



Office of Missouri State Auditor
Nicole Galloway, CPA

FOLLOW-UP REPORT ON AUDIT FINDINGS

City of St. Louis
Office of License Collector

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City of St. Louis - Office of License Collector

Follow-Up Report on Audit Findings

Table of Contents

State Auditor's Letter	2
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Status of Findings

1.	Businesses Operating Without Valid Licenses	3
2.	Follow-up on Delinquencies and Pending Applications.....	4
3.	Verification of Business License Applications.....	7
4.	Internal Controls and Procedures.....	8
5.	Disbursements.....	13
6.	Payroll Procedures	15
7.	Vehicles	19
8.	Bank Accounts.....	22
9.	Budgetary Practices	24



NICOLE GALLOWAY, CPA Missouri State Auditor

Honorable Mavis T. Thompson, Esq., License Collector
City of St. Louis, Missouri

We have compiled the statuses of the audit report findings contained in Report No. 2009-64, *City of St. Louis, Office of License Collector*, issued in June 2009, as part of our current audit of the City of St. Louis. These results were determined by city officials and have not been audited. We will evaluate each status and the procedures implemented to address the related audit findings as appropriate in our upcoming audit of the Office of License Collector. The objectives of the follow-up compilation were to:

1. Provide status information from city officials for each recommendation. The status of each recommendation will be one of the following:
 - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
 - In Progress: Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
 - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
 - Not Implemented: Auditee has not implemented the recommendation and has no specific plans to implement the recommendation.
 - No Longer Applicable: The recommendation is no longer applicable.
2. Compile the information reported.

To obtain the status for each recommendation, we sent questionnaires to the Office of License Collector that included a brief summary of each finding and recommendation, and requested the status of each finding and a brief description of the steps taken or planned to implement the recommendation or reason(s) why the recommendation has not been implemented or is no longer applicable. This report is a compilation of the information provided, which we received in May 2018.

Audits of various officials and departments of the City of St. Louis are in process, and any findings and recommendations will be included in the subsequent reports.

A handwritten signature in black ink that reads "Nicole R. Galloway". The signature is written in a cursive style and is enclosed within a faint, light-colored oval border.

Nicole R. Galloway, CPA
State Auditor

City of St. Louis - Office of License Collector

Follow-Up Report on Audit Findings

Status of Findings

Finding Title: Businesses Operating Without Valid Licenses

Finding Number: 1.

Finding: The License Collector's office could have improved procedures to timely resolve non-compliance issues in the license application clearance process, including establishing guidelines for determining when it was appropriate to close non-compliant businesses.

Recommendation: The License Collector continue to coordinate with other city departments to strengthen procedures to resolve problems with businesses obtaining clearance and determine whether there are any other legal avenues the city can take against non-compliant businesses. In addition, the office should consider developing guidelines for determining what factors will be considered when deciding whether to close a business and when those determinations will be made.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

The License Collector's office, in coordination with other city departments, established a comprehensive procedure for determining what factors and guidelines will be considered when deciding to close a business. We have coordinated with other city departments to strengthen procedures for resolving problems with businesses obtaining clearance and determined whether there are other legal avenues the city can take against non-compliant businesses. Specifically, we met with the Collector of Revenue, Assessor, Building Division, Municipal Court Judge, City Counselor's office, and the Health Department.

The outcome of these meetings resulted in the formulation and implementation of a comprehensive Business Closure Policy. This policy addressed the procedure for pursuing a legal remedy in court against non-compliant businesses.

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City of St. Louis - Office of License Collector
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Follow-up on Delinquencies and Pending Applications

Finding Number: 2.A.

Finding: Some follow-up procedures performed on delinquencies and pending applications were not adequately documented and information was not maintained in a readily accessible, centralized location to allow for proper monitoring and supervision. As a result, it was difficult for management to determine what follow-up work had been performed on a particular business.

Recommendation: The License Collector improve procedures to ensure adequate documentation is maintained in an accessible centralized location for all follow-up work performed.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

The License Collector office's procedures to follow up on delinquencies are the following:

- Field service representatives (FSRs) are assigned to delinquent businesses existing on their specified routes.
- FSRs call the business owner to arrange a date and time for collections.
- FSRs physically go to the business to collect payment.
- FSRs send correspondence to delinquent businesses that are not reachable by phone.
- FSRs leave a door hanger identifying the delinquent business and restricted time allotted for payment.
- All documentation concerning efforts of collections and results of those efforts are logged into a centralized location in the licensing system shared drive.
- If the efforts are unsuccessful, compliance officers are asked to intervene to try to get better results and obtain payment from delinquent business.
- If the compliance officers are also unsuccessful, a summons will be issued by the police department.
- After due process, our business closure policy will be implemented if needed.

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City of St. Louis - Office of License Collector
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Follow-up on Delinquencies and Pending Applications

Finding Number: 2.B.

Finding: The License Collector's office did not send out deficiency notices to businesses in a timely manner, if at all, when licenses could not be issued as a result of pending applications that had deficiencies in the clearance process.

Recommendation: The License Collector ensure follow-up work is performed consistently and timely, and documentation of such actions is maintained.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

The License Collector office's procedures for notifying delinquent businesses and pending applications in a timely manner are the following:

- Phone calls are made by the municipal business license section to inform the taxpayer of delinquency.
- Emails are sent out to delinquent taxpayers.
- Billing statements to identify a 30, 60, and 90 day delinquency are mailed out regularly.
- Evidence of emails and phone calls can be found in the Land Records Management System (LRMS).
- A staff person has been assigned to perform daily online reviews of address delinquencies, if any.
- Information is logged daily in a spreadsheet to show each attempt made by the FSRs to contact delinquent taxpayers.
- A route sheet is submitted daily to the Field Service Supervisor to show the frequency of attempts made to communicate with delinquent taxpayers.
- All information is maintained in a shared drive database.
- All pending applications are reviewed and taxpayers are contacted and provided necessary information to bring their statuses into compliance.
- Separate delinquency notification letters are no longer mailed to delinquent taxpayers due to implementation of the above procedures. The billing delinquency statement serves as the notification.

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City of St. Louis - Office of License Collector
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Follow-up on Delinquencies and Pending Applications

Finding Number: 2.C.

Finding: The License Collector's office coded incorrect statuses for some businesses on the LRMS, preventing the required follow-up work from being performed. In addition, the License Collector's office did not have adequate procedures in place to identify such errors. While the License Collector's office had identified some errors when follow-up work was performed on some businesses, procedures were not in place to identify such errors on a timely basis.

Recommendation: The License Collector establish procedures to ensure businesses are coded to the correct status in the LRMS system and actively monitor the statuses to help ensure any errors are identified timely.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

The License Collector office's procedures for coding are as follows:

- FSRs physically go to the location to confirm the status of businesses no longer operating and will adjust codes to identify them as such if needed.
- Confirmed compliant taxpayers' codes are changed by the Finance Division after verification of a checklist to put them in the proper status.
- The access to change codes is restricted to specified departments and managers (depending on the type of change).
- Once a status code has been modified, changed, or corrected, the employee must use his/her sign-in code (Operator Identification) to identify who made the change.
- Management periodically reviews code entry changes to ensure the proper status of businesses.

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City of St. Louis - Office of License Collector
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Verification of Business License Applications

Finding Number: 3.

Finding: The License Collector's office could have improved procedures used to verify the accuracy of information reported on some types of business license applications where fees due were based solely on information provided by businesses.

Recommendation: The License Collector develop procedures to verify the accuracy of information submitted on business license applications, at least on a periodic or sample basis. This could include performing audits or examinations of the information submitted in business license applications.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

Manufacturers representatives verify the accuracy of information submitted on business license applications by manufacturers during the annual site visits to the manufacturers' locations.

The FSRs verify the accuracy of information submitted on business license applications by non-manufacturers during the annual site visits to the non-manufacturers' locations.

Additionally, the License Collector's office continues to coordinate information with other city offices in an effort to validate information provided by businesses, particularly the Collector of Revenue, Assessor, and Building Division.

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City of St. Louis - Office of License Collector
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Internal Controls and Procedures

Finding Number: 4.A.1.

Finding: Monies received by mail were not adequately tracked to ensure all monies received were deposited. The License Collector's office maintained a mail log to track all monies received by mail; however, entries on the mail log were not reconciled to deposits.

Recommendation: The License Collector ensure receipts recorded on the mail log are reconciled to deposits.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

Checks received in the mail are reconciled to the deposits on a daily basis. The procedure is as follows:

- The mail clerk will log each check on the mail log spreadsheet and include the total amount received each day.
- The checks and the accompanying applications are given to the Chief of Staff for review.
- After this review, the Chief of Staff will deliver the checks and applications to the cashier's room. The cashier will create a cash slip for each check received.
- The checks are remotely deposited to our bank account and a deposit summary is created. The summary provides a list of the checks and the total amount deposited.
- The deposit summary is then reconciled to the mail log spreadsheet.

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City of St. Louis - Office of License Collector
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Internal Controls and Procedures

Finding Number: 4.A.2.

Finding: The License Collector's office did not have procedures in place to ensure monies collected in the field were turned over to the Finance Division for processing and depositing. In addition, records retained of monies collected in the field were not reliable.

Recommendation: The License Collector develop procedures to ensure monies collected by field staff are turned over to the Finance Division for deposit. This should include issuing prenumbered receipt slips, maintaining a record of receipt for all monies collected in the field, and accounting for the numerical sequence of receipt slips.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

A procedure is in place for the payment collection process. Prenumbered receipt slips are issued to the FSRs. The receipt slip book is in a three-tab form: the white copy is given to the taxpayer, the pink copy is given to the accounting department, and the yellow copy is retained in the field department. The collected amount is also recorded on the FSRs route sheet and on the electronic file "Daily Productivity Report" which is stored on the shared drive. The route sheet will have a copy of the form of payment and a copy of the prenumbered receipt slip issued.

Upon return to the office, funds collected in the field by FSRs are submitted to the accounting department along with the pink copy of the receipt slip. The Field Service Manager keeps an electronic log of the numerical sequence of receipt slips given to each employee.

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City of St. Louis - Office of License Collector
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Internal Controls and Procedures

Finding Number: 4.A.3.

Finding: The License Collector's office did not have procedures in place to ensure monies collected for duplicate license fees or insufficient fund (NSF) check fees were deposited.

Recommendation: The License Collector develop procedures to ensure all monies collected for duplicate license fees and NSF check fees are deposited.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

The LRMS system has been updated to process and record duplicate license fees and NSF check fees. These transactions are accompanied by a cash slip that is reconciled to the daily deposit report, and monies are deposited in the same manner as all other collections.

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City of St. Louis - Office of License Collector
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Internal Controls and Procedures

Finding Number: 4.A.4.

Finding: Checks received in the License Collector's office that had been remote deposited were not maintained in a secure location.

Recommendation: The License Collector adequately secure remotely deposited checks.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

Checks for remote deposits are now kept in locked cabinets.

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City of St. Louis - Office of License Collector
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Internal Controls and Procedures

Finding Number: 4.B.

Finding: Independent or supervisory reviews and reconciliations of various records were not always performed or documented. Office procedures required adjustments made to the LRMS system be reviewed by the Assistant Finance Manager on a daily basis; however, the review was not documented. Bank service fees were charged to each bank account on a monthly basis; however, no documentation existed to indicate anyone reviewed the propriety of the bank fees charged. Supervisory approvals of both manufacturers on-site inspection reports and property declarations were not always documented.

Recommendation: The License Collector ensure independent reviews and reconciliations are performed and adequately documented.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

The Finance Manager or Assistant Finance Manager perform reviews and reconciliations daily. They initial the documents reviewed and reconciled.

Adjustments to the LRMS system are reviewed by the Finance Manager or Assistant Finance Manager daily. They initial the documents reviewed.

The Chief of Staff has always reviewed the propriety of bank fees charged each month and his initials document that the review was performed. Additionally, Royal Banks of Missouri has recently waived all bank fees.

Manufacturers representatives make annual site inspections, starting January 1 of each year. Site inspection forms are filled out by the manufacturers representatives and signed. The Manufacturers Manager reviews all property declarations and his initials document the review. The declarations are submitted to the Merchants and Manufacturers Tax Equalization Board every year from April through August for a final review.

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City of St. Louis - Office of License Collector
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Disbursements

Finding Number: 5.A.

Finding: The License Collector's office did not have a formal written procurement policy. As a result, the decision to solicit competitive bids/proposals for purchases was made on an item-by-item basis and was generally obtained through informal inquiries or research. Additionally, supporting documentation of bids obtained or inquiries and research performed was generally not retained.

Recommendation: The License Collector establish formal procurement policies and procedures, including documentation requirements regarding bids, quotes, or proposals received and justification for the selection made.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

The License Collector's office has developed a comprehensive procurement policy.

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City of St. Louis - Office of License Collector
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Disbursements

Finding Number: 5.B.

Finding: The License Collector did not execute formal written contracts with several businesses for services provided. Services provided without current or formal written contracts included armored car services, general contract work for office renovations, and employee performance assessments.

Recommendation: The License Collector enter into current, formal written contracts for all services received.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

The License Collector's office has secured a written contractual agreement for armored car services and no longer uses the other vendors cited in the prior audit.

The License Collector's office procurement policy requires formal written contracts for all persons engaging in business with and on behalf of the License Collector's office. The License Collector's office has adhered to this policy since its implementation.

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City of St. Louis - Office of License Collector
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Payroll Procedures

Finding Number: 6.A.1.

Finding: A reconciliation was not performed between the payroll register and the adjusted payroll variance report to verify the accuracy of payroll distributions.

Recommendation: The License Collector ensure the adjusted payroll variance reports are reconciled to the final payroll registers.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

A reconciliation between the final payroll register and the adjusted payroll variance report is performed.

An error confirmation form is submitted to the Comptroller's office payroll section confirming any corrections needed, including details of the corrections.

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City of St. Louis - Office of License Collector
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Payroll Procedures

Finding Number: 6.A.2.

Finding: Employees did not sign off on time records to verify accuracy and supervisors did not sign off on employee time records to indicate their review and approval.

Recommendation: The License Collector ensure all time records are signed off by both employees and supervisors attesting to the accuracy of the time reported.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

Timesheets are printed each pay period on Monday and distributed to managers. Each employee's manager and employee review the employee's timesheet. On Thursday, paycheck stubs are distributed to employees. For each employee, both the employee and manager sign and date the employee's timesheet. This verifies the accuracy of the timesheet and receipt of the paycheck stub. A copy of each timesheet is kept on file and the employee is provided a copy by his/her manager if requested.

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City of St. Louis - Office of License Collector
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Payroll Procedures

Finding Number: 6.B.

Finding: Payroll records in the License Collector's office contained a number of errors and inconsistencies.

Recommendation: The License Collector establish procedures to ensure all payroll records are checked for mathematical accuracy, completeness, and agreement with other records.

Status of Finding: In Progress

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

The use of an electronic time clock has greatly reduced the number of errors and inconsistencies. We have also implemented an Excel spreadsheet version of the time card which significantly reduces data entry errors.

The procedure for verifying the accuracy of an employee signing in and out includes comparing the time clock record with any request that an employee has submitted for time off and also comparing it to the daily assigned work calendar. The final step is for the employee to review and verify the payroll record before it is submitted to the Comptroller's office.

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City of St. Louis - Office of License Collector
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Payroll Procedures

Finding Number: 6.C.

Finding: The personnel manual had not been updated to include all policies and procedures followed by the License Collector's office.

Recommendation: The License Collector update the personnel manual to ensure it includes all significant personnel policies and procedures currently in use.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

The personnel manual has been updated to include all significant policies and procedures. The manual includes information regarding sick leave time earned and maximum accruals allowed for leave balances. The manual also includes guidelines for the shared leave program which allows employees to donate leave to other employees, as well as guidelines for leave balances and handling of accumulated leave balances upon termination or resignation.

The personnel manual is updated regularly as new policies and procedures are developed.

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City of St. Louis - Office of License Collector
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Vehicles

Finding Number: 7.A.

Finding: The License Collector, the Chief Deputy License Collector, and a manager used their assigned, unmarked, city-owned vehicles for commuting and personal use. The officials did not maintain vehicle usage logs to document miles driven for official, commuting, and personal use. The License Collector's office did not provide documentation approving and justifying personal use of the vehicles.

Recommendation: The License Collector discontinue the use of city-owned vehicles for personal use or ensure proper approval documentation is maintained for any exceptions. The License Collector should also ensure personal and commuting mileage reported for compensation is adequately supported.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

The License Collector, as the appointing authority, has complied with the City Vehicle Policy Manual Section 3.8.1. The License Collector granted a written exception which approves personal use of vehicles owned by the License Collector's office to the License Collector and the Chief of Staff.

Personal mileage of these 2 vehicles is reported to the city, in accordance with city regulations, for reporting to the Internal Revenue Service as compensation on the W-2 forms of these individuals.

In addition, both the License Collector and the Chief of Staff complete a daily vehicle usage log to document beginning and ending odometer readings for official, commuting, and personal use.

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City of St. Louis - Office of License Collector
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Vehicles

Finding Number: 7.B.

Finding: Records of vehicle use and monitoring procedures for the License Collector's vehicle fleet were not sufficient. While periodic mileage readings were recorded on a monthly basis and when vehicles were fueled, the License Collector's office did not require detailed vehicle usage logs be maintained to document beginning and ending odometer readings, destination, and trip purpose for any of its 12 vehicles.

Recommendation: The License Collector require the preparation of usage logs for all vehicles and ensure these logs are properly reviewed.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

The License Collector's office keeps in its Field Service Division both a paper record and electronic file of daily mileage usage. The main source for this information is the field service route sheet which collects the beginning and ending odometer readings, the address of the site visited, and what activity was performed at the location. The Field Service Manager reviews this information daily.

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City of St. Louis - Office of License Collector
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Vehicles

Finding Number: 7.C.

Finding: Vehicles may not have been used efficiently and effectively. The License Collector's office had a total of 12 vehicles. Our review of monthly mileage records noted three of these vehicles had 8 months of inactivity during the 15-month period reviewed.

Recommendation: The License Collector review vehicle usage and vehicle assignments periodically to ensure the number of vehicles in the fleet are necessary and justified.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

The License Collector's office no longer has 12 vehicles in its fleet. The Field Service and Manufacturers Divisions currently share 5 vehicles for the purpose of field collection and verification. The Field Service Division uses 3 of the vehicles and the Manufacturers Division uses 2 of the vehicles on a daily basis. All vehicles are signed in and out daily on the log sheet located in the Field Service Division.

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City of St. Louis - Office of License Collector
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Bank Accounts

Finding Number: 8.A.

Finding: The License Collector could have improved procedures to monitor and ensure bank accounts were sufficiently collateralized. While securities were released at the authorization of the Chief Deputy License Collector and a month-end summary of pledged collateral was reviewed, the License Collector's office relied on the bank to monitor and ensure adequate collateral securities were pledged on a daily basis to cover amounts deposited in the various bank accounts.

Recommendation: The License Collector establish procedures to actively monitor and ensure bank accounts are adequately collateralized.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

A daily report is provided on the office's collateral position by the bank. The report is reviewed daily by the Chief of Staff and Finance Division Manager. Communication is maintained on a daily basis between the bank and the License Collector's office concerning deposits and the collateral position.

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City of St. Louis - Office of License Collector
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Bank Accounts

Finding Number: 8.B.

Finding: The License Collector's office operated without a depository agreement for 9 months during the audit period and had not competitively procured banking services for several years.

Recommendation: The License Collector ensure the office has a written depository agreement in effect at all times for banking services and competitively procure banking services on a periodic basis.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

The License Collector's office has a written depository agreement for banking services with Royal Banks of Missouri until 2021. At that time, we will follow our procurement policy to competitively procure banking services.

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City of St. Louis - Office of License Collector
Follow-Up Report on Audit Findings
Status of Findings

Finding Title: Budgetary Practices

Finding Number: 9.

Finding: The License Collector's office operated without a formal budget during fiscal year 2008. The beginning balance plus revenues collected were significantly more than the amount needed to cover operating expenditures for the fiscal year, and it is unclear why such a large reserve was needed.

Recommendation: The License Collector prepare a formal budget on an annual basis, including a plan to retain only the necessary commissions for the operations of the office and to maintain a reasonable reserve level. If additional monies are being reserved for planned projects or needs, such issues should be identified in the budget document.

Status of Finding: Implemented

Description of steps taken or planned to implement the finding or reason for not implementing or why finding is no longer applicable:

The License Collector prepares and maintains a formal budget on an annual basis. We retain only the commissions necessary for operating the office. We do not maintain a reserve level. All planned projects and needs are included in the annual budget.

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