



Scott Fitzpatrick

Missouri State Auditor

City of St. Louis

Office of Recorder of Deeds
and Vital Records Registrar

Report No. 2023-035

August 2023

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Scott Fitzpatrick
Missouri State Auditor

CITIZENS SUMMARY

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

Payroll Policies and Procedures	The payroll policies of the Recorder of Deeds and Vital Records Registrar (Recorder) do not include key safeguards, and supervisory reviews did not identify payroll inaccuracies.
Escrow Liability Reconciliations	The Recorder does not reconcile the records of escrow money held by the office to the city's general ledger records or balances and, as a result, errors and other unidentified differences remained undetected and city liabilities are understated by \$30,483.

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 Recorder of Deeds and Vital Records Registrar
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SCOTT FITZPATRICK
MISSOURI STATE AUDITOR

Honorable Michael Butler, Recorder of Deeds and Vital Records Registrar
City of St. Louis, Missouri

We have audited certain operations of the City of St. Louis Office of Recorder of Deeds and Vital Records Registrar 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, 2021. To minimize duplication of effort, we reviewed the CPA firm's report for the year ended June 30, 2021, since the June 30, 2022, audit had not been completed. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2022. 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 performing sample testing using haphazard and judgmental selection, as appropriate. The results of our sample testing cannot be projected to the entire populations from which the test items were selected. 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) no significant 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 Recorder of Deeds and Vital Records Registrar.

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 "S. Fitzpatrick". The signature is written in a cursive style with a large initial "S" and a stylized "F".

Scott Fitzpatrick
State Auditor

City of St. Louis
Office of Recorder of Deeds and Vital Records Registrar
Management Advisory Report - State Auditor's Findings

1. Payroll Policies and Procedures

The payroll policies of the Recorder of Deeds and Vital Records Registrar (Recorder) do not include key safeguards, and supervisory reviews did not identify payroll inaccuracies. Payroll expenses were approximately \$1.2 million for the fiscal year ended June 30, 2022.

Payroll policies are inadequate

Procedures have not been established to require employees to sign their timecards to attest to hours worked or leave used, salaried employees are not required to complete leave requests, hourly employees are not required to sign leave requests, and supervisors are not required to document their review and approval of employee payroll information. In addition, procedures have not been established to review and verify employee time entered into the timekeeping system.

Office personnel indicated personnel policies have been in place for many years, and they had not considered adding these additional requirements into existing policies.

Supervisory reviews have not detected errors

Employee time information, including employee leave requests, is entered into the payroll system by the employee. This information is then reviewed by the Human Resource Manager for accuracy. For leave requests, office policy requires the employee's supervisor or appointing authority to review and approve employee leave request forms prior to processing the forms. Reviews performed did not always detect errors between employee timecards and the data entered into the payroll system.

During our review of employee timecards for the pay period May 22, 2022, through June 4, 2022, we noted 1 employee's leave used did not agree to the type of leave requested or the amount on the employee's timecard. A leave request for June 1, 2022, was submitted for 3 hours compensatory time. However, the leave time was recorded as 4 hours of medical leave on the employee's timecard, and was recorded as 4 hours of compensatory time on the accrual leave balance report. As a result, the compensatory time balance remaining should have been 4.5 hours; however, the balance recorded on the leave balance report was 3.5 hours. Office personnel indicated this was an oversight.

Strengthening existing payroll policies and ensuring supervisory reviews of payroll records are completed would provide additional assurance employee compensation and leave records are accurate. In addition, Fair Labor Standards Act (FLSA) regulation Section 29 CFR Section 516.2(a) requires employers to maintain accurate records of actual time worked by employees.



Recommendation

The Recorder of Deeds and Vital Records Registrar establish procedures to ensure signed timecards and leave requests are completed by all employees and are reviewed and approved by a supervisor.

Auditee's Response

The Recorder of Deeds and Vital Records Registrar's written response indicates the office partially agrees with the recommendation. The office's full response is included at Appendix A.

2. Escrow Liability Reconciliations

The Recorder does not reconcile the records of escrow money held by the office to the city's general ledger records or balances and, as a result, errors and other unidentified differences remained undetected and city liabilities are understated by \$30,483.

Title companies, banks, and other customers may establish escrow (prepaid) accounts with the Recorder's office. Deposits, uses, and escrow account balances are documented in the Recorder's cashier software. Deposits received by the Recorder are transmitted to the City Treasurer daily and are recorded in the city's General Fund as a liability in the Title Fee Deposits Account. At the end of each month, the Recorder provides journal entry instructions to the City Comptroller to reduce the Title Fee Deposits Account for amounts used by the customers during the month. The journal entry reduces the city's liability account balance and increases revenues. Deposits and uses by participating customers totaled approximately \$2,970,000 and \$2,903,000; respectively, for the year ended June 30, 2022.

The City Comptroller's records show the escrow liability balance as of June 30, 2022, was \$196,267, while the actual balance of escrow funds held by the City Treasurer was \$226,750, resulting in a difference of \$30,483. As a result, the City Comptroller's records of account for the escrow liability and the city's liability on its financial statements are understated.

Monthly reconciliations between the Recorder's escrow account balances and the city's liability records are necessary to ensure deposit amounts are properly recorded and are sufficient to meet liabilities. Any discrepancies should be promptly investigated and resolved.

Similar condition previously reported

The Recorder indicated the office was unaware the balance for the escrow accounts should be reconciled monthly to the Comptroller's liability balance; however, a similar condition was noted in our 2 prior audit reports. In addition, in the *Follow-Up Report on Audit Findings City of St. Louis - Recorder of Deeds and Vital Records Registrar*, Report No. 2016-095, released in September 2016, officials indicated the previous recommendation was in progress; however, we found the corrective action was not consistently applied and discrepancies continue to exist.



City of St. Louis
Office of Recorder of Deeds and Vital Records Registrar
Management Advisory Report - State Auditor's Findings

Recommendation

The Recorder of Deeds and Vital Records Registrar develop policies and procedures to reconcile escrow account balances to the city's liability records monthly. Any differences should be investigated and resolved.

Auditee's Response

The Recorder of Deeds and Vital Records Registrar's written response indicates the office partially agrees with the recommendation. The office's full response is included at Appendix A.

City of St. Louis - Office of Recorder of Deeds and Vital Records Registrar Organization and Statistical Information

The City of St. Louis Office of Recorder of Deeds and Vital Records Registrar is an elected statutory county office. Missouri statutes and city ordinances define the office's duties. The duties of the office include preserving and providing public access to public records affecting title to real estate and issuance of marriage licenses; administering the State of Missouri vital records registry office for birth and death records for the City of St. Louis; maintaining and assisting users with access to archive data dating between 1765 and the present; and other legal matters.

Michael Butler currently serves as the Recorder of Deeds and Vital Records Registrar for the City of St. Louis. He was first elected to this position in November 2018 and was re-elected in November 2022. His current term expires January 1, 2027.

The office employed 37 employees as of June 30, 2022.



Appendix
City of St. Louis - Office of Recorder of Deeds and Vital Records Registrar
Response to Audit Recommendations



Michael Butler
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July 19, 2023

Honorable Scott Fitzpatrick
Missouri State Auditor
301 West High Street, Room 880
Jefferson City, Missouri 65012

We have reviewed the findings from your office's audit of the City of St. Louis Office of Recorder of Deeds and Vital Records Registrar. Below you will find our responses to the audit findings.

- 1. The Recorder of Deeds and Vital Records Registrar (Recorder) establish procedures to ensure signed timecards and leave requests are completed by all employees and are reviewed and approved by a supervisor.**

Recorder's Response: I partially agree with this finding. Our response is as follows:

#1 Payroll Policies and Procedures

The Recorder's office does have established detailed policies for all operations including personnel policies. The Auditor's review of the Recorder's payroll system cited findings regarding this office's then primary payroll system which included a redundant process of paper and electronic system for accrual/leave tracking. The issues raised were because the then payroll system, NOVAtime, was not designed with an employee signoff function however, this office's internal procedures did require employees to call in medical (sick) absences to their immediate supervisors who then prepared and submitted leave slips to the Human Resources Manager on the employee's behalf which were not signed by the employee. Those forms are then entered into the payroll system by Human Resources Personnel. All employees had access to their individual NOVAtime payroll accounts, including accruals and were at liberty to bring any concerns to either their direct supervisor or HR. This system has been in place since 2010 and has weathered two previous Missouri State Auditor audits with no similar audit findings or suggestions.

This office is not aware of any unaddressed employee concerns about incorrect entries into the timekeeping system.

During the time of the audit, the City of St. Louis commissioned and implemented a new citywide payroll system which requires all city employee's personal signoffs as noted in the audit. Therefore, this item has been addressed.



Appendix
City of St. Louis - Office of Recorder of Deeds and Vital Records Registrar
Response to Audit Recommendations

2. **The Recorder develop policies and procedures to reconcile escrow account balances to the city's liability records monthly. Any differences should be investigated and resolved.**

Recorder's Response: I partially agree with this finding. Our response is as follows:

#2 Escrow Liability Reconciliations

As noted in the Auditor's report, this is a continuing issue however, all funds in the care of the Recorder were meticulously accounted for and there were no irregularities relating to the fiscal accounting of those accounts. This Recorder's administration, as well as the past administration, has sought the assistance of the St. Louis City Comptroller to create a permanent resolution. The City of St. Louis has recently implemented a new accounting system, ORACLE, which once fully implemented will improve the ability to reconcile these accounts. This effort will require a collaborative effort including the Comptroller's and the St. Louis City Treasurer's office. Toward that goal, the Recorder has also recently enhanced internal staff capabilities with the addition of personnel with accounting backgrounds and capabilities plus employing the services of an external accounting service.

Please note that this office is thoroughly committed to fully incorporate your findings and suggestions. Thank you for bringing these issues to our attention.

We also want to acknowledge the professionalism and abilities of your audit staff. Their communications and patience were appreciated by all in the Recorder's Office.

Sincerely,

Michael Butler
St. Louis Recorder of Deeds.

CC: Wayne Kauffman
Steven Re