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Missouri State Auditor

City of St. Louis

Treasurer's Office

Report No. 2020-084

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CITIZENS SUMMARY

Findings in the audit of the City of St. Louis - Treasurer's Office

Bank Accounts and Investments	The Treasury Division does not perform competitive procurement of services for the deposit of most city funds. Also, division staff do not promptly prepare bank reconciliations or timely resolve reconciling items on various bank reconciliations. In addition, division staff do not timely post investments to accounting records or maintain documentation to support investment decisions. Division officials have not obtained an annual external audit of investment activities and controls.
College Kids Children's Savings Account Program	The College Kids Children's Savings Account Coordinator does not prepare a monthly list of liabilities to reconcile to the incentive bank account balance and annual goals for collecting donations for the incentive funds are not established and analyzed.
Procurement Procedures and Contracts	The Treasurer's Office has not established policies and procedures for the selection of vendors providing goods and services. In addition, office staff did not always solicit bids or proposals for goods and services, have not periodically conducted a competitive selection process for various professional services, and did not always maintain documentation supporting some procurement decisions. The office does not always enter into written contracts when appropriate or monitor contracts effectively.
Accounting Controls and Procedures	Receipting procedures do not provide adequate control over payments received in the Treasury Division. The Treasurer's Office does not submit employee leave records to the Comptroller's Office to maintain and reconcile with the city's centralized leave records.

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 - Treasurer's Office

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Honorable Tishaura O. Jones, Treasurer
City of St. Louis, Missouri

We have audited certain operations of the City of St. Louis Treasurer's Office 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, 2019. To minimize duplication of effort, we reviewed the CPA firm's report for the June 30, 2018 audit since the June 30, 2019 audit had not been completed. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 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.

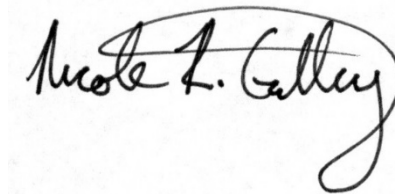
Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls 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 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 Treasurer's Office.

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, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

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City of St. Louis - Treasurer's Office

Management Advisory Report

State Auditor's Findings

1. Bank Accounts and Investments

Controls and procedures over bank accounts and investments need improvement. The Treasury Division does not perform competitive procurement of services for the deposit of most city funds. Also, Treasury Division staff do not promptly prepare bank reconciliations or timely resolve reconciling items on various bank reconciliations. In addition, division staff do not timely post investments to accounting records or maintain documentation to support investment decisions. Division officials have not obtained an annual external audit of investment activities and controls.

The Treasurer's Office processes city monies through 49 accounts at 10 banks and maintains various short term investments. At June 30, 2019, city funds held by the Treasurer's Office totaled approximately \$300 million in bank accounts and \$403 million in various investments.

1.1 Banking services

Neither the Treasury Division nor other city departments competitively procure services for the deposit of most city funds. Annually, the Funds Committee approves the financial institutions the city can perform business with. Officials in each city department notify the Treasury Division which bank they want to use. The city's General Fund receipts and disbursements (except for city payroll transactions processed through other accounts) are processed through one account, referred to as the clearing account. Other accounts are maintained for various enterprise and fiduciary funds of the city. The Treasurer earns varying rates of interest on the accounts with the rate earned on the large-balance accounts during June 2019 ranging from 0 to 2.43 percent. Various factors can affect the rate of interest earned on an account such as frequency, type, and amount of transactions, required minimum balances, type of institution, and collateral needs. In addition, the city incurred approximately \$2,300 in bank service charges in June 2019 on the 49 bank accounts held by the city.

The Funds Committee, comprised of the Treasurer, Mayor, and Comptroller, adopted a new investment policy for the city on June 23, 2016. The policy outlines the investment priorities, from highest to lowest, as safety, liquidity, yield, local economic benefit, and social policy. The policy also outlines various other investment standards including the suitable and authorized investments.

The investment policy requires the Treasurer to select financial institutions through a formal, competitive procurement process. However, the Treasury Division has not competitively procured the bank depositaries except for the Parking Division account and the payroll account. For accounts used by other officials and departments, the Treasurer's Office uses the financial institution requested by those officials and departments. By periodically soliciting formal bids or proposals for all accounts, the Treasurer's Office could demonstrate compliance with the investment priorities and procurement



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process outlined in the investment policy, as well as ensuring the city is obtaining the required level of service at a reasonable cost.

1.2 Bank reconciliations

Treasury Division staff do not prepare timely bank reconciliations. At the beginning of our audit fieldwork in April 2019, reconciliations for 24 of the 40 bank accounts held by the Treasury Division were at least 2 months behind and the city clearing account had not been reconciled since June 2018. The Assistant Treasurer indicated understaffing contributed to the delays. Timely bank reconciliations are necessary to ensure city records agree to the bank statements and allow discrepancies to be promptly resolved.

1.3 Timely posting and monitoring

Treasury Division staff do not always timely monitor or post wire transfers and investment activity to the daily ledger. For example, a \$2.8 million certificate of deposit (CD) matured on January 27, 2019; however no one posted the money to the city's ledger until June 28, 2019, when division staff closed the accounting records for the fiscal year ended June 30, 2019. At that time, they realized the matured CD principal and interest had been put into the wrong city account. In addition, approximately \$30,000 in interest from this CD was not posted to the daily ledger until September 5, 2019.

During our review of daily receipts for the week ending September 21, 2018, we noted no one posted investments made during this time. The investments for this period did not get posted until February 14, 2019. The Assistant Treasurer indicated the division lost its investment accountant in July 2018 and did not have a dedicated staff accountant to work on investments until November 2018.

In addition, during our review of the bank reconciliations we identified several outstanding wire transfers. For example, the city clearing account listed wire transfers dating back to March 2017 that had not been receipted and posted to the daily ledger as of June 30, 2019. The Assistant Treasurer indicated the division has to wait for the other departments to initiate the receipting process.

The Treasury Operations Manual states the investment detail schedule should be reviewed daily for maturing securities and adjustments should be provided to the cashier to post to the daily ledger. Failure to implement adequate recording and monitoring procedures increases the risk that loss, theft, or misuse of funds will go undetected.

1.4 Investments

The Treasury Division does not maintain adequate documentation to support investment decisions and does not have a system in place to track when CDs mature. The Treasury Division holds the city's funds in bank accounts, CDs, and obligations of federal agencies with varying maturities. As of June 30, 2019, the Treasury Division held city funds of approximately \$703 million in accounts and investments. When determining the amounts available for



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investment and the desired maturities, Treasury Division staff indicated they consult with the applicable city departments about cash flow needs for upcoming expenses and consider the bank balances and maturities of existing investments. However, they do not document these processes, including the information received and the reasons for the decisions made. In addition, division staff do not track when CDs mature; instead they rely on email messages from the bank or the applicable city departments to notify them. Also, while bids are solicited prior to the placement of many investments, the Assistant Treasurer will sometimes reinvest maturing investments into similar instruments at the same bank without obtaining bids if the reinvestment rate offered by the bank seems reasonable. Documentation is not maintained of the reinvestment rate evaluation process. According to the Treasurer's investment policy, "investments shall be made with judgement and care;" however, without maintaining documentation compliance cannot be determined. The Treasury Division should maintain documentation of the factors considered to provide assurance that investment decisions provide for sufficient liquidity of the city's funds and maximize investment returns.

1.5 External investment audit The Treasury Division does not obtain an annual external audit of investment activities and controls. Section 95.530, RSMo, and the city's investment policy require the Treasurer and the city's external auditors to report to the Comptroller on the city's compliance with the internal controls over investments at least once per year.

Similar conditions previously reported Similar conditions to MAR 1.1, 1.2, and 1.4 were noted in our prior audit report. In the *Follow-up Report on Audit Findings City of St. Louis Office of Treasurer*, Report No. 2018-115, released in November 2018, the Treasurer's Office stated MAR 1.1 and 1.2 were in progress and MAR 1.4 had been implemented; however, we found that corrective action taken was not always effective and problems continue to exist.

Recommendations

The Treasurer's Office:

- 1.1 Periodically solicit formal bids or proposals for all banking services.
- 1.2 Perform bank reconciliations timely for all accounts.
- 1.3 Work with other city departments, as necessary, to ensure that receipts are promptly posted to or adjusted on the accounting ledgers.
- 1.4 Maintain documentation to support investment decisions and create a system to track the maturity of CDs.
- 1.5 Obtain annual external audits of investment activity and policies.



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Auditee's Response

- 1.1 *The St. Louis City Treasurer's Office used a competitive procurement process for banking services it directly controls, the Parking Division and city payroll in 2019. Traditionally, the selection of city depositories is a two-step process. The first step requires the St. Louis Funds Committee, comprised of the Treasurer, Mayor, and Comptroller, to certify all financial institutions eligible to serve as city depositories.*

Financial institutions applying to become certified city depositories must submit an application with data related to their lending activities and provide information on their community involvement and business practices. Initially, the only information requested in city depository applications was related to mortgage data. Since 2013, the information requested in the city depository application has grown to include workforce diversity, efforts to reduce the unbanked and underbanked population in St. Louis, foreclosure prevention practices, small business lending, and a Community Reinvestment Plan, which establishes clear goals for lending, investing, and charitable giving for two years. The Funds Committee uses the applications to approve a list of city depositories.

The second step of the process allows various city departments to select a financial institution that qualifies as a city depository. The Treasurer's Office is currently in discussions with other departments about re-evaluating their service agreements with existing financial institutions and anticipates having more RFPs in the future which will help to reduce banking fees and improve services for the city.

- 1.2 *The failure to prepare timely bank reconciliations is the result of understaffing, which has been addressed since this audit. Previous Treasury Operation budgets only provided one staff accountant to reconcile over 40 bank accounts in addition to other duties. The Treasurer's Office has now included additional accounting staff to reconcile all city accounts in a timely fashion. In addition, we have implemented a reconciliation tracker and require that all reconciliations be completed within two weeks of the prior month. Treasury Division staff have monthly meetings to review reconciliations and any issues associated with the accounts. The reconciliations are reviewed by the Assistant Treasurer and Accounting Manager before being submitted to the Treasurer for final approval. Current reconciliations are all within compliance of the Auditor's recommendation.*
- 1.3 *It is the policy of the City Comptroller not to post wires to the city's General Ledger unless the city department submits a Receipt Coding Form (RCF). The Treasurer's Office does not have the authority to*



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post wires to the general ledger without receiving an RCF. The role of the Treasurer's Office is to receive and document the wire transactions from the bank reports. The Treasury Division Clerk notifies departmental contacts daily of receipt of wires via email. All wires are maintained in a log by the Treasury Division Clerk and updated accordingly.

The Treasurer's Office has increased its efforts/communications with city departments to reduce the number of outstanding wires. Our efforts have improved the timeliness of wire postings and the organization has seen a significant reduction in the number and amount of wires outstanding. The Comptroller's Office is aware of this issue and has proposed some additional measures to help address outstanding wires, including creating an additional category in the general ledger and future discussions with Oracle, the vendor for the pending Enterprise Resource Planning (ERP) system.

1.4 Additional staffing and new procedures have improved Treasury Division tracking and documentation of investment decisions. The organization performs daily/weekly review of the investments sales, purchases, and maturities. These transactions and proceeds are then reviewed by the Treasury Division's Accounting Manager for accuracy. Also, there is an additional review performed during the monthly reconciliation. The Treasury Division now obtains a minimum of three quotes for any potential investment and documents this information. The documentation for investment decisions are held by the Assistant Treasurer, Accounting Manager, and Staff Accountant. Any investments are tracked via an investment detail schedule. From this schedule, the office is aware of when investments mature and its current value. This document is updated daily.

1.5 While there is not one external audit of investment activity for the city, such activity is typically reviewed in the external audits for various city departments. We have requested that the external auditors add this to their scope of work for the annual financial audit for the City of St. Louis.

2. College Kids Children's Savings Account Program

The College Kids Children's Savings Account Coordinator does not prepare a monthly list of liabilities to reconcile to the incentive bank account balance and annual goals for collecting donations for the incentive funds are not established and analyzed.

The College Kids Children's Savings Account Program was established by the Treasurer in 2015 to provide kindergarten students enrolled in City of St. Louis public schools and charter schools within the city limits with a savings account for postsecondary education. Each participant's account is established



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with an initial \$50 earmarked within the Treasurer's College Kids Children's Savings bank account. This account is funded from parking revenue collected by the Treasurer's Office. Additional incentives are provided by the Treasurer's Office for student attendance bonuses up to \$30, matching of family contributions up to \$100 per school year through fifth grade, and up to \$50 per year for parent participation in financial education courses provided by the Treasurer's Office. These incentives are funded by donations held by the Treasurer in an interest bearing incentive bank account. As of May 14, 2019, the Treasurer had established 13,564 participant accounts with program balances ranging from the initial \$50 earmark to \$3,260 consisting of program and family contributions. The average program account balance totaled approximately \$70 and 78 percent of the accounts consisted of only the initial \$50 earmark. Also as of May 14, 2019, families had contributed \$104,116 into 937 non-interest bearing accounts and 2,618 students had earned \$170,438 in incentives held by the Treasurer in the incentive bank account.

The incentive bank account balance and CD as of May 14, 2019, totaled \$157,994, which is \$12,444 less than the \$170,438 in documented incentives earned according to the Treasurer Office's records. Office officials indicated that they have not fundraised enough money to meet the amount currently promised in incentives. Treasury Division staff indicated they periodically work with the coordinator to perform a liabilities reconciliation for the account. The coordinator stated since she started in December 2017, the incentive account balance has only been reconciled twice to the incentives earned, in August 2018 and January 2019; however neither reconciliation was documented.

Monthly identification and comparison of incentives earned to the available cash balance is necessary to ensure funds are available to satisfy all incentives. In addition, periodic analysis is needed to ensure fundraising needs are met to keep the incentives offered sustainable.

Recommendation

The Treasurer's Office should prepare a monthly list of liabilities and reconcile it to the available cash balance in the bank account. In addition, periodically analyze the incentives offered by the Treasurer's Office to the amount of donations to ensure the incentives offered are sustainable and develop a plan to cover the shortage in the account.

Auditee's Response

College Savings Account (CSA) programs are an emerging field of research and this finding may partially reflect not fully understanding their structure and management. The College Kids Children's Savings Account Program Coordinator does not incur liabilities for the program. Program liabilities and expenses are covered by the budget for the Office of Financial Empowerment and tracked accordingly. We currently have enough funds to cover all of the incentives pledged. As the program grows, we are also ramping up our fundraising capacity to meet the needs of all of our program



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participants. Our office will continue to evaluate the incentive structure and revise it based upon available and anticipated funds.

Auditor's Comment

Pledges represent future liabilities and the Treasurer's Office should have procedures in place to meet those liabilities and calculate any shortages that may need to be addressed through fundraising efforts.

3. Procurement Procedures and Contracts

Treasurer's Office procurement and contracting procedures and practices need improvement.

3.1 Procurement procedures

The Treasurer's Office has not established policies and procedures for the selection of vendors providing goods and services. In addition, the Treasurer's Office did not always solicit bids or proposals for goods and services, has not periodically conducted a competitive selection process for various professional services, and did not always maintain documentation supporting some procurement decisions. Our review of 45 expenditures incurred during the fiscal year ended June 30, 2019, noted the following issues:

Bids and proposals

The Treasurer's Office did not solicit bids or proposals for purchases or services for 17 of the 26 expenditures tested, which exceeded \$5,000 a year. These 17 expenditures included purchases of engineering services (\$38,000), legal services (\$147,000), other professional services (\$56,000), and various other goods and services (\$676,000).

Long term contracts

The Treasurer's Office did not periodically solicit proposals for 3 of the 26 expenditures tested. Instead, office staff renegotiated or entered into long-term contracts with multiple and/or indefinite renewal periods. The contracts included purchases of investment and custodian services (\$418,000), and financial advisor services (\$36,000).

Documentation

The Treasurer's Office did not maintain documentation of the evaluation process used to determine the most qualified vendor selected for 4 of 9 bids/proposals reviewed. In addition, 3 of those 4 vendors did not have the lowest bid/proposal. The contracts were for parking enforcement (\$247,000), investment and custodian services (\$418,000), and elevator repairs (\$58,000).

Conclusion

Formal procurement procedures would provide a framework for economical management of resources of the Treasurer's Office and help ensure the office receives fair value in its contracts as well as help ensure all parties are given an equal opportunity to participate in the business of the Treasurer's Office. Bids can be handled by telephone quotation, by written quotation, by sealed bid, or by advertised sealed bid. Various approaches are appropriate, based on dollar amount and type of purchase. In addition, a request for proposal or



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request for qualification process may be more appropriate for professional services. For engineering services, Sections 8.289 and 8.291, RSMo, provide the requirements for obtaining, evaluating, and negotiating for such services. Regardless of the approach used, complete documentation should be maintained of all bids and proposals received and justification for awarding the bid or proposal.

3.2 Contracts

The Treasurer's Office does not always enter into written contracts when appropriate or monitor contracts effectively. We reviewed transactions for 43 vendors paid more than \$8.1 million for the fiscal year ended June 30, 2019. We identified the following issues regarding those vendors:

- The Treasurer's Office did not always enter into written contracts. The office did not have a written contract or a current written contract in place for 18 of the 43 vendors reviewed. For example, the office paid a security company \$275,000 during fiscal year 2019, but the contract on file had not been updated since June 2015 and the office paid a communications firm \$47,400 during fiscal year 2019 without a contract.
- Two contracts reviewed did not adequately define the fees the vendor was allowed to charge.

Section 432.070, RSMo, requires government contracts to be in writing. Clear, detailed, and timely written contracts are necessary to ensure all parties are aware of the services to be performed and the compensation to be paid for the services.

Similar conditions
previously reported

Similar conditions to MAR 3.1 and 3.2 were noted in our prior audit report. In the *Follow-up Report on Audit Findings City of St. Louis Office of Treasurer*, Report No. 2018-115, released in November 2018, the Treasurer's Office stated these previous recommendations had been implemented; however, we found that corrective action taken was not always effective and problems continue to exist.

Recommendations

The Treasurer's Office:

- 3.1 Establish complete, formal procurement policies and procedures, including documentation requirements regarding the bids or proposals received and document the justification for the vendor selected. Solicit competitive bids or proposals for contracts on a periodic basis.
- 3.2 Enter into written contracts defining services provided and benefits received. In addition, the Treasurer's Office should ensure vendor contracts are updated periodically.



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Auditee's Response

3.1 *While the Treasurer's Office has utilized a competitive procurement process for the majority of services, we have recently implemented a revised Request for Proposals (RFP) Policy. We have begun the RFP process for one vendor, but it had to be postponed due to COVID-19. We plan to issue an RFP for two other vendors prior to December 2020.*

We have procedures for contractual obligations that are greater than \$5,000. We have a draft of an Intergovernmental Memorandum of Understanding for security services. Unfortunately, we have not implemented this agreement due to the postponement of events requiring security services due to COVID-19.

We submitted detailed responses regarding procurement procedures, contracts and disbursements on March 12, 2020, which addressed the comments in the audit report. In specific to the report:

a. Bids and Proposals:

- i. There are several stand-alone transactions with repeat vendors that were not a feasible option to anticipate that they would exceed \$5,000 within a year due to the unique circumstances of each engagement. Therefore, an RFP process was not required. This relates to \$72,000 of the other goods and services for \$676,000 cited in the report.*
- ii. Our office policy is to select legal representation based on expertise, not through an RFP process. This relates to the legal services cited in the report for \$147,000 and \$11,000 of the other goods and services for \$676,000 cited in the report.*
- iii. Our office has brokerage/consulting firms that engage in the bidding process on our behalf. This relates to the engineering services for \$38,000 and \$201,000 of the other goods and services for \$676,000 cited in the report.*
- iv. Our office will bid out \$70,000 of services prior to December 2020, which relates to the \$56,000 of professional services and \$14,000 of the other goods and services for \$676,000 cited in the report.*
- v. Our office will finalize an intergovernmental Memorandum of Understanding for \$275,000 in fiscal year 2021, which is associated with the \$676,000 cited in the report.*



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b. Long Term Contracts:

vi. The contracts for investment and custodial services of \$418,000 and financial advisor services of \$36,000 were implemented after a competitive bidding process. Subsequently, they have been renewed due to the excellent performance achieved from the utilization of their services, which includes:

a. Identifying opportunities to restructure debt and optimize financial performance, resulting in a savings of \$11,500,684 in gross savings and \$4,604,103 in net present value.

b. Increasing the city's portfolio book yield from 0.19 to 2.19 percent and consistently outperforming municipal benchmarks. Also, reducing fees by 50 percent while earning over \$25 million in gross interest earnings for the City of St. Louis. Lastly, building relationships with several city departments which have led to a growth of assets under management by over \$100 million since 2013.

c. Documentation:

vii. Several of the companies that may have had lower bids for investment and custodian services of \$418,000 were disqualified based upon failure to comply with the RFP directives. The RFP Selection Committee met several times and unanimously selected the chosen vendors based upon their proposal. Official minutes reflecting the Selection Committee's decision were provided to the auditors, but our new policy will also require submission of all official scoring sheets.

viii. The contract for custodial services was established after a lengthy RFP process, which included a consultant who independently evaluated vendor responses. We provided documentation of the initial scoring before interviewing respondents in-person. This RFP resulted in improved services and \$100,000 in annual savings for the City of St. Louis. The RFP Committee selected Wells Fargo based upon their expertise, customer service, and willingness to reduce their initial fees. While the RFP Committee submitted scoring sheets prior to interviews, the decision-making which occurred after the vendor interviews will be incorporated into future scoring sheets per the new policy.



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- ix. *The parking enforcement contract for payment by phone for \$247,000 was established after a lengthy process of selection and due diligence. In late 2013 the Treasurer's Office issued an RFP for integrated parking services, including ticket processing, meter maintenance, and meter collections. The RFP required vendors to submit a formal proposal and manage a pilot consisting of sixty parking meters in St. Louis for six months. Based upon references, pilot area performances, public input, and the formal proposals, two vendors were selected as finalists. We subsequently interviewed the finalists and engaged a parking consultant to analyze their proposals. Ultimately, we selected the vendor for \$247,000, based upon a greater depth of municipal parking experience than the other finalist. Going forward, this type of information will be incorporated in a scoring sheet.*
- x. *The elevator repair vendor for \$58,000 was established from an RFP process conducted from January 25, 2019, through February 26, 2019. We received four bids for this RFP. The choice was made by analyzing each of those proposals. This RFP was prompted by several elevator outages in our garages, which entrapped our customers. The elevator repair vendor at the time, who won the contract as the lowest bidder, failed to respond in a timely manner to elevator outages. As a result, we placed a priority on securing a reliable elevator maintenance company in efforts to restore the credibility of our garages. The RFP selection committee reached out to each vendor's references for in-depth discussions of performance and reliability. The chosen vendor's references consistently cited their track record for good and reliable service. Going forward, the RFP process has been revised to ensure that an official scoring sheet is included each time, which will incorporate the feedback we received regarding each vendor's references.*

- 3.2 *As stated in 3.1, we have procedures for contractual obligations that are greater than \$5,000.*

We submitted detailed responses regarding procurement procedures, contracts, and disbursements on March 12, 2020, which addressed the comments in the audit report. In specific to the report:

- i. *The security company for \$275,000 has a contract in place. Per the wording in the contract, it is allowable for the rates to increase based on the following terms:*



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- a. In the event any federal, state, local tax or license rates based on gross sales or payroll, or rates for insurance coverage are increased, the charges for services provided hereunder shall automatically be increased to the extent such rate increases apply to personnel hereunder.*
- ii. The network services for \$47,400 is offered to the entire City of St. Louis. It started as a franchise agreement in the early 1990s under a previous communication firm and transitioned to the services provided to-date. A formal contract for the City of St. Louis is not in place.*

4. Accounting Controls and Procedures

Internal controls in the Treasury Division are in need of improvement and employee leave records are not submitted to the Comptroller's Office.

4.1 Segregation of duties

As noted in our prior audit, receipting procedures do not provide adequate control over money received in the Treasury Division. Strengthening procedures could provide more assurance that all money received is recorded on the accounting records and deposited.

The various city departments turn over collections of fees, taxes, and other payments received to the Treasury Division for deposit into city accounts. The remitting city departments document each turnover on a Receipt Coding Form (RCF) and a Form 449 and remit these forms along with the collections to the cashier in the Treasury Division. Division staff indicated these forms are not prenumbered because they originate in multiple city departments. The Treasurer's cashier verifies the cash and checks to the form, stamps the RCF paid, records a sequential number on the form, remits one copy of the RCF to the Comptroller's Office and returns one copy of the RCF to the remitting department. The cashier also records the collections and RCF document numbers on the daily ledger, deposits the cash collections, and sends the checks and the 449 forms to a clerk in the Treasury Division who deposits the checks and compares each form's information to the daily ledger.

During our previous audit conducted in 2008, the cashier's supervisor compared the bank deposits to the daily ledgers to ensure payments recorded on the daily ledger are deposited and accounted for the sequential order of the RCFs; however, the Treasury Division Manager indicated this control is no longer in place because the department being understaffed. He stated this review is now completed during the monthly bank reconciliation. However, as noted in MAR 1.2, bank reconciliations are not performed timely. Also, these procedures would only ensure payments recorded on the daily ledger are deposited; however, errors or irregularities could occur that these



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procedures would not detect. Because the RCFs and 449 forms are not prenumbered, but are instead assigned a sequential number by the cashier receiving them and the cashier also deposits the cash received, there is less assurance that all collections are posted to the daily ledger. During the fiscal year ended June 30, 2019, average monthly receipts of cash and checks remitted to the Treasury Division totaled approximately \$19 million.

Prenumbered receipt slips or supporting documents would provide more assurance that all transactions are accounted for properly and assets are adequately safeguarded. If prenumbered documents or receipts are not feasible, the Treasury Division should consider having someone independent of the cashier periodically confirm recorded RCF and 449 form documents with the various remitting departments.

4.2 Centralized leave records The Treasurer's Office 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 Treasurer's Office, they are not submitted to the Comptroller's Office to be properly accounted for by the city. Comptroller's Office officials indicated it would be useful to receive this information periodically.

By not submitting complete leave records to the Comptroller's Office, the city cannot ensure total city employees' compensatory time and leave usage and balances 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.

Recommendation

The Treasurer's Office:

- 4.1 Strengthen controls over monies received by the Treasury Division.
- 4.2 Ensure records of vacation leave, medical/sick leave, and compensatory time are forwarded to the Comptroller's Office.

Auditee's Response

- 4.1 *Processing and management of Receipt Coding Forms (RCF) extend beyond the control of the Treasurer's Office. However, the Treasury Division's monetary controls are documented in the Treasury Operations Procedure Manual. Monetary controls have been strengthened with a daily review and verification of funds deposited into the various banking accounts by Treasury Division staff. The Treasury Division has added a dedicated staff person who has resumed independently reviewing bank deposits and the ledger daily. Any potential variances are researched within a timely manner, communicated to Treasury Division Management and addressed*



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until the outcome is rendered. The Treasury Division documents the explanation and detail regarding any discrepancies in confidential e-mail correspondence between the bank in question, adjustments, and reconciliations as needed.

Additionally, the Cashier reviews checks written on the Airport and Water accounts and compares the bank statements to the information in the current accounting software, AIMS. If there is any discrepancy, the Accountant contacts the bank to resolve or question any items that were not resolved through positive pay.

In order to comply with the recommendation of having someone independent of the Cashier to confirm RCFs with various remitting departments, additional staff would be required, such as another Treasury Division Accountant or Accounting Manager. In the meantime, we have created a log to maintain an additional record of this process.

The RCF process is paper-driven, in which all departments are required to submit RCFs with their cash deposits. The Cashier for the Treasury Division processes all RCFs by stamping the paperwork and creating a new RCF number for booking and tracking purposes. It is not within our authority to create RCF numbers that match department invoices. Any changes or improvements to the RCF numbering system will be addressed by the ERP system, which is scheduled to be installed in August 2021.

- 4.2 *The current payroll system used by the Comptroller's Office does not have the capability of tracking Treasurer's Office employee leave records due to this office having independent leave policies and accrual rates from the City. The Comptroller's Office, and the City of St. Louis, are implementing a new ERP system, which will include time keeping software program with the capability to track all departments' employee leave records. The Treasurer's Office submits leave records to the city's external auditors on an annual basis. The Comptroller's Office has not previously requested that leave records be provided. However, the Treasurer's Office will provide leave records if requested.*

City of St. Louis - Treasurer's Office

Organization and Statistical Information

The Office of Treasurer is an elective office. The Treasurer's duties are defined in Missouri statutes and the city of St. Louis Revised Code. These duties include serving as the custodian of city funds, ensuring the amount of money needed for current city operations is available, and investing money not currently needed in investment vehicles as allowed by the city's investment policy. Additionally, as provided by the City of St. Louis Revised Code Section 3.130.010, the Treasurer was given the authority to establish the Office of Financial Empowerment, to research and conduct educational programs, provide counseling and disseminate information regarding financial education, small business support, and access to banking for residents of the city. In addition, as provided by Section 82.485, RSMo, the Treasurer serves as the supervisor of city parking meters and facilities. In this role, it is the Treasurer's responsibility to collect all parking meter fees, enforce parking laws, supervise the expenditures for repairs and maintenance, and to make all disbursements on any parking contracts.

Tishaura O. Jones currently serves as the Treasurer and Parking Meter Supervisor for the City of St. Louis. She was elected to her position in November 2012 and reelected in November 2016. Her current term expires in December 2020. Office functions are performed and supervised by the Treasurer's appointed staff in the Parking Division, Office of Financial Empowerment, and the Treasury Division. The Treasurer employs approximately 124 employees in the Parking Division, 3 employees in the Office of Financial Empowerment, and 8 employees in the Treasury Division.