

**OFFICES OF THE
STATE AUDITOR OF MISSOURI
JEFFERSON CITY**

OFFICE OF THE CITY REGISTER
CITY OF ST. LOUIS, MISSOURI
YEAR ENDED JUNE 30, 1988

MARGARET KELLY, CPA



OFFICE OF THE CITY REGISTER
CITY OF ST. LOUIS, MISSOURI

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STATE AUDITOR OF MISSOURI

JEFFERSON CITY, MISSOURI 65102

MARGARET KELLY, CPA
STATE AUDITOR

(314) 751-4824

Honorable Vincent C. Schoemehl Jr., Mayor
and
Pelham J. Robinson, City Register
City of St. Louis, Missouri 63103

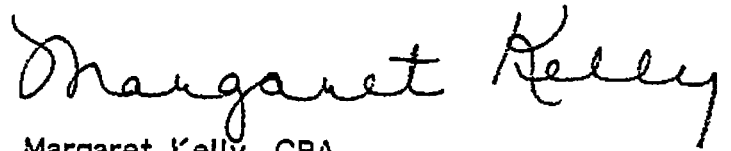
The State Auditor was petitioned under Section 29.230, RSMo 1986, to perform a review of the city of St. Louis, Missouri. Accordingly, we have conducted a review of the Office of the City Register, city of St. Louis. Our review included, but was not limited to, the year ended June 30, 1988. The purposes of our review were to:

1. Study and evaluate the office's system of internal controls.
2. Perform a limited review of certain management practices to determine the efficiency and effectiveness of those practices.
3. Review probable compliance with certain constitutional provisions, statutes, administrative rules, attorney general's opinions, and city ordinances as we deemed necessary or appropriate.
4. Perform a limited review of the integrity and completeness of the office's financial reporting system.
5. Perform procedures deemed necessary to evaluate petitioner concerns.

Our review was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the office's financial records, payroll procedures and documents, expenditures, contractual agreements, and other pertinent procedures and documents; interviewed personnel of the City Register's office; and compiled the information in the appendices from the records and reports of the City Register's office. The data presented in the appendices were obtained from the city's accounting system. However, they were not verified by us via additional audit procedures and, therefore, we express no opinion on them.

The accompanying History and Organization is presented for informational purposes. The background information was obtained from management and was not subject to the auditing procedures applied by us in our audit.

Our comments on management practices and related areas are presented in the accompanying Management Advisory Report.

A handwritten signature in cursive script that reads "Margaret Kelly". The signature is written in dark ink and is positioned above the printed name and title.

Margaret Kelly, CPA
State Auditor

May 10, 1989

HISTORY AND ORGANIZATION

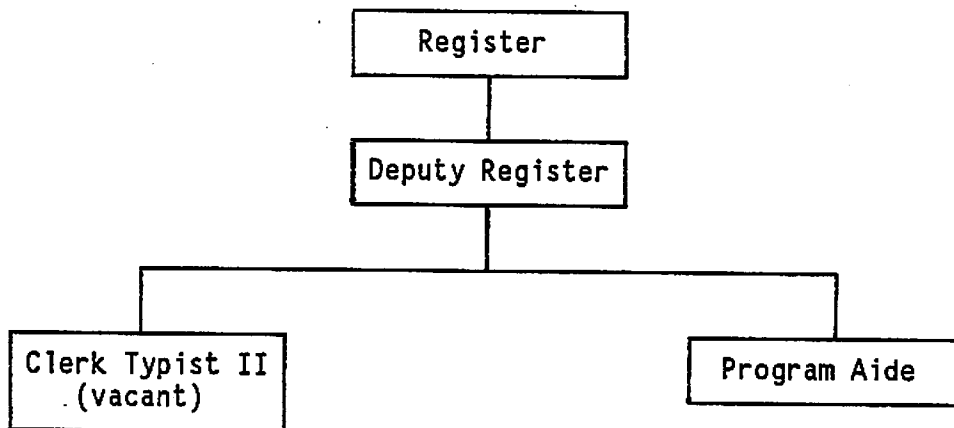
OFFICE OF THE CITY REGISTER
CITY OF ST. LOUIS, MISSOURI
HISTORY AND ORGANIZATION

The Office of the City Register was created under Article IX of the City Charter. Among his responsibilities, the City Register is to have custody of the city seal, original rolls of ordinances, contracts, conditional bonds, title deeds, and other various documents and certificates. The City Register is also responsible for attesting to all instruments signed in the name of the city; he is also charged with the responsibility of administering oaths of office. As provided in the City Code, the City Register shall have control and direction in the preparation and printing of the City Journal.

Pelham J. Robinson currently serves as the City Register for the city of St. Louis. He has served in that capacity since April 1, 1987, when he was commissioned by Mayor Vincent C. Schoemehl Jr.

At April 30, 1987, the City Register had two full-time employees.

OFFICE OF THE CITY REGISTER
CITY OF ST. LOUIS, MISSOURI
ORGANIZATION CHART
JUNE 30, 1988



MANAGEMENT ADVISORY REPORT

OFFICE OF THE CITY REGISTER
CITY OF ST. LOUIS, MISSOURI
SUMMARY OF FINDINGS

1. City Journal (page 9)

The City Register's increase in the City Journal subscription rate was not authorized by city ordinance. In addition, the increase was not made on the basis of a cost analysis.

2. Cash Accounting Controls and Procedures (pages 10-11)

- A. Cash handling and record-keeping functions are not adequately segregated.
- B. Undeposited monies are not adequately safeguarded. In addition, monies are not deposited daily in accordance with Article XV, Section 24 of the City Charter.
- C. Prenumbered receipt slips are not issued for all monies received.
- D. The City Register's \$2 certification fee exceeds the amount provided in the Revised Code.

3. Expenditure Controls and Procedures (pages 11-12)

- A. Expenditure functions are not adequately segregated.
- B. The City Register's manual expenditure ledger is incomplete, inaccurate, and improperly classified. Additionally, it is not reconciled to the Comptroller's expenditure reports on a monthly basis.

OFFICE OF THE CITY REGISTER
CITY OF ST. LOUIS, MISSOURI
MANAGEMENT ADVISORY REPORT

As part of our review of the Office of the City Register, city of St. Louis, for the year ended June 30, 1988, we studied and evaluated the internal accounting control system to the extent needed to evaluate the system as required by generally accepted government auditing standards. For the purpose of this report, we have classified the significant internal accounting controls as cash, payroll, revenues, and expenditures. Our study included each of these control categories. Since the purpose of our study and evaluation was to determine the nature, timing, and extent of our audit procedures, it was more limited than would be needed to express an opinion on the internal accounting control system taken as a whole.

It is management's responsibility to establish and maintain the internal control system. In so doing, management assesses and weighs the expected benefits and related costs of control procedures. The system should provide reasonable, but not absolute, assurance that assets are safeguarded against loss, and that transactions are carried out as authorized by management and are recorded in a manner that will permit the subsequent preparation of reliable and proper financial reports.

Because of the inherent limitations in any internal control system, errors or irregularities may still occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation was made for the limited purpose described in the first paragraph and, thus, might not disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the internal accounting control system of the city taken as a whole. However, our study and evaluation disclosed certain conditions that we believe are material weaknesses and these findings are presented in this report.

We reviewed probable compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate. This review was not intended to provide assurance of full compliance with all regulatory provisions and, thus, did not include all regulatory provisions which may apply. However, our review disclosed certain conditions that may represent noncompliance and these findings are presented in this report.

During our review, we identified certain management practices which we believe could be improved. Our review was not designed or intended to be a detailed study of every system, procedure, and transaction. Accordingly, the findings presented in this report should not be considered as all-inclusive of areas where improvements may be needed.

The State Auditor was petitioned under Section 29.230, RSMo 1986, to audit the city of St. Louis. We included those procedures necessary in our judgment to evaluate the petitioner concerns and those concerns requiring corrective action are addressed in this report.

The period of review for the purposes stated above included, but were not limited to, the period covered by the financial statements for the year ended June 30 1988.

1. City Journal

The City Register is responsible for the sale of and related record keeping for the City Journal. The City Journal is a weekly publication containing pertinent St. Louis government information, such as requests for proposals, Board of Aldermen hearings, and recently passed ordinances. Our review of the City Register's fee structure and related policies revealed the following concerns:

Effective April 1989, the City Register increased the annual subscription rate from \$15 to \$26. This increase was not authorized by a city ordinance. As a result, the City Register circumvented Board of Aldermen approval by failing to obtain ordinance approval for the fee increase. Further, the increase was not made on the basis of a cost analysis and, therefore, may have violated Section 610.026, RSMo Supp. 1988. This section states the fee for providing public records shall not exceed the actual cost of making them available for sale. Because the City Register did not perform a cost analysis to determine the actual cost of making the City Journal available to the public, the fee increase could represent a statutory violation.

The City Register should base all proposed fee changes on a complete cost analysis. Proposed changes should also be presented to the Board of Aldermen for formal approval.

WE RECOMMEND all fee increases be based on a relevant cost analysis and submitted to the Board of Aldermen for formal approval.

AUDITEE'S RESPONSE

Section 610.026, RSMo Supp. 1988, states that fees for public information should be at reasonable rate without exceeding the actual cost of the document search and duplication. The City Journal which is published weekly and made available to subscribers at 50 cents per copy postpaid to their place of business or residence is far more than 50 percent subsidized by the city of St. Louis.

Ordinance No. 61425, authorized the Register to increase the price of the City Journal to \$26 per subscription. Ordinance No. 61524 was approved by Board Bill No. 77, which was introduced on May 5, 1989, to repeal Ordinance No. 58444 which previously set the cost of the subscription at \$15.

The request for the price increase was made to the Ways and Means Committee of the St. Louis Board of Aldermen prior to the submission of Board Bill No. 77.

The reason for the request was due to the increase in Second Class postage in 1988.

2. Cash Accounting Controls and Procedures

The City Register's office collects fees related to the sale of ordinance copies and City Journal subscriptions. Our review of the established accounting controls over the handling and safeguarding of cash revealed the following concerns:

- A. Cash handling and recording functions are not adequately segregated. One individual is primarily responsible for receiving payments, recording payments, and preparing the deposit. This individual also reconciles the receipt records to deposit records. When one individual is responsible for virtually every aspect of an operation, the risk for theft, misuse, or undetected errors is significantly enhanced. To ensure all monies received are appropriately accounted for and deposited, responsibilities related to cash handling and record keeping should be independently assigned.
- B. Undeposited monies are not adequately safeguarded. In addition, monies are not deposited daily in accordance with Article XV, Section 24 of the City Charter. Monies received are stored in a desk drawer which can be locked. On each of several observations, the drawer was not locked. During our review, we noted only thirteen deposits were made during the year ended June 30, 1988. Time lags between deposits ranged from one day to sixty-three days, with deposit amounts ranging from \$457 to \$2,566. To ensure monies are adequately safeguarded, interest earnings are maximized, and city regulations are adhered to, deposits should be made daily in accordance with Article XV, Section 24 of the City Charter. Monies received during the day should be stored in a manner which restricts access.
- C. Prenumbered receipt slips are not issued for all monies received. Receipt slips are supposedly manually numbered upon their use, but, we noted one instance of an unnumbered receipt slip. Use of unnumbered receipt slips provides no assurance all monies received have been appropriately accounted for and subsequently deposited. This risk is further enhanced when one individual is primarily responsible for cash handling and record keeping. To ensure proper accountability over city monies, prenumbered receipt slips should be issued and the numerical sequence should be independently verified. Receipt slip totals should then be independently agreed to deposit records.
- D. Our review of the City Register's fee structure revealed the \$2 certification fee does not comply with Section 3.18.050 of the Revised Code of the city of St. Louis. The code specifies a \$1 fee shall be charged for certification. The City Register's \$2 fee results in noncompliance with city regulations and further, results in overcharges to the public. Records were not available to determine the dollar value of overcharges. The City Register should comply with Section 3.18.050 of the Revised Code by restructuring his fee schedule to comply with allowed charges.

WE RECOMMEND:

- A. Cash handling and record-keeping responsibilities be independently assigned. If this is not feasible, at a minimum, the City Register should conduct periodic comparisons of receipt records to deposit records.
- B. Monies be deposited daily in accordance with Article XV, Section 24 of the City Charter. Monies received prior or subsequent to the daily deposit should be stored in the available lockable drawer.
- C. Prenumbered receipt slips be obtained. The numerical sequence should be verified and the dollar total of receipt slips issued should be independently agreed to deposit records.
- D. The City Register revise his fee structure to comply with Section 3.18.050 of the Revised Code by charging \$1 for record certification.

AUDITEE'S RESPONSE

- A. Three individuals receive monies and issue receipts for cash transactions at the Register's office. The Deputy Register is primarily responsible for preparing the deposit and recording documents. The City Register now conducts periodic comparison of receipt records to deposit records.

- B. Monies received are stored in a secured cash drawer. The drawer is locked when not in use.

The Register's office is now making deposits daily in accordance with the City Charter.

- C. As of July 1, 1989, prenumbered receipts have been utilized. The numerical sequence is independently verified and receipt slip totals are then agreed to deposit records.

- D. Any changes that the Register and staff would make to the fee structure again would be subject to the approval of its supervisory body (the Ways and Means Committee, the St. Louis Board of Aldermen). A request will be made to the Ways and Means Committee to approve the \$2 verification fee.

3. Expenditure Controls and Procedures

- A. Expenditure functions are not adequately segregated. One individual initiates purchases, processes payments, and maintains the expenditure records. When one person is primarily responsible for all aspects of an operation, the risk for misuse and undetected errors is increased. To mitigate this weakness, the responsibilities for initiating purchases and maintaining records should be independently assigned.

- B. The City Register's office processes all payments for goods and services, including personal services, through the Comptroller's office. Monthly, the Comptroller gives the City Register's office reports of monthly and year-to-date charges against appropriations.

The City Register's office maintains a manual expenditure ledger. The ledger does not contain any information relating to payroll expenditures. Further, the ledger contained many classification and mathematical errors. As a result, it was difficult to reconcile the manual ledger to the Comptroller's record of charges against appropriation balances. To ensure all amounts charged against their appropriations represent bona-fide City Register expenditures and appropriation balances are adequate to process payments, it is essential the manual ledger contain complete and accurate expenditure information and be reconciled monthly to the Comptroller's reports.

WE RECOMMEND:

- A. The responsibilities of processing purchases and payments be segregated from the record-keeping function. If this segregation is not feasible, an independent supervisory review of expenditures and related records should be periodically performed.
- B. A complete and accurate manual ledger be maintained and reconciled monthly to the Comptroller's expenditure reports.

AUDITEE'S RESPONSE

- A. Expenditures and purchase requisitions are initiated by the Register and administratively processed by the Deputy Register who carries out the entire administrative function under the supervision of the Register. An independent supervisory review of expenditures and related records is periodically performed.
- B. A complete manual ledger is maintained and reconciled monthly to the Comptroller's expenditure reports.

APPENDICES

Appendix A

OFFICE OF THE CITY REGISTER
CITY OF ST. LOUIS, MISSOURI
STATEMENT OF REVENUES COLLECTED
FOURTEEN MONTHS ENDED JUNE 30, 1988

(U N A U D I T E D)

	Collected Revenues
Sale of publications	\$ 13,981
Total Revenues	\$ 13,981

Appendix B

OFFICE OF THE CITY REGISTER
CITY OF ST. LOUIS, MISSOURI
STATEMENT OF APPROPRIATIONS AND EXPENDITURES - GENERAL FUND
FOURTEEN MONTHS ENDED JUNE 30, 1988

(U N A U D I T E D)

	Appropriations	Expenditures	Appropriation Balance
PERSONAL SERVICE			
Salaries	\$ 56,988	56,124	864
Fringe benefits	7,343	7,286	57
Workers' compensation	350	160	190
Overtime	286	839	(553)
Total Personal Service	64,967	64,409	558
EXPENSE AND EQUIPMENT			
Office supplies	100	95	5
Miscellaneous supplies	7,329	4,030	3,299
Postage	2,500	2,499	1
Office services	140	130	10
Advertising services	150	-0-	150
Miscellaneous contractual services	619	180	439
Total Expense and Equipment	10,838	6,934	3,904
Total General Fund	\$ 75,805	71,343	4,462

Appendix C

OFFICE OF THE CITY REGISTER
CITY OF ST. LOUIS, MISSOURI
COMPARATIVE STATEMENT OF GENERAL FUND EXPENDITURES

(UNAUDITED)

	Year Ended				
	April 30,				
	June 30, 1988*	1987	1986	1985	1984
Salaries	\$ 56,124	39,605	39,821	39,045	38,363
Fringe benefits	7,286	7,212	7,417	8,401	4,403
Workers' compensation - disability	160	317	-0-	-0-	-0-
Overtime	839	228	-0-	-0-	-0-
Office supplies	95	82	795	538	278
Printed supplies	-0-	-0-	-0-	-0-	72,068
Miscellaneous supplies	4,030	7,248	27,753	23,542	27,685
Postage	2,499	940	1,500	988	900
Office services	130	109	331	280	217
Advertising services	-0-	-0-	-0-	2,680	-0-
Printing services	-0-	10,750	21,706	10,679	60,520
Miscellaneous contractual services	180	-0-	-0-	355	2,171
Bookbinding of ordinances	-0-	651	4,150	250	-0-
City journals - ordinances	-0-	142,610	110,043	106,656	-0-
Total	\$ 71,343	209,752	213,516	193,414	206,605

* Fourteen months ended June 30, 1988

* * * * *