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Missouri State Auditor

City of St. Louis
Office of Recorder of Deeds



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Office of the
Missouri State Auditor
Susan Montee, JD, CPA

January 2010

The following findings were included in our audit report on the City of St. Louis, Office of Recorder of Deeds.

Issues were noted in the Recorder's handling of records preservation and technology enhancement fees. The fees are not kept in a fund maintained by the City Treasurer as required by state law, and some purchases from the fund were not bid in compliance with the city's procurement policies.

The Recorder's controls for escrow deposit balances do not ensure the city's records of monies held in trust are sufficient to meet liabilities or are in agreement with escrow deposit records maintained in the Recorder's database. In addition, controls over cash disbursements from the escrow accounts are not sufficient.

The Recorder used a city-owned vehicle for personal use and did not maintain vehicle usage logs to document commuting and personal use of the vehicle.

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YELLOW SHEET

CITY OF ST. LOUIS
OFFICE OF RECORDER OF DEEDS

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STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

Honorable Sharon Quigley Carpenter, Recorder of Deeds
City of St. Louis, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of St. Louis. The city engaged KPMG LLP, Certified Public Accountants (CPAs), to audit the city's financial statements for the years ended June 30, 2009 and 2008. To minimize duplication of effort, we reviewed the CPA firm's audit report for the year ended June 30, 2008, since the audit for the year ended June 30, 2009, had not been completed. We have conducted an audit of the City of St. Louis Office of Recorder of Deeds. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2009. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Determine if the office has adequate internal controls over significant management and financial functions.
3. Determine if the office has complied with certain legal and grant provisions.

Our methodology included reviewing 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. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We 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 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. However, providing an opinion on

compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

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 History and Organization 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.

The accompanying Management Advisory Report presents our findings arising from our audit of the City of St. Louis Office of Recorder of Deeds.

Additional audits of various officials and departments of the City of St. Louis fulfilling our obligations under Section 29.230, RSMo, are still in process, and any additional findings and recommendations will be included in subsequent reports.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Robert Showers, CPA
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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

OFFICE OF RECORDER OF DEEDS
CITY OF ST. LOUIS, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Special Funds Bank Account Controls and Procedures
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The Recorder of Deeds (the Recorder) collected approximately \$229,000 in fiscal year 2009 in fees for records preservation, technology enhancement, and Internet access to recorded documents. The following issues were noted regarding the Recorder's handling and use of these fees:

- A. Records preservation and technology enhancement fees are deposited into a separate bank account maintained by the Recorder. However, Sections 59.319 and 59.800, RSMo, require records preservation and technology funds be kept in a fund maintained by the City Treasurer.

The Recorder's responses to internal audit recommendations issued by the City Comptroller indicate she has consulted with the City Treasurer about holding these monies; however, an agreement has not been reached to allow for the transfer of custody of the account to the Treasurer.

- B. Some purchases from the Recorder's special funds bank account were not bid in compliance with the city's procurement policies. No information was available to document networking and related services costing approximately \$36,000 were competitively procured. The Internet systems manager is responsible for procurement of the office's information systems and related services. The Internet Systems Manager indicated he performs inquiries and analysis of new purchases but does not formally document the procurement process or decisions.

The Recorder has adopted city policies on procurement. City policies require bids for purchases of goods exceeding \$500 and services exceeding \$5,000. The Recorder's office should ensure city policies are followed and procurement procedures are documented and retained.

WE RECOMMEND the Recorder of Deeds:

- A. Remit record preservation and technology fund monies to the City Treasurer's custody.
- B. Ensure expenditures are bid in compliance with city policies and retain documentation of procurement procedures and decisions.

AUDITEE'S RESPONSE

The Recorder provided the following written responses:

- A. *The Recorder of Deeds Sharon Quigley Carpenter has previously contacted the City's Treasurer Larry Williams and discussed in detail the Recorder's Preservation Account. Since the fund is audited by the City Comptroller and verified by the City Treasurer, it was agreed that the Recorder's Office would continue to make the daily deposits.*
- B. *The Internet systems manager does research and analysis on equipment to be purchased and will now keep a file on the results of his inquiries.*

2. Escrow Deposit Controls and Procedures
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The Recorder's controls for escrow deposit balances do not ensure the city's records of monies held in trust are sufficient to meet liabilities or are in agreement with escrow deposit records maintained in the Recorder's database. In addition, controls over cash disbursements from the escrow accounts are not sufficient.

The Recorder receives escrow monies from businesses which are deposited with the City Treasurer. The businesses then access services through the Recorder's office and the fees for the services are deducted from the businesses' escrow accounts. In addition to the deposit and use transactions, the businesses may make cash withdrawals from their accounts on a daily basis. The deposit, use, and cash withdrawal transactions are accounted for in the Recorder's data base as escrow accounts.

The City Treasurer does not maintain records of the monies held in trust; however, the escrow deposits are accounted for in a liability account by the City Comptroller. The Comptroller reduces the escrow liability balance based on usage reports provided by the Recorder.

- A. The Recorder does not reconcile the City Comptroller's liability totals to escrow account records maintained in the Recorder's data base. The City Comptroller's escrow liability balance, as of June 30, 2009, was approximately \$362,000, while the actual balance of escrow funds held by the City Treasurer was approximately \$139,000 according to Recorder's office data, a difference of approximately \$223,000. As a result, it appears the City Comptroller's account for escrow liability and the city's liability on financial statements are overstated.

Periodic reconciliations of the Recorder's records of escrow account balances to the City Comptroller's liability balance are necessary to ensure proper accounting and reporting of escrow account transactions.

- B. The Recorder did not maintain sufficient documentation of cash withdrawal transactions from the escrow accounts. During the year ended June 30, 2009,

approximately \$37,000 in cash was withdrawn from the escrow account by the various companies that maintain escrow balances. Although the transactions appear to be accurately recorded in the Recorder's data base, there were no records verifying the businesses' employees received the cash. Withdrawals were documented on sticky notes by the cashiers, and the sticky notes were retained with the daily receipt deposit and reconciliation records. However, the signatures of the employee receiving the cash withdrawals were not obtained and other relevant details associated with the withdrawals were not recorded.

In June 2009, as a result of audit inquiries, the Recorder developed a form which documents all relevant information for each withdrawal and requires the signatures of both the escrow company employee and the cashier completing the transaction. However, prior to the development of this form, the escrow balances were at risk of inappropriate distribution for unauthorized purposes.

WE RECOMMEND the Recorder of Deeds:

- A. Periodically reconcile escrow balance data to the City Comptroller's escrow liability balances, identify unreconciled balances, and work with the City Comptroller to ensure records of liabilities are accurate and fairly stated on the city's financial reports.
- B. Ensure escrow cash withdrawal transactions are properly documented and reconcile the withdrawal documentation to daily cashier reports.

AUDITEE'S RESPONSE

The Recorder provided the following written responses:

- A. *The Recorder of Deeds attempts to reconcile all accounts quarterly with the Comptroller's Office, however, escrow accounts are reconciled daily with clients. The Recorder's Office will continue to work with the Comptroller's office to identify any discrepancies.*
- B. *The Recorder's Office has implemented this recommendation.*

3.

Vehicle Usage Logs

The Recorder used a city-owned vehicle for personal use and did not maintain vehicle usage logs to document commuting and personal use of the vehicle. The Recorder reported estimated personal usage of 4,000 miles and commuting usage of 4,844 miles to the City Comptroller's office for calendar year 2008 and was taxed for this usage. The Recorder does not maintain a vehicle usage log to document miles driven for official, commuting, and personal use. Service department records show the vehicle was driven a total of approximately 13,000 miles during 2008.

Without adequate usage logs, the Recorder cannot effectively demonstrate the purpose for which the vehicle is used. Vehicle usage logs should include trip information (i.e., beginning and ending odometer readings, destination, and purpose).

WE RECOMMEND the Recorder of Deeds prepare a vehicle usage log to ensure personal and commuting mileage reported for compensation is adequately supported.

AUDITEE'S RESPONSE

The Recorder provided the following written response:

The Recorder has implemented this recommendation.

HISTORY AND ORGANIZATION

CITY OF ST. LOUIS
OFFICE OF RECORDER OF DEEDS
HISTORY AND ORGANIZATION

The Office of Recorder of Deeds is an elective office. The office's duties are defined by Missouri statutes and city ordinances. Duties include preserving and providing public access to public records affecting title to real estate, issuance of marriage licenses, and other legal matters; maintaining and assisting users with access to archive data dating between 1764 and 1920; and acting as the city's vital records office for birth and death records in the State of Missouri.

Sharon Quigley Carpenter currently serves as the Recorder of Deeds for the City of St. Louis. She has served in that capacity since her initial gubernatorial appointment in 1980. She was subsequently elected to her position in November 1982 and reelected every four years since 1982. Her current term expires January 1, 2011.

The office employed 47 employees as of June 30, 2009.