Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the City of St. Louis Recorder of Deeds and Vital Records Registrar

Background

The Governor requested the State Auditor's Office audit the City of St. Louis Recorder of Deeds and Vital Records Registrar, and the Auditor initiated an audit in February 2015. A number of significant events impacted the audit, including the resignation of Recorder Sharon Quigley Carpenter in July 2014, after nepotism concerns were raised and made public. An interim recorder, Jennifer Florida, was appointed by Mayor Francis Slay to serve during the remainder of Carpenter's term, ending December 31, 2014. St. Louis officials issued two reports in the fall of 2014 raising questions about Carpenter's tenure as recorder, relating to issues such as contract bidding and procurement, questionable expenditures, and weaknesses in procedures. Carpenter was re-elected to the position of recorder in November 2014, and her four-year term that began January 1, 2015, will end December 31, 2018.

Construction Contracts

Recorder Carpenter's office contracted for significant renovations in 2009 and 2013 and completed several smaller projects in 2009 and 2014. Recorder Carpenter was aware that each contract was issued to a company that employed or was owned by the former deputy recorder's son. The office did not properly solicit bids for at least one project and there is no indication the office compared pricing for a number of smaller projects. The former deputy recorder's conflict of interest, along with her level of responsibility for and involvement in some projects were not consistent with good management practices.

Nepotism

Between June 2010 and January 2012, Recorder Carpenter paid her great nephew $12,255 for work as a temporary contractor. The Missouri Constitution provides that any public official who names or appoints to public office or employment a relative within the fourth degree shall forfeit her office. Recorder Carpenter resigned from office as a result.

Records Preservation Account Compliance

The recorder's office failed to comply with numerous legal requirements related to a special revenue fund, the Records Preservation Account. Until August 14, 2014, the account was under the complete control of the recorder's office, even though state law requires the account be controlled and checks signed by the city treasurer. During the two years ended June 30, 2015, the recorder's office collected approximately $453,000 and disbursed approximately $429,000. Recorder Carpenter also authorized unallowable expenditures from the account, including $2,378 for rugs for the private offices of the recorder and deputy recorder and $687 for furniture, decorating items, and cleaning supplies. The recorder's office policy on procurement still does not ensure compliance with state law regarding advertising purchases and competitive bidding, despite a similar finding in a 2010 audit report.

Receipt Controls

The office collected fees totaling approximately $6.7 million over the course of two years but lacked sufficient procedures to transmit money timely to the city treasurer. Mail receipts are received and processed by the same staff members in three of the office's departments, and no independent review of receipt logs is conducted, increasing the risk of theft or loss. Supervisory approval is not required for voided transactions, and documentation of the reasons for voiding transactions is inconsistent. Between July 2013 and June 2015, 687 transactions totaling approximately $141,000 were voided.

Bank Account Controls

The former deputy recorder reviewed bank reconciliations for the Records Preservation Account, but the office did not prepare complete and accurate reconciliations after her termination in September 2014. The office lacks a comprehensive expenditure policy for the Records Preservation Account that provides instructions for basic procedures such as procuring general purchases, advertising for bids, and supporting invoices. Another account, the Credit Card Clearing Account, is not adequately monitored, and money received is allowed to accumulate in the account in excess of what is needed to cover expenses.

Escrow Liability

Title companies, banks, and other customers may establish escrow (prepaid) accounts with the recorder's office. However, the office fails to reconcile its records of money held in escrow to the city's general ledger balance, and errors and unidentified differences remain undetected. Auditors performed a reconciliation of the recorder's escrow report to the city's general ledger balance and found that the city's liability balance exceeded the recorder's liability balance by approximately $61,000. Recorder's office staff subsequently identified approximately $23,000 of this difference.

Vehicle Usage Log

Recorder Carpenter failed to maintain a usage log for a city-assigned vehicle she used through July 14, 2014, although she responded to a prior audit recommendation that a usage log had been implemented. Office personnel provided fueling documents and other information showing that the vehicle was driven 5,460 miles during an 18-month period, although Recorder Carpenter reported personal and commuting miles approximately 10,000 more than those 5,460 miles.

Vacation and Medical Leave

The office has significant gaps in its procedures for vacation and medical leave. The vacation policy does not indicate when earned leave will be posted to employee records and available for employee use, and the policy is silent on how leave accruals or payouts are performed for individuals who end their employment mid-year. The medical leave policy does not indicate if employees' unused leave balances are paid or expire upon termination. Supervisory reviews of employee leave balances failed to detect and correct errors in cash leave payouts or posting of earned leave to employee records.

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

***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.

All reports are available on our Web site: auditor.mo.gov