

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, "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 Sheriff

Report No. 2021-091

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auditor.mo.gov



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Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the City of St. Louis - Office of Sheriff

Land Tax Sales	Sheriff's office personnel do not prepare lists of liabilities of money held to be distributed to the appropriate office or individual and do not attempt to reconcile liabilities to the balance in the Land Auction Sales Fund. The Sheriff does not have adequate procedures to follow up on properties sold that have not gone through the required court confirmation hearing.
Real Estate Levy Auctions	The Sheriff has not adequately segregated bidding and/or auctioneer duties for real estate levy auctions and auction documentation is not sufficient.
Property Room	The Sheriff's office has not established adequate controls and procedures over seized property.
Accounting Controls and Procedures	Sheriff's office personnel do not prepare budgets for the Commission, Revolving Conceal and Carry Weapon, and Process Server Funds. Office personnel do not prepare a monthly list of liabilities for the general business bank account, and consequently, liabilities are not agreed to the reconciled bank balance. Office personnel do not restrictively endorse checks and money orders upon receipt.
Electronic Communication	The Sheriff 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**.*

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*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 Sheriff

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the Honorable Sheriff
City of St. Louis, Missouri

We have audited certain operations of the City of St. Louis Office of Sheriff 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 CPA firm's report. 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.

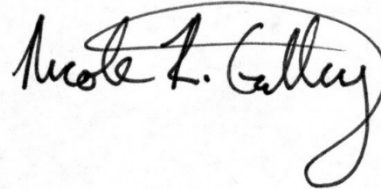
Our methodology included reviewing written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal control that is significant to the audit objectives and planned and performed procedures to assess 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 Sheriff.

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:

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City of St. Louis - Office of Sheriff

Management Advisory Report

State Auditor's Findings

1. Land Tax Sales

Procedures for land tax sale proceeds need improvement. All transactions regarding receipts and disbursements for land tax sales are handled by the Sheriff's office through the city's Land Auction Sales Fund. Land auction sales totaled approximately \$1.2 million in the fiscal year ended June 30, 2020. The fund balance was approximately \$1.8 million at June 30, 2020.

The city forecloses on properties with taxes that have been unpaid for 3 years, and after the foreclosure judgement has become final, the Collector of Revenue sends the sheriff a list of foreclosed properties that may be sold at auction. The Sheriff's office is responsible for conducting each auction, collecting the proceeds from each sale, transmitting it to the City Treasurer, maintaining an accounting of all previously auctioned properties, and requesting applicable disbursements.

1.1 Fund liabilities

Office personnel do not prepare lists of liabilities of money held to be distributed to the appropriate office or individual and do not attempt to reconcile liabilities to the balance in the Land Auction Sales Fund.

We requested a list of liabilities as of June 30, 2020, but office personnel could not generate and/or provide this list. Office personnel indicated they were not aware of the need to perform this procedure or how to prepare such a list.

Without a regular comparison of liabilities to the available fund balance, the Sheriff has no assurance cash is sufficient to meet liabilities, ensure accounting records are accurate and in balance, and errors are identified and corrected timely.

1.2 Auction sales not confirmed

The Sheriff does not have adequate procedures to follow up on properties sold that have not gone through the required court confirmation hearing. Until the hearing is held, the sale proceeds may not be distributed and, therefore, the taxes, costs, accrued interest, and fees are not paid out. Also, without court confirmation, a Sheriff's deed transferring ownership of the property cannot be issued and the property will remain in the name of the previous owner. Office personnel indicated it is generally the buyer's responsibility to initiate the request for a confirmation hearing and the office does not have the statutory authority to request hearings. We noted many confirmation hearings occur up to 2 years following the sale. As of June 30, 2020, the Land Auction Sales Fund balance included \$431,834 from sales conducted between calendar years 2014 and 2019 that have not been confirmed by the courts. According to the Sheriff's records, no court hearings occurred for any of these sales.

Section 92.840, RSMo, of the Municipal Land Reutilization Law requires the court to hold the confirmation hearing upon its own motion or upon motion of any interested party after the Sheriff's sale, but does not require the hearing



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

to be held within a certain time period. Office personnel indicated many buyers decide they do not want to own the purchased property for various reasons, and these buyers will request the court set aside the sale and their money returned. When this occurs, the properties are put up for sale again in a future sale.

In response to a similar finding in the prior audit, the Sheriff's office started sending out sale acknowledgment letters and reminder letters. However, office personnel do not periodically report to the courts those properties needing hearings and wait more than 2 years before contacting the Collector of Revenue. As a result, problems continue to exist and there remains a significant backlog of sales that have not been confirmed or set aside.

By improving procedures to identify sold properties pending a court confirmation hearing and providing that information to the courts and the Collector of Revenue more timely, the Sheriff's office would likely expedite the distribution of sale proceeds to the appropriate parties.

Similar conditions previously reported

Similar conditions were noted in our prior audit report. In the *Follow-Up Report on Audit Findings City of St. Louis - Office of Sheriff*, Report No. 2018-129, released in December 2018, office officials indicated the previous recommendations had been implemented; however, we found that corrective action taken was not always effective and problems continue to exist.

Recommendations

The Sheriff:

- 1.1 Ensure monthly lists of liabilities for the Land Auction Sales Fund are prepared and reconciled to the fund balance. Any differences should be promptly investigated and resolved.
- 1.2 Continue to develop additional procedures for following up on property sales pending court confirmation and identify ways to expedite this process.

Auditee's Response

- 1.1 *The Sheriff's office will create an Excel spreadsheet with total income after the completion of the tax sale that is sent to the city Treasurer's office on the 10th of each month. We will keep a running total of all expenditure vouchers and fees that we use. The list of parcels sold is from the Access Fees Tab and includes, but is not limited to the fields Purchase Amount, Collectors Fee, Title/Publication Fee, Sheriff Notice Fee, Recording Fee, Sheriff Posting Fee, Sheriff Commission, Sheriff Excess Commission, and Excess Purchase Amount. This will serve as a list of liabilities that can be reconciled to the fund balance.*



1.2 *As noted by the auditors, there is not a certain time frame for confirmations to be completed. The Sheriff's office will need to work with the city's Land Reutilization Authority and look into this further to determine possible solutions.*

2. Real Estate Levy Auctions

The Sheriff has not adequately segregated bidding and/or auctioneer duties for real estate levy auctions and auction documentation is not sufficient. The office holds court ordered real estate auctions to settle and collect on default judgements originated by creditors against individuals. The real estate is advertised for 30 days and auctioned off to the highest bidder with no reserve price. The Sheriff's office collected approximately \$76,000 from real estate levy auction sales during the year ended June 30, 2020.

The same employee processes the auction transaction including acting as the auctioneer and recording the final amount of each bid and there is no supervisory review of the process. This employee records the winning bids by hand writing the bid information on blank paper and does not submit those pages or any other supporting documentation to the cashier to support the payments received and that each property went to the highest bidder. Office personnel indicated the lack of segregation of duties is a result of limited staffing.

Proper segregation of duties is necessary to ensure transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of conducting the auction (actively accepting bids) and recording the final bid amounts. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of detailed bidding records are essential. Sufficient documentation of real estate levy auctions is necessary to allow for an independent or supervisory review and ensure appropriate amounts are recorded and collected.

Recommendation

The Sheriff segregate the auction duties to the extent possible or ensure documented independent or supervisory reviews are performed. In addition, the Sheriff should ensure adequate documentation is prepared and maintained for real estate levy auction sales.

Auditee's Response

The Sheriff's office has created a "Sheriff Sale Information Form" that requires all the information needed on the previous and new owners. We now have 2 deputies conduct the Sheriff's levy auction sale. The deputies and the new purchaser ride separate elevators up to the 8th floor to provide office personnel the information needed to prepare the deed. The supervisor signs the form after the deputies enter the information.

3. Property Room

The Sheriff's office has not established adequate controls and procedures over seized property.



City of St. Louis - Office of Sheriff
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The office receives and stores evidentiary property related to pending and adjudicated cases; all items are received from the St. Louis Metropolitan Police Department (SLMPD) for cases with a warrant issued. The SLMPD and the Circuit Attorney may obtain evidence from the Sheriff's property room if needed for investigative or other judicial purposes. Office personnel track evidence in a database using the complaint number assigned by the SLMPD. When office personnel submit a formal request, the Circuit Attorney's office (CAO) seeks authorization from the circuit court to destroy or donate items no longer needed or to return items to the owner.

We identified the following concerns:

- We haphazardly¹ selected 25 items from the seized property databases and 25 items from the property room to perform a test. We noted that for 10 of the 50 (20 percent) evidence items tested, the item could not be located or the location documented in the databases did not correspond to the actual location in the property room. As a result, for the items tested, there is no assurance the evidence received is accurately accounted for and maintained. Office personnel subsequently located the missing items or provided documentation showing the property had been destroyed by court order.
- The office does not have a formal plan and/or schedule for performing a physical inventory of seized property. Office personnel indicated they have been selecting small areas at a time and comparing the physical inventory to the seized property records but have not formalized this process to account for all seized property. They indicated records are updated accordingly when errors are identified.
- The office does not always retain documentation (e.g. listings of items) supporting submissions to the CAO when requesting the disposal of seized property.

Considering the often sensitive nature of seized property, adequate internal controls are essential and would significantly reduce the risk of loss, theft, or misuse of the property. Periodic physical inventories should be performed with the results compared to inventory records to ensure seized property is accounted for properly. Retention of records is necessary to ensure the validity of transactions and provide an audit trail. Section 109.270, RSMo, provides that all records made or received by an official in the course of the official's public duties are public property and are not to be disposed of except as provided by law.

¹ Due to the nature of the sample, the results cannot be projected to the population.



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

A similar condition was noted in our prior audit report. In the *Follow-Up Report on Audit Findings City of St. Louis - Office of Sheriff*, Report No. 2018-129, released in December 2018, officials indicated the previous recommendation was in progress; however, we found that corrective action planned and taken was not always effective and problems continue to exist.

Recommendation

The Sheriff implement a formal process for performing physical inventories of seized property. The process should include a schedule that will allow for inventorying all seized property over a period of time and any differences should be investigated and resolved. Also, the Sheriff should implement procedures to ensure documentation associated with seized property is retained in accordance with state law.

Auditee's Response

The property room supervisor will create a process for performing physical inventories. This will include a schedule that will allow us to inventory all items in a timely manner. Documentation will be noted on each shelf that has been inventoried.

The property room personnel will ensure that documentation of any request made by the Sheriff's office of the Circuit Attorney's office, either by letter or email, will be maintained.

4. Accounting Controls and Procedures

Accounting procedures and controls need improvement. Office personnel collected payments for fees, land sale transactions and related fees, prisoner transport reimbursement, civil paper service fees, conceal and carry weapon (CCW) permits, and other fees totaling approximately \$1.5 million for the year ending June 30, 2020.

4.1 Budgets

Sheriff's office personnel do not prepare budgets for the Commission, Revolving CCW, and Process Server Funds. Preparing budgets allows management the ability to monitor revenues, disbursements, and available fund balance. Office personnel indicated they were unaware budgets needed to be prepared for these funds, and stated that budgeting these funds would be difficult due to large variations in revenues and expenditures each year. Comptroller's office personnel agreed the funds are not budgeted but indicated they are included in the Annual Comprehensive Financial Report as special revenue funds.

Preparing a budget for public funds aids in the fiscal management of the city funds; provides a means to effectively monitor actual costs, revenues, and cash balances; and helps inform the city and the public of the office's financial position.

4.2 Liabilities

Office personnel do not prepare a monthly list of liabilities for the general business bank account, and consequently, liabilities are not agreed to the reconciled bank balance. Based on records provided, we determined liabilities



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Management Advisory Report - State Auditor's Findings

for the account were \$11,203 at June 30, 2020. The June 30, 2020, reconciled bank balance was \$30,298, leaving an unidentified balance of \$19,095. Office personnel could not explain the remaining unidentified balance.

By regularly identifying liabilities, agreeing that information to the available cash balance and investigating differences, the Sheriff's office can better ensure accounting records are in balance, all amounts received are disbursed, and money is available to satisfy all liabilities.

A similar condition was noted in our prior audit report. In the *Follow-Up Report on Audit Findings City of St. Louis - Office of Sheriff*, Report No. 2018-129, released in December 2018, officials indicated the previous recommendation had been implemented; however, we found that corrective action taken was not always effective and problems continue to exist.

4.3 Endorsement of checks

Office personnel do not restrictively endorse checks and money orders upon receipt. The cashier indicated they are endorsed at the end of the day when preparing the deposit.

Failure to restrictively endorse checks and money orders immediately upon receipt increases the risk that loss, theft, or misuse of payments received will occur and go undetected.

Recommendations

The Sheriff:

- 4.1 Work with the Budget Division and/or Comptroller's office to prepare annual budgets for the Commission, Revolving CCW, and Process Server Funds.
- 4.2 Ensure monthly lists of liabilities for the general business account are prepared and reconciled to the bank balance. Any differences should be promptly investigated and resolved.
- 4.3 Restrictively endorse checks and money orders immediately upon receipt.

Auditee's Response

- 4.1 *The Sheriff's office will look back at the last 3 years for each of the above funds to calculate an average of receipts and disbursements. We will use the average of the 3 years to obtain a working budget and establish an annual budget for these funds going forward.*
- 4.2 *The office will prepare a monthly list of liabilities for the general business bank account and agree the list to the reconciled bank balance.*



4.3 *The office will order endorsement stamps so the checks can be stamped at the time they are received.*

5. Electronic Communication Policy

The Sheriff 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. This guidance recommends government entities have a policy on electronic messaging, including text messages, email, and other third party platforms. Office personnel indicated that while there is not a policy, personal devices are never used for official business.

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. Section 109.255, RSMo, provides that the Local Records Board issue directives for the destruction of records. The guidelines for managing electronic communications records can be found on the Secretary of State's website.²

To ensure compliance with state law, the Sheriff should develop written policies to address the use of personal email, social media and message accounts, and management and retention of electronic communications.

Recommendation

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

Auditee's Response

We will develop and implement a policy consistent with the Secretary of State guidelines. Personnel policies will be updated accordingly.

² 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 March 22, 2021.

City of St. Louis - Office of Sheriff

Organization and Statistical Information

Vernon Betts currently serves as the Sheriff for the City of St. Louis. He was first elected Sheriff in November 2016 and has served in that capacity since being sworn into office on January 1, 2017. He was re-elected in November 2020 and his current term expires December 31, 2024. As of June 30, 2020, the Sheriff's office employed 158 full-time employees and 1 part-time employee.

The Office of Sheriff consists of 7 units including Criminal and Civil Courts, Civil Service, Prisoner Transportation, Juvenile, Hospital, Civil Office, and Administration.

The Criminal and Civil Courts Unit is responsible for building and courtroom security at the city's courthouses. The unit is also responsible for the custody of prisoners while in the courthouse. In addition, the unit also operates a property room and is responsible for the safekeeping and custody of criminal evidence and seized property received from the St. Louis Metropolitan Police Department.

The Civil Service Unit is responsible for serving civil processes, eviction notices, and jury duty summons as ordered by the courts.

The Prisoner Transportation Unit is responsible for the custody and transport of inmates to and from the city's correctional facilities. This unit is responsible for transporting inmates to and from medical clinics, emergency rooms, and penitentiaries and for assisting with extradition of prisoners from out of state.

The Juvenile Unit is responsible for the custody and transport of juvenile inmates to and from the city's correctional facilities for court hearings.

The Hospital Unit is responsible for the custody and transportation of prisoners while receiving medical care at local hospitals and doctor's offices.

The Sheriff's Civil Office Unit is responsible, as required by state law, for auctioning parcels of land that a judgment has been taken against by the Collector of Revenue for failure to pay property taxes. The office generally holds five sales each calendar year in May, June, July, August, and October. The unit is also responsible for collecting money and seizing property related to garnishments and executions and issuing concealed weapon permits to city residents.

The Administration Unit is responsible for preparation of the department's budget, timekeeping, and other personnel matters.