



Office of Missouri State Auditor
Nicole Galloway, CPA

FOLLOW-UP REPORT ON AUDIT FINDINGS

City of St. Louis
Office of Collector of Revenue

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September 2018

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City of St. Louis - Office of Collector of Revenue

Follow-Up Report on Audit Findings

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Missouri State Auditor

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

We have compiled the statuses of the audit report findings contained in Report No. 2009-62, *City of St. Louis, Office of Collector of Revenue*, issued in June 2009, as part of our current audit of the City of St. Louis. These results were determined by city officials and have not been audited. We will evaluate each status and the procedures implemented to address the related audit findings as appropriate in our upcoming audit of the Office of Collector of Revenue. The objectives of the follow-up compilation were to:

1. Provide status information from city officials for each recommendation. The status of each recommendation will be one of the following:
 - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
 - In Progress: Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
 - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
 - Not Implemented: Auditee has not implemented the recommendation and has no specific plans to implement the recommendation.
 - No Longer Applicable: The recommendation is no longer applicable.
2. Compile the information reported.

To obtain the status for each recommendation, we sent questionnaires to the Office of Collector of Revenue that included a brief summary of each finding and recommendation, and requested the status of each finding and a brief description of the steps taken or planned to implement the recommendation or reason(s) why the recommendation has not been implemented or is no longer applicable. This report is a compilation of the information provided, which we received in May 2018.

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

A handwritten signature in black ink that reads "Nicole R. Galloway".

Nicole R. Galloway, CPA
State Auditor

City of St. Louis - Office of Collector of Revenue

Follow-Up Report on Audit Findings

Status of Findings

Finding Title: Bank Accounts

Finding Number: 1.A.

Finding: The Collector of Revenue's office did not competitively procure banking services on a periodic basis and had not executed written depositary agreements.

Recommendation: The Collector of Revenue periodically solicit competitive proposals for banking services and execute written agreements with depositary banks.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

Immediately following our previous audit, we composed and submitted requests for proposals to three banks, but did not make any changes to our major banking service providers. We are currently exploring other options and are in the process of preparing and submitting requests for proposals to three area banking centers including Bank of America, U.S. Bank, and Commerce Bank.

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City of St. Louis - Office of Collector of Revenue
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Bank Accounts

Finding Number: 1.B.

Finding: The Collector of Revenue's office did not monitor daily the collateral securities pledged by the banks to ensure pledged collateral was sufficient. Additionally, no collateral securities were pledged for three of the temporary accounts and, as a result, property tax collections were not secured by the Federal Deposit Insurance Corporation (FDIC) or collateral securities.

Recommendation: The Collector of Revenue establish procedures to actively monitor collateral securities and ensure bank accounts are adequately collateralized. In addition, the Collector of Revenue should require collateral securities be pledged for the temporary accounts or transfer balances from those accounts when FDIC coverage is exceeded.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

The Collector of Revenue's office actively monitors our collateral securities for all accounts including temporary accounts and transfer balances when FDIC coverage is exceeded. Collateral pledges are received on a daily, bi-weekly, and monthly basis depending on each individual account's activity.

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City of St. Louis - Office of Collector of Revenue
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Bank Accounts

Finding Number: 1.C.

Finding: Efforts to contact taxpayers about unclaimed amounts in bank accounts were not always documented.

Recommendation: The Collector of Revenue document efforts to contact taxpayers about unclaimed duplicate payments and outstanding refund checks. If taxpayers cannot be located, the amounts should be turned over to the state's Unclaimed Property Division. Old outstanding checks and unidentified monies should be followed up on and resolved timely.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

When duplicate payments are made on accounts, we immediately notify the taxpayer. If letters are returned by the United States Postal Service, we make every effort to obtain new addresses. If overpayments have not been claimed about 90 days later, we resend notifications. Annually, we rigorously research outstanding checks in attempts to return the funds and transfer outstanding balances to our escheat account. Every two years, we reattempt to contact applicable taxpayers and refund outstanding overpayments, and what is left is turned over to the Missouri State Treasurer.

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City of St. Louis - Office of Collector of Revenue
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Bank Accounts

Finding Number: 1.D.

Finding: The procedures for reconciling bank statements and signing checks were not properly segregated.

Recommendation: The Collector of Revenue properly segregate check preparation, signing, and bank reconciliation procedures or require independent reviews of canceled checks.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

A new process has been implemented, and we are pleased that no irregularities have occurred in this office. Each account is reconciled monthly by a designated finance department employee. The reconciliations are then submitted to and reviewed by the Assistant Collector of Revenue and Deputy Collector. At that time the Deputy Collector also reviews all canceled checks. Each individual signs and dates each reconciliation.

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City of St. Louis - Office of Collector of Revenue
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Expenditures

Finding Number: 2.A.

Finding: The Collector of Revenue did not have a formal written procurement policy. As a result, the decision of whether to solicit competitive bids/proposals for a particular purchase was made on an item-by-item basis. Additionally, while the Collector of Revenue's office indicated bids or price quotes were received for some purchases, the documentation was not retained.

Recommendation: The Collector of Revenue establish formal written procurement policies and procedures, including documentation requirements regarding the bids or proposals received and justification for the vendor selected.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

The Collector's office has established procurement policies and procedures, requiring multiple bids for purchases over \$5,000 unless the item is included in a City of St. Louis or Western States Competitive Alliance contract.

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City of St. Louis - Office of Collector of Revenue
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Expenditures

Finding Number: 2.B.

Finding: The Collector of Revenue's expenditure allocation percentages were not periodically evaluated for reasonableness and documentation supporting the development of the percentages was not maintained. Personnel of the Motor Vehicle and Drivers License Department, who represented about 6 percent of total personnel of the Collector of Revenue's office, were excluded in the development of the percentages because the office considered that department to be independent of the rest of the office and consequently the fees earned by that department were not allocated a portion of office-wide costs. However, it appeared that department also benefited from activities of the office's administrative personnel and certain professional service contracts and should have been allocated some of those costs.

Recommendation: The Collector of Revenue periodically recalculate the cost-allocation percentages, consider including the Motor Vehicle and Drivers License Department in the calculations, and maintain documentation of the calculations and supporting information.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

Following our prior audit, we began allocating costs to the Motor Vehicle and Drivers License office. We annually review all percentages to ensure accuracy.

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City of St. Louis - Office of Collector of Revenue
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Receipt Processing and Account Maintenance Procedures

Finding Number: 3.A.

Finding: Procedures to verify deposits of water bill collections and motor vehicle and drivers license fees were not documented.

Recommendation: The Collector of Revenue require deposit verification procedures be documented for water and motor vehicle and drivers license fee deposits.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

The daily deposit for the water collections is prepared, reviewed, and confirmed by two individuals from the water department and three individuals from the finance department. Each individual initials the daily deposit voucher. The motor vehicle and drivers license collections are balanced to a system-provided total and deposits are prepared by the department Manager. The deposit is then physically verified by the Head Cashier with the Manager as a witness. Both individuals initial the deposit slip.

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City of St. Louis - Office of Collector of Revenue
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Receipt Processing and Account Maintenance Procedures

Finding Number: 3.B.

Finding: Procedures for closing taxpayer accounts on the earnings tax system needed improvement. The duties of processing earnings tax returns and payments and closing taxpayer accounts were not segregated. Taxpayer accounts on the earnings tax system were closed without supervisory review and approval. The reasons for closing accounts were not always clearly indicated on the system.

Recommendation: The Collector of Revenue segregate the duties of closing earnings tax taxpayer accounts and processing earnings tax receipts. Additionally, supervisory approval of closed accounts and detailed descriptions of the closure reasons should be required and documented.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

The Collector's office segregates the duties of closing taxpayers accounts and processing earnings tax receipts in the earnings tax department. The Collector's office continues to have several checks and balances to ensure the integrity of the system. We have implemented formal supervisory approval of closed accounts, and descriptions of closure reasons are documented.

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City of St. Louis - Office of Collector of Revenue
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Vehicle Policies and Records

Finding Number: 4.A.

Finding: The Collector of Revenue did not have written policies addressing the assignment of vehicles to individuals, personal use, or commuting. Officials and other employees with personal and commuting mileage estimated the number of such miles for reporting to the Internal Revenue Service as compensation on their W-2 forms. Additionally, the use of vehicles assigned to the compliance officers was relatively low.

Recommendation: The Collector of Revenue develop written policies addressing the assignment of vehicles to specific employees and periodically evaluate the proper size of the vehicle fleet. The policies should also prohibit personal use and address how commuting is to be documented and reported on W-2 forms.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

Since the last audit the number of vehicles went from 7 to 3. The vehicle assigned to the Deputy Collector is a multiple-user vehicle for office business. Due to lack of overnight secure parking, the vehicle needs to be removed from city property each night and the related commuting mileage is reported on his W-2 form. The Deputy Collector owns other vehicles for personal use. Several years ago, the Collector gave up his city vehicle.

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City of St. Louis - Office of Collector of Revenue
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Vehicle Policies and Records

Finding Number: 4.B.

Finding: Vehicle mileage logs were not maintained for the vehicles assigned to the Chief of Staff and Collector of Revenue, and the logs for the compliance vehicles indicated only the daily beginning and ending odometer readings.

Recommendation: The Collector of Revenue maintain vehicle usage logs with daily destinations, purpose, and odometer readings for all vehicles. The logs should be periodically reviewed and the use of the vehicles evaluated for reasonableness and propriety.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

The compliance department has two vehicles that are exclusively driven by two employees. These vehicles are only driven between the hours of 8 a.m. and 5 p.m., Monday through Friday and for work-related stops in the field. Each vehicle has its own mileage log sheet that is filled out by the employees with the destination address. After a sheet is completed, it is sent to the manager for review and signature.

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