

The seal of the Missouri State Auditor is circular and features a central figure holding a scale and a sword. The text around the seal reads "SEAL OF THE STATE AUDITOR" at the top, "JUSTICE WE STAND DIVIDED" in the middle, and "1820 MISSOURI 1892" at the bottom. The background of the entire page is a faded image of the Missouri State Capitol building.

Nicole Galloway, CPA

Missouri State Auditor

City of St. Louis

Office of Public Administrator

Report No. 2020-116

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auditor.mo.gov



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CITIZENS SUMMARY

Findings in the audit of City of St. Louis Office of Public Administrator

Controls and Procedures	Office personnel do not prepare adequate monthly bank reconciliations for all wards and estates and a monthly list of liabilities for the escrow account. The Public Administrator does not have adequate procedures to ensure the money of each ward or estate held in the escrow account is disbursed timely upon the discharge of her financial responsibility and does not provide adequate supporting documentation to the court for the escrow account ward/estate annual settlements.
Personnel Policies and Procedures	The Public Administrator has not established a written personnel policy manual that address compensatory time or vacation and medical leave and does not update records of employee vacation leave, medical leave, and compensatory time earned, taken, or accumulated each pay period.
Procurement Procedures and Contracts	The Public Administrator has not established policies and procedures for the selection of vendors providing professional services and does not always solicit bids for the sale of ward personal property.
Electronic Communication Policy	The Public Administrator has not developed records management and retention policies in compliance with the Missouri Secretary of State Records Services Division guidance, as approved by the Missouri Local Records Commission.

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 - Office of Public Administrator

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NICOLE GALLOWAY, CPA

Missouri State Auditor

Honorable Jill Hanley, Public Administrator
City of St. Louis, Missouri

We have audited certain operations of the City of St. Louis Office of Public Administrator 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, 2020. To minimize duplication of effort, we reviewed the report and the CPA firm's report for the June 30, 2019, audit, since the June 30, 2020, audit had not been completed. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2020. 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.

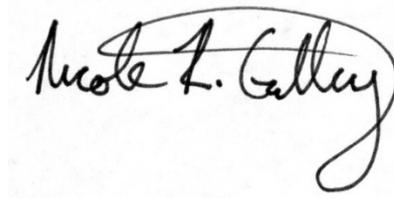
Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal control that is significant to the audit objectives and assessed the design, implementation, and operating effectiveness of such internal control to the extent necessary to address our audit objectives. 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, 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.

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 Office of Public Administrator.

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 that reads "Nicole R. Galloway". The signature is written in a cursive style with a large, looping flourish at the end of the name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Kelly Davis, M.Acct., CPA, CFE
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1. Controls and Procedures

Controls and procedures in the Office of Public Administrator need improvement.

1.1 Bank reconciliations

Office personnel do not prepare adequate monthly bank reconciliations for all wards and estates. Separate bank accounts are maintained for most of the 148 individuals (wards) or decedent estates overseen by the Public Administrator. Bank accounts, stocks, bonds, and annuities held in trust by the Public Administrator totaled approximately \$8.7 million as of June 30, 2020.

The Deputy Public Administrator reconciles ward and estate bank accounts periodically using the computerized accounting system and marks individual checks and deposits that have cleared the bank in the accounting system at that time. However, reports of outstanding checks, deposits in transit, and other reconciling items are not prepared or reviewed during this process and this reconciliation is not reviewed by the Public Administrator. Office personnel only prepare complete bank reconciliations annually for the bank accounts when preparing the annual/final settlement for each ward or estate.

Performing adequate monthly bank reconciliations helps ensure receipts and disbursements have been properly handled and recorded and increases the likelihood errors will be identified and corrected timely. Supervisory review of bank reconciliations helps ensure all assets are adequately safeguarded.

1.2 Escrow bank account

Office personnel do not prepare a monthly list of liabilities for the escrow account. As a result, liabilities are not agreed to the reconciled bank balance monthly and discrepancies are not investigated. The account is used for cases with limited account activity or financial assets. As of June 30, 2020, the account held \$193,696.

At our request, the Public Administrator provided individual register reports for each ward and/or estate in which she was currently holding funds in the escrow account as of May 11, 2020 and additional register activity through June 30, 2020. We prepared a list of liabilities as of June 30, 2020 based on the information provided. The reconciled bank balance for the escrow account as of June 30, 2020, was \$193,696 and the list of liabilities associated with 55 wards and/or estates totaled \$193,738 resulting in a shortage of \$42.

Regular identification and comparison of liabilities to the available cash balance is necessary to ensure accounting records are in balance and monies are available to satisfy all liabilities. Differences should be adequately investigated and explained.



1.3 Closed cases

The Public Administrator does not have adequate procedures to ensure the money of each ward or estate held in the escrow account is disbursed timely upon the discharge of her financial responsibility (case closed). As of June 30, 2020, the Public Administrator held \$12,977 in the escrow account for 26 wards/estates' cases closed on or before June 30, 2018. This total includes 14 cases closed during the former Public Administrator's tenure that should have been distributed but were turned over to the current Public Administrator when she took office in 2017. The current Public Administrator indicated she has not had time to work on the closed cases transferred to her or disburse any additional refunds or interest payments she has received on closed cases she had previously distributed.

1.4 Escrow account annual settlements

The Public Administrator does not provide adequate supporting documentation to the court for the annual settlements of wards/estates who have monies held in the escrow account. For wards/estates with separate bank accounts, the Public Administrator submits the last bank statement of the settlement period and a list of outstanding items to support the account balance on the annual settlement. However, for wards/estates with money held in the escrow account, the Public Administrator does not provide the bank statement for the escrow account or any other documentation indicating how the account balance included on the annual settlement reconciles to the bank balance. Instead, the Public Administrator only includes a copy of each cleared check issued from the escrow account associated with the ward/estate annual settlement.

Without submitting adequate documentation of the financial activity of the escrow bank account to the court for review, the court has no assurance financial activity of the escrow account is proper.

Recommendations

The Public Administrator:

- 1.1 Ensure adequate monthly bank reconciliations are prepared for all bank accounts including reviewing outstanding checks, deposits in transit, and other reconciling items. In addition, ensure supervisory reviews of bank reconciliations are performed and documented.
- 1.2 Prepare a monthly list of liabilities and reconcile the listing to the reconciled bank balance and promptly investigate any differences identified.
- 1.3 Distribute funds held in the escrow account timely. If the payee cannot be located, the amount should be disbursed in accordance with state law.
- 1.4 Submit adequate supporting documentation with annual settlements filed for wards/estates with money held in the escrow bank account,



including a reconciliation between the bank statement balance and the account balance reported on the annual settlement.

Auditee's Response

- 1.1 *Reconciliations of all bank accounts are now being performed monthly. Once each bank account is reconciled in the computerized accounting system, a reconciliation report will be printed and compared to the prior month's reconciliation report to ensure all outstanding items from the prior month's reconciliation have cleared on the current reconciliation. Office personnel will follow up on any items that remain outstanding. The Public Administrator will document her review of these bank reconciliations at least every 60 days.*
- 1.2 *The escrow account shortage of \$41.93 has been identified and funds have been transferred to the escrow account to resolve this discrepancy. The escrow account reconciliation report and corresponding register reports are now being printed monthly and reviewed for outstanding checks from the prior month's reconciliation. In addition, a listing of wards/estates register balances as of the date of the reconciliation will be prepared, totaled, and compared to the reconciled bank balance.*
- 1.3 *The Public Administrator is updating her procedures to ensure money held in the escrow account is distributed timely. These procedures include putting a reminder in the case management system to distribute the money once the deposit has cleared.*

The Public Administrator plans to petition the court for discharge of the surety bond at the time the final settlement is filed with the court. This should allow enough time for the surety bond to be cancelled and any bond premium refund to be received in time to be included in distribution to the heirs. If the refund it is not received in time, a reminder will be added to the case management system to distribute the bond refund within a week of depositing the refund into the escrow account.

Once the court has approved the final settlement, the Public Administrator will close and transfer the balance of all bank accounts associated with the case to the escrow account for distribution. This will ensure any interest earned on the account is distributed with the final settlement and avoid the small amounts of interest that may accrue in the time frame between final settlement distributions clearing bank account and the bank account(s) being closed.



The Public Administrator is also going to open individual accounts for each ward or estate unless the funds will be transferred out in a short amount of time for the care of the ward or into a trust.

1.4 *The Public Administrator is going to file an annual settlement of the escrow account activity with the court on a calendar year basis.*

2. Personnel Policies and Procedures

Personnel policies and procedures over payroll and related matters need improvement. Public Administrator's office payroll expenditures totaled approximately \$422,000 for the year ended June 30, 2020.

2.1 Personnel policies

The Public Administrator has not established a written personnel policy manual that addresses compensatory time or vacation and medical leave.

The Public Administrator indicated her office follows civil service rules for the accrual and use of vacation and medical leave and circuit court rules for the accrual and use of compensatory time. However, the Public Administrator has not formally documented which rules she has adopted and our review of Public Administrator compensatory time accruals noted the process differed from the documented circuit court rules she indicated she followed.

A comprehensive personnel manual that details policies and procedures can benefit both the office and employees by providing a basic understanding between the parties regarding rights and responsibilities, provides guidance should questions or disputes arise, helps ensure policies are fairly and consistently applied to all employees, and ensures employees are properly compensated.

2.2 Leave records

The Public Administrator does not update records of employee vacation leave, medical leave, and compensatory time earned, taken, or accumulated each pay period. In addition, the Public Administrator does not submit employee leave records to the Comptroller's office to maintain and reconcile with the city's centralized leave records.

Prior to our August 20, 2020, request for employee leave balances as of June 30, 2020, the Public Administrator had not updated these leave records since the April 11, 2020, pay period. If the Public Administrator reported employee leave accruals and usage to the Comptroller's office each pay period, employee leave records would also be updated timely.

Without adequate, updated leave records, the Public Administrator cannot ensure leave earned and taken by employees is properly documented. Leave records also aid in determining final compensation for employees leaving city employment. In addition, 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.

Recommendations

The Public Administrator:

- 2.1 Establish a written personnel policy manual and ensure compliance with all policies.
- 2.2 Ensure records of vacation leave, medical leave, and compensatory time are updated timely and submitted to the Comptroller's office.

Auditee's Response

- 2.1 *The Public Administrator is going to update the former Public Administrator's policy manual for current policies and procedures.*
- 2.2 *The Public Administrator will ensure employee vacation, medical, and compensatory time leave balances are updated timely and will provide these records to the Comptroller's office.*

3. Procurement Procedures and Contracts

The Public Administrator needs to improve procedures used for procuring services, contracting with vendors, and selling ward assets.

3.1 Professional services and contracts

The Public Administrator has not established policies and procedures for the selection of vendors providing professional services. In addition, the Public Administrator has not solicited requests for proposals for various professional services, has not periodically conducted a competitive selection process for various professional services, and did not always enter into written contracts with providers selected. Since the Public Administrator took office in 2017, she has continued to use the same accounting firm and real estate agency used by the former Public Administrator without soliciting proposals for these services periodically. In addition, the Public Administrator does not have a written contract with the accounting firm or property manager.

While professional services may not be subject to standard bidding procedures, soliciting proposals for these services is a good business practice, helps provide a range of possible choices, and allows the Public Administrator to make better-informed decisions to ensure necessary services are obtained from the best qualified provider after taking expertise, experience, and cost into consideration. Written contracts are necessary to (1) ensure all parties are aware of their duties and responsibilities, (2) identify potential duplication of related services, and (3) prevent misunderstandings. Section 432.070, RSMo, requires government contracts to be in writing.



3.2 Ward personal property

The Public Administrator does not always solicit bids for the sale of ward personal property. The Public Administrator indicated she usually contacts the same individual to purchase the personal property without publicizing the sale or soliciting bids. She said if office personnel believe specific items, such as antiques, are being sold, they will contact other individuals to determine interest. However, she indicated this process is not always documented and office personnel could not easily identify the cases where this occurred. In one instance we noted the Public Administrator obtained bids for the sale of personal property from the regular buyer as well as an antique buyer. The regular buyer bid \$1,800 and the antique dealer bid \$5,200 for the same property indicating soliciting more than one bid could be beneficial to the wards.

The Public Administrator has a fiduciary responsibility to make decisions that benefit her wards. In addition, good business practices require the sale or purchase of property be formally publicized and bids obtained to ensure a reasonable price is received.

Recommendations

The Public Administrator:

- 3.1 Solicit proposals for professional services on a periodic basis and enter into written contracts for professional services.
- 3.2 Solicit bids for the sale of ward personal property.

Auditee's Response

- 3.1 *The Public Administrator will begin soliciting proposals for professional services on a periodic basis and will enter into written contracts for these professional services.*
- 3.2 *The Public Administrator will solicit bids on the sale of all personal property so as to get the best price available.*

4. Electronic Communication Policy

The Public Administrator has not developed records management and retention policies in compliance with the Missouri Secretary of State Records Services Division guidance, as approved by the Missouri Local Records Commission.¹ This guidance recommends government entities have a policy on electronic messaging, including text messages, email, and other third party platforms.

While the Public Administrator indicated all emails sent or received through the city's hosted email system are archived, the Public Administrator has not

¹ Missouri Secretary of State Records Services Division, *Electronic Communications Records Guidelines for Missouri Government*, May 14, 2019, is available at <<https://www.sos.mo.gov/CMSImages/RecordsManagement/CommunicationsGuidelines.pdf>>, accessed October 6, 2020.



City of St. Louis - Office of Public Administrator
Management Advisory Report - State Auditor's Findings

adopted a policy to address the other issues set forth in the guidance, including the retention of messages sent by text and other third party platforms, such as personal email accounts and personal devices, when they represent official business of the city.

Section 109.270, RSMo, provides that all records made or received by an official in the course of his/her public duties are public property and are not to be disposed of except as provided by law. Development of written policies to address the retention of electronic communications is necessary to ensure all documentation of official business of the city is retained as required by state law.

Recommendation

The Public Administrator develop written records management and retention policies that address electronic communications management and retention to comply with the Missouri Secretary of State Records Services Division Electronic Communications Guidelines.

Auditee's Response

The Public Administrator will prepare a written records management and retention policy that includes electronic communications management and retention so as to comply with the Missouri Secretary of State Records Services Division. In addition, the Public Administrator has already informed her staff of this new policy.

City of St. Louis - Office of Public Administrator Organization and Statistical Information

The Public Administrator serves as the court appointed personal representative for decedents' estates and as guardian and/or conservator for individuals who are unable to care for themselves or their property when there is no one else to serve. The Public Administrator is the guardian for approximately 530 wards and is responsible for the financial activity of approximately 148 wards or estates with assets including bank accounts, stocks, bonds, and annuities held in trust totaling approximately \$8.7 million as of June 30, 2020. The Public Administrator is required to file annual settlements with the Circuit Court, Probate Division for each appointed ward or estate reflecting the financial activity for the year.

Jill Hanley was appointed Public Administrator on March 28, 2017, by the Twenty-Second Judicial Circuit Court, en banc. Section 473.730.5, RSMo, states once appointed, the Public Administrator has an indefinite term. During the year ended June 30, 2020, the Public Administrator received salary compensation of \$111,670. The Public Administrator supervises the daily operations of the Office of Public Administrator. The office had 6 full-time employees as of June 30, 2020. One full-time employee is paid by a not-for-profit entity through a grant.