

The seal of the Missouri State Auditor is circular and features a central figure holding a scale and a sword. The text around the seal reads "SEAL OF THE STATE AUDITOR" at the top, "JUSTICE WE STAND DIVIDED" in the middle, and "1820 MISSOURI 1892" at the bottom.

Nicole Galloway, CPA

Missouri State Auditor

City of St. Louis

Office of Collector of Revenue

Report No. 2020-053

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CITIZENS SUMMARY

Findings in the audit of City of St. Louis Collector of Revenue

Procurement Procedures, Contracts, and Disbursements	Controls and procedures over procurement and contracts for professional services and department disbursements need improvement. The Collector of Revenue did not solicit proposals or conduct a competitive selection process for various professional services, such as legal and consulting services. A relative of a high ranking office employee was hired without documenting the reason why, creating the appearance of a conflict of interest. On some out-of-state trips, office personnel used the office's credit card to purchase alcohol and did not provide detailed support for meals purchased.
Payroll Controls and Procedures	The office did not properly report the total value of personal and commuting mileage for the Chief of Staff's use of a city vehicle on his W-2 form. Timesheets are not maintained for employees of the Collector's office. The office does not submit employee leave records to the Comptroller's office to maintain and reconcile with the city's centralized leave records.
Receipt and Deposit Controls and Procedures	The office needs to improve verifications of receipts and deposits. Daily batch reports are not consistently signed to document employees' verification of payments received. Office personnel did not obtain customer acknowledgment documentation for 3 of 6 prepayment void motor vehicle and license transactions tested.

In the areas audited, the overall performance of this entity was **Good**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

City of St. Louis - Office of Collector of Revenue

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Honorable Gregory F. X. Daly,
Collector of Revenue
City of St. Louis, Missouri

We have audited certain operations of the City of St. Louis Office of Collector of Revenue in fulfillment of our duties under Section 29.200.3, RSMo. The State Auditor initiated audits of the City of St. Louis in response to a formal request from the Board of Aldermen. The city engaged KPMG LLP, Certified Public Accountants (CPAs), to audit the city's financial statements for the year ended June 30, 2018. Additionally, the City of St. Louis Office of Collector of Revenue engaged KPMG LLP, to audit the office's financial statements for the year ended March 3, 2019. To minimize duplication of effort, we reviewed the CPA firm's report for the year ended March 3, 2019. The scope of our audit included, but was not necessarily limited to, the year ended March 3, 2019. The objectives of our audit were to:

1. Evaluate the office's internal controls over significant management and financial functions.
2. Evaluate the office's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

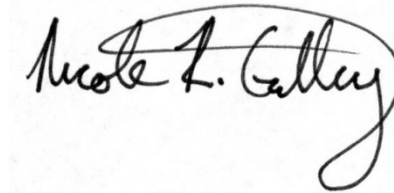
Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of applicable contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the office's management and was not subjected to the procedures applied in our audit of the office.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the City of St. Louis Office of Collector of Revenue.

Additional audits of various officials and departments of the City of St. Louis are in process, and any additional findings and recommendations will be included in subsequent reports.

A handwritten signature in black ink that reads "Nicole R. Galloway". The signature is written in a cursive style with a large, looping flourish at the end of the name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

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Management Advisory Report

State Auditor's Findings

1. Procurement Procedures, Contracts, and Disbursements

Controls and procedures over procurement and contracts for professional services and department disbursements need improvement. The Collector of Revenue expended approximately \$8.7 million during the year ended March 3, 2019.

1.1 Professional services and contracts

The Collector of Revenue did not solicit proposals or conduct a competitive selection process for various professional services, such as legal and consulting services. The Collector of Revenue also did not always enter into contracts with the providers selected. While the Collector of Revenue has a written bidding policy, it is vague regarding professional services. The policy only requires bids if a purchase request is greater than \$5,000.

During the 2 years ended March 3, 2019 and 2018, the Collector of Revenue used the services of 5 private attorneys and 1 law firm to handle all court cases pertaining to real estate and personal property taxes, city earnings and payroll expense taxes, and civil litigation. Requests for proposals were not solicited for any of these legal services. Payments for legal services are listed in the following table:

Vendor	Year Ended March 3,		Competitively Procured	Written Contract
	2019	2018		
Attorney #1 (1)	\$ 244,751	\$ 0	No	No
Attorney #2 (2)	126,495	142,103	No	Yes
Attorney #3 (2)	65,368	79,606	No	No
Attorney #4 (2)	38,203	40,112	No	No
Attorney #5 (1)	0	211,156	No	No
Law Firm (3)	33,150	107,978	No	No
Totals	\$ 507,967	\$ 580,955		

- (1) Each attorney was paid a 10 percent fee in accordance with state law for personal property cases. Attorney 1 worked as an intern for attorney 5 and then replaced attorney 5 when he retired.
- (2) Each attorney was paid a 6 percent fee in accordance with state law for real property cases. In addition, attorney 2 was also paid a retainer of \$6,000 per month for earnings tax matters and general matters.
- (3) The firm was paid an hourly rate for earnings tax cases and civil litigation.

The Collector of Revenue did not enter into formal written contracts with any of these attorneys or the law firm except for Attorney #2. In addition, the law firm was paid on an hourly rate from monthly billings.

The Collector of Revenue also has not bid consulting services for human resources and public relations since at least 2010. The contract with the current vendor began on March 1, 2010.



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Soliciting proposals for professional services is a good business practice, helps provide a range of possible choices, and allows the Collector of Revenue to make better-informed decisions to ensure necessary services are obtained from the best qualified provider taking expertise and experience into consideration. Written procedures should be established and followed to ensure consistency when soliciting proposals. In addition, Section 432.070, RSMo, requires contracts for political subdivisions to be in writing. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings.

1.2 Conflict of interest

Attorney #1 noted in section 1.1, is the daughter of the Collector of Revenue's Chief of Staff. Business relationships that impair independence reduce the effectiveness of controls and decision making and harm public confidence. If a relative is selected as a vendor, documenting why that person was selected could help reduce the appearance of a conflict of interest.

1.3 Inappropriate or unsupported credit card purchases

On some out-of-state trips, office personnel used the office's credit card to purchase alcohol and did not provide detailed support for meals charged. The office also does not have policies detailing what can or cannot be purchased with the card or when traveling.

The Chief of Staff and 2 other employees attended a conference in Chicago, Illinois. Detailed restaurant charge slips showed the purchase of alcohol on at least two occasions during this trip. On the first night of the trip, dinner for the Chief of Staff and the 2 employees totaled \$119, which included alcohol purchases totaling \$36. On the second night of the trip, they purchased alcohol totaling \$61 at the same restaurant prior to eating dinner at another restaurant. For the dinner purchase, only a restaurant charge slip showing the total amount of \$89 charged was submitted rather than a detailed restaurant invoice or receipt slip. On another occasion, the Chief of Staff and 2 other employees took a trip to Cleveland, Ohio. The documentation for meal costs only showed \$79 charged rather than the detailed restaurant receipt or invoice. Without the detailed invoice or receipt, it is unclear what was purchased. While the Collector of Revenue's office is not required to follow the city's travel policy, that policy limits dinner meals to \$25 per person while traveling for city business.

Public funds should be spent only on items necessary and beneficial to the city. City residents have placed a fiduciary trust in their public officials to spend tax monies in a prudent and necessary manner. In addition, detailed supporting documentation improves the Collector of Revenue's ability to review charges and provides better documentation of the items purchased to ensure charges are reasonable and a prudent use of taxpayer funds. Also, a comprehensive policy establishing appropriate purchases and travel expenses would provide a more effective framework for economical management of city resources.



Recommendations

The Collector of Revenue:

- 1.1 Solicit proposals for professional services and update the bidding policy to address professional services. In addition, enter into written agreements for those services as required by state law.
- 1.2 Document explanations for why certain vendors were selected to avoid appearances of a conflict of interest.
- 1.3 Ensure all disbursements are a necessary and prudent use of public funds and are supported by proper detailed documentation. In addition, the Collector of Revenue should establish a more detailed purchasing policy.

Auditee's Response

- 1.1 *The Collector of Revenue's (COR) office is completely compliant with Missouri law in its employment of professional services and department disbursements.*

The COR hires lawyers according to the Revised Missouri State Statute (RSMo) 92.770. Based upon the auditor's own numbers, the COR spent a total of \$1,088,922 on legal services in the years 2018 and 2019. Only \$141,128 was paid by the COR for legal fees, as the remaining \$947,194 in legal fees was paid by the individual taxpayers who violated Missouri tax laws.

Hiring Attorneys

Under Missouri State Statute 92.770.1, the Collector of Revenue "may employ such attorneys as he deems necessary to collect taxes and prosecute suits for [unpaid] taxes." The auditor may not understand that the legal fees related to tax collection and prosecution are established by state statute and are not negotiable by an individual attorney or law firm. Attorneys are paid by the number of cases they manage, not by fees they set. Specifically, the statute provides:

Such attorneys shall receive as total compensation a sum, not to exceed six percent of the amount of taxes actually collected and paid into the treasury, and an additional sum not to exceed two dollars for each suit filed when publication is not necessary and not to exceed five dollars where publication is necessary, as may be agreed upon in writing and approved by the collector, before such services are rendered.



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The attorney fees shall be taxed as costs in the suit and collected as other costs.

RSMo 92.770(2) and (3)

Given this state statute, there is no financial benefit to the taxpayer to undergo the costs of a competitive selection process or to secure a contract for attorneys who collect back taxes.

The Collector of Revenue chooses attorneys with the specific legal expertise and knowledge required to properly serve the people of the City of St. Louis. The attorneys we hire treat taxpayers with integrity and respect, which is an important factor in retaining legal counsel.

St. Louis taxpayers deserve to have qualified, knowledgeable legal representation. The COR has one attorney that is paid an hourly rate for civil litigation. This attorney has had a relationship with the office for more than 10 years. He provides a competitive government rate, which is 25 percent below his regular hourly rate. In the last 10 years, this lawyer has successfully prosecuted or defended multiple taxpayer lawsuits, some of which challenged the constitutionality of the earnings tax and/or the payroll tax while others involved interpretations of these laws advanced by taxpayers to avoid paying the taxes. These two sources of revenue are a tremendous portion of the revenue to the city relies on for operations. This successful litigation has saved taxpayers hundreds of millions of dollars in potentially lost taxes. The loss of this litigation could have bankrupted the City of St. Louis.

Hiring a Consultant

The contract with the public relations and human resources professional remains a valid contract, despite the longevity of her service to the office. This consultant was hired by the previous Collector of Revenue and has been retained for over a decade because she does an excellent job and has valuable historical knowledge of the office, of the city and of the local media. Since she has been working with the office, she has not increased her fee.

While there is no Missouri law that requires this action, if the need arises to replace a professional services provider, the COR will consider putting the project out for bid and ensure there is a current contract in place.

Finally, the Collector of Revenue's office does have a detailed purchasing policy and has followed this policy to the letter. There



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was no legitimate issue found in the portion of the audit that would require an improvement in this area.

- 1.2 *Section 105.452, RSMo, defines "nepotism" as relatives of the elected official and not relatives of employees of the office. Unless the Collector is hiring his own relatives, which he has not done, there is no nepotism.*

There is no conflict of interest violation under the law, nor has any business relationship impaired the independence or reduced the effective controls in decision making due to the business decision to continue to utilize a law firm that employs the daughter of the Collector of Revenue's Chief of Staff.

The Collector of Revenue has been using the same law firm for more than 40 years to collect unpaid earnings, payroll, and property taxes. When the principal lawyer from the law firm retired, a new attorney was chosen to be the lead contact at that firm by the COR from among other firm lawyers because she had previous experience and extensive knowledge in the tax collection arena. As noted above, this attorney's fees are fixed pursuant to state statute and are non-negotiable. The benefits of utilizing a law firm and lawyers with extensive experience in this area far outweigh the concerns brought forward by the auditor.

While there is no conflict of interest or nepotism in the office, the COR will document the reasons for choosing specific lawyers.

- 1.3 *The use of the Collector of Revenue credit card to purchase \$97.00 in alcohol was an oversight. The staff member who purchased the alcohol believed he had paid the bill on a different credit card. Once it was brought to the attention of the office, it was reimbursed. Collector of Revenue employees rarely travel on office business. As an independent office, the COR is not required to follow city policy limiting dinner to \$25 per person. We believe the amount of \$89.00 spent on dinner for three people is not excessive.*

While there has been no impropriety, to aid in the future, the COR will establish a written travel expense policy.

Auditor's Comment

- 1.1 *While Section 92.770, RSMo does not require soliciting proposals for legal services for the collection of taxes, soliciting proposals for all services remains a good business practice and allows for better, informed decisions. In addition, Section 432.070, RSMo, requires contracts for political subdivisions to be in writing.*



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The purchasing policy provided by the Collector of Revenue's office does not specifically address soliciting proposals for all professional services. The policy states 3 vendors will be contacted to obtain bids if the request is over \$5,000 and 1 individual is responsible for goods and the other for services.

- 1.2 The finding does not indicate the contracting with the Chief of Staff's daughter as an attorney is a violation of Chapter 105, RSMo. Rather, the contracting with a staff member's relative gives the appearance a conflict may exist, particularly given that there was no competitive selection, as noted in section 1.1. Documentation supporting vendor selection would help reduce the appearance of conflicts of interest.

2. Payroll Controls and Procedures

Improvement over payroll controls and procedures is needed. The Collector of Revenue's payroll expenses totaled approximately \$6.2 million for the year ended March 3, 2019.

2.1 Commuting miles

The Collector of Revenue's office did not properly report the total value of personal and commuting mileage for the Chief of Staff's use of a city vehicle on his 2018 W-2 form. In addition, a vehicle usage log to document business, commuting, and personal use of the vehicle was not maintained.

The office maintains a Ford Explorer assigned to the Chief of Staff. Office personnel indicated this is a multiple-user vehicle for office business, but due to the lack of secure overnight parking, it is removed from city property each night by the Chief of Staff and used for commuting to and from his home. The Chief of Staff reports personal and commuting mileage to the city for inclusion on his W-2.

The Chief of Staff only reported 1,125 personal miles and 120 commuting miles to the city for calendar year 2018. However, the round trip distance between city hall and the Chief of Staff's residence is approximately 18 miles. If the vehicle was used for daily commuting as indicated, the estimated commuting mileage for calendar year 2018 was likely significantly underreported by thousands of miles and the fringe benefit also underreported on his W-2. Without a vehicle log to document additional business usage, it is unclear whether the vehicle is necessary.

IRS reporting guidelines in Publication 15-B indicate personal and commuting mileage is a reportable fringe benefit and require the value for all use of the provided vehicle to be reported if the employer does not require submission of detailed logs that distinguish between business and personal use. In addition, because the fringe benefit was underreported, the city may be subject to penalties and/or fines for failure to report all of the taxable benefit. A vehicle log would help document that all personal and commuting



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mileage is properly reported and would provide information to determine if the vehicle's business usage supports its continued retention.

2.2 Time records

Timesheets are not maintained for office employees. Instead, employees are required to sign and note the time on a sign-in sheet upon arrival to work each morning. Midday, these sheets are collected and signed by each department supervisor and then forwarded to human resources for processing. If an employee does not sign in, an absentee report is filled out by the supervisor for that day. A sign-out sheet is not completed to note when employees leave for the day; therefore, total hours worked for the day cannot be determined.

To adequately account for all payroll expenses and ensure the accuracy of hours worked, employees should prepare and sign timesheets, and timesheets should contain documented supervisory or independent reviews. In addition, the Fair Labor Standards Act under 29 CFR Section 516.2(a) requires records of actual time worked by employees be maintained.

2.3 Centralized leave records

The Collector of Revenue does not submit employee leave records to the Comptroller's office to maintain and reconcile with the city's centralized leave records. While records of vacation leave, medical/sick leave, and compensatory time earned, taken, or accumulated are prepared and maintained by the Collector of Revenue, they are not submitted to the Comptroller's office to be properly accounted for by the city.

By not submitting complete leave records to the Comptroller's office, city officials cannot ensure the compensatory time and leave usage and balances for Collector of Revenue employees are accurate and properly accounted for. Centralized records also aid in ensuring equitable treatment of employees, and help demonstrate compliance with the Fair Labor Standards Act.

Recommendations

The Collector of Revenue:

- 2.1 Comply with IRS guidelines for reporting fringe benefits related to personal and commuting mileage and require logs that distinguish between business and personal/commuting use. In addition, the Collector of Revenue should evaluate whether a city-owned vehicle is necessary for the Chief of Staff.
- 2.2 Maintain sufficient documentation of actual time worked that is prepared and signed by employees and reviewed and approved by the supervisor.
- 2.3 Ensure records of vacation leave, medical/sick leave, and compensatory time are forwarded to the Comptroller's office.



Auditee's Response

- 2.1 *The Chief of Staff transposed his commuting mileage on his W-2 forms to the benefit of the city and to his own detriment. He overstated his personal miles and understated his commuting miles, which means he paid more income tax than he should have for his personal miles and taxpayers paid less. There are a few things that need to be clarified in the mileage calculation by the auditor. 1) The Chief of Staff takes a different route to the office that has fewer miles than the auditors calculated. (10 miles versus 18 miles). 2) The Chief of Staff regularly visits banks and other businesses on official business on the way into the office in the morning or on the way home. 3) The Chief of Staff is regularly on the phone with local businesses or solving problems at the office on his way into or home from work. Those miles are not calculated in his personal miles. 4) The Chief of Staff has a personal car, and drives that in the evenings and on weekends when doing personal business.*

The office has already completed an evaluation as to the number of cars the office needs to conduct business. Over the last several years, the COR has reduced the number of office cars from seven cars to three cars. Each of these vehicles is properly dedicated to office use and mileage records are retained.

The Chief of Staff will rectify the mileage log and record his personal miles for IRS reporting.

- 2.2 *Evening timesheets are not necessary to ensure people are working efficiently on behalf of taxpayers. Right now, the office goes above and beyond the recommendations of the auditor to maintain documentation of the actual time worked for all employees. The COR has an effective process in place to document every employee's hours. The COR utilizes its trained managers to keep proper track of the hours employees work each day. These hours are recorded and managed by the Human Resources Manager, who has extensive experience in this area. Then these hours are reviewed by supervisors for accuracy and reflected on the employees pay stub. There are sufficient checks and balances in place today to ensure employees are working proper hours. Adding another step to the process provides no additional benefit to the checks and balances in the office.*

- 2.3 *There is no policy, ordinance, or state statute that requires the COR to report employee leave records to the Comptroller. The auditors are working under the misconception that the Comptroller's Office reconciles payroll time for every COR employee. They do not. In fact, the COR conducts more checks and balances than the Comptroller's Office does related to our staff.*



The COR has exceptional procedures in place to ensure payroll expenses are accurate, calculated properly and with sufficient oversight by management and each employee. The COR Human Resources Manager creates a report each pay period for all levels of managers to review with a summary of each employee's hours worked, time accrued, and time utilized. The employee also gets a copy of his/her own documentation so it's reviewed by the employee and several levels of management.

The office regularly conducts salary reviews for all employees to ensure the office is in compliance with all laws and ordinances.

Auditor's Comment

- 2.1 As discussed in the finding, the route calculated is 18 miles round trip from the Chief of Staff's residence to city hall. The 10 mile route mentioned in the auditee's response is for a one-way trip. In addition, maintaining a vehicle usage log to document business, commuting, and personal use of the vehicle would help reduce uncertainty about the use of the vehicle.
- 2.2 Failing to obtain time records documenting the time in and out and/or total hours worked per day that are verified by the employee and supervisor, such as a timesheets, prevents the Collector of Revenue's office from adequately accounting for the actual number of employee hours worked and the accuracy of payroll expenses.
- 2.3 Submitting employee leave records to the Comptroller's office allows someone independent of the Collector of Revenue's office to ensure the leave balances are accurate and properly accounted for.

3. Receipt and Deposit Controls and Procedures

The Collector of Revenue does not require employees to document verifications of receipts and deposits.

During the year ended March 3, 2019, the Collector of Revenue processed receipts of property taxes, earnings taxes, water and sewer and trash billings, motor vehicle sales taxes and registration fees, and driver's license fees totaling approximately \$734 million.

3.1 Receipts and deposits

Daily batch reports are not consistently signed to document employees' verification of receipts and deposits of payments received. In addition, the numerical sequence of receipt slips issued is not accounted for.

Employees in the Collector of Revenue's Finance Department and the Motor Vehicle and Driver's License Department receive payments at their respective collection windows. As payments are received and entered into the system, a receipt slip is generated. At the end of the day, a daily batch report is printed and turned over to the finance department along with the collections received to be verified and processed for deposit. Staff in both departments indicated



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they verify the daily batch reports of collections with the monies remitted for deposit. Established procedures require staff performing the verification to initial or sign the batch reports and deposit records to document the review. We noted this procedure is not consistently applied. In addition, the numerical sequence of receipts issued is not accounted for and the composition of receipts is not reconciled with the composition of the deposits and, as a result, there is less assurance all monies received are deposited.

To ensure receipts have been properly processed, collection reports should be verified with monies received. These procedures should be consistently documented with the reviewing employee's signature on the related collection report to provide assurance to management the procedure was completed. In addition, the numerical sequence of all receipt slips issued should be accounted for and the composition of receipts should be reconciled to the composition of the deposits.

A similar condition was noted in our prior audit report. In the *Follow-Up Report on Audit Findings City of St. Louis Office of Collector of Revenue*, Report No. 2018-091, released in September 2018, the office reported this previous recommendation had been implemented; however, we found that the corrective action is not consistently applied and problems continue to exist.

3.2 Prepayment void transactions

The Motor Vehicle and Driver's License Department personnel did not obtain customer acknowledgment documentation for 3 of 6 (50 percent) applicable prepayment void transactions that occurred on February 22, 2019.

A prepayment void transaction occurs when a transaction is entered in the Missouri Department of Revenue (DOR) Titling and Registration Intranet Processing System but is voided before payment is made. Valid reasons for prepayment void transactions include when customers lack sufficient funds to pay for the transaction and entries with incorrect information.

DOR official procedures require customer acknowledgment of a void transaction if a new one is not completed or is completed for a lesser amount. In addition, obtaining a customer's acknowledgement helps ensure the transaction was voided for a valid reason.

Recommendations

The Collector of Revenue:

- 3.1 Require documentation of deposit verification procedures for deposits made by office departments. In addition, the Collector of Revenue should ensure personnel are accounting for the numerical sequence of receipts issued and reconciling the composition of receipts to the composition of deposits.
- 3.2 Ensure all prepayment void transactions are supported by customer acknowledgement of the void, when applicable.



Auditee's Response

3.1 *The COR has been signing water/refuse deposit vouchers daily and the vouchers are verified by two water department and three finance employees to ensure accuracy. DOR deposits are counted, verified and signed off by a finance department employee in the presence of a DOR supervisor and by the employee daily.*

While the audit team was on site, the COR was advised that cashiers needed to verify daily collections (employees verified only discrepancies). The COR immediately implemented a step that would include each cashier signing off on collections after balancing a drawer. Earnings tax deposits are verified by both an earning tax employee and by the finance department.

The auditor is requesting that the COR should account for the numerical sequence of receipts issued and reconcile the composition of the receipts to the composition of the deposits. The process to conduct this numerical sequencing as suggested by the auditor was investigated to determine the feasibility. Transaction numbers are randomly generated by the main frame computer. A reprogramming of the system by an outside party would be required to fulfill this recommendation. The cost to create a specific report to address number sequencing would be about \$5,280.

Given the fact that no money was found to be missing and there were no financial errors found after the office collected taxes of \$800 million, the Collector of Revenue will determine whether cost/benefit of spending additional dollars is a value to the citizens of the city.

3.2 *The requirement for customer-signed documentation acknowledging a void has been implemented. There is no evidence that any void made by employees was improper.*

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Organization and Statistical Information

The Office of Collector of Revenue is an elective office. The Collector of Revenue's duties are defined in Missouri statutes and the City of St. Louis Revised Code. These duties include collecting taxes and fees through the real estate and personal property taxes section; the city earnings taxes and payroll expense taxes section; and the water, sewer, and refuse section of the office. Additionally, the Collector of Revenue collects motor vehicle sales taxes and registration fees and drivers' license fees under a contract with the Missouri Department of Revenue.

Gregory F.X. Daly currently serves as the Collector of Revenue for the City of St. Louis. He has served in that capacity since he was elected to the position and took office on March 5, 2007. His current term expires March 3, 2023. Office functions are performed and supervised by the Collector of Revenue's appointed staff. The Collector of Revenue had 91 full-time and 2 performance employees as of March 3, 2019.