviewing different automation systems for processing and standardization of time sheets. The Office is now in the process of getting three quotes.