



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



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January 27, 2017

Freddie L. Dunlap, Assessor
Assessor's Office
City Hall
1200 Market Street, Room 114-120
St. Louis, MO 63103

RE: Request for Audit-Individual Personal Property Tax (Project #2017-SP01)

Dear Mr. Dunlap:

The Comptroller's Internal Audit Section has completed a special review of the Assessor's Office-Individual Personal Property Tax. Enclosed is our report covering the period July 1, 2015, through June 30, 2016. A description of the scope of our work is included in the report. Fieldwork was completed on November 14, 2016.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

If you have any questions, please contact the Internal Audit Section at (314) 657-3454.

Respectfully,

Ishmael Ikpeama, Ph.D.
Internal Audit Supervisor

Enclosure

CC: Shawn Ordway, Deputy Assessor
Mary Stevens, Manager, Personal Property Department





CITY OF ST. LOUIS
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ASSESSOR'S OFFICE

INDIVIDUAL PERSONAL PROPERTY TAX

SPECIAL REVIEW

JULY 1, 2015 THROUGH JUNE 30, 2016

PROJECT #2017-SP01

DATE ISSUED: JANUARY 27, 2017

Prepared By:

The Internal Audit Section



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HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
ASSESSOR'S OFFICE
INDIVIDUAL PERSONAL PROPERTY TAX
SPECIAL REVIEW
JULY 1, 2015 THROUGH JUNE 30, 2016**

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INDIVIDUAL PERSONAL PROPERTY TAX
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SUMMARY

Background

The mission of the Personal Property Unit of the Assessor's Office is to assess the value of all personal property within the County to reflect their market value and accurately record and provide this information to its customers.

Personal property declarations are mailed at the beginning of January of each year and are due back to the assessor by April 1. The city utilizes information from National Automobile Dealership Association (NADA) and other price guides as supplied by the Missouri State Assessors Association for vehicle valuations.

The estimated tax revenue from the assessments of the individual personal property for the Fiscal Year 2017 is \$12,022,000. The amount noted in the report is the portion of the personal property tax allocated to City General Fund based on the information provided by the Assessor's Office.

The revenue is expected from current personal property tax, delinquent personal property tax, personal property tax current interest and personal property tax delinquent interest.

Purpose

The purpose of this review was to determine if the Assessor's Office effectively and efficiently managed risks relating to the Individual Personal Property Tax to ensure:

- Compliance with applicable laws, regulations, policies and procedures;
- Safeguarding of assets;
- Reliability and integrity of financial and operational information; and
- Economic and efficient use of resources.

Scope and Methodology

The scope of the review covered the period July 1, 2015, through June 30, 2016. The review was limited to evaluating internal controls over the Individual Personal Property tax operations. The review procedures included:

- Inquiries of management and staff;
- Analytical review of past years revenues;
- Reviews of revenue procedures and compliance with applicable laws, contract agreements, regulations, policies, and procedures;
- Limited tests of revenues budgeted, collected and recorded; and
- Other procedures as considered necessary.

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SUMMARY

Status of Prior Observations

There has been no prior audit performed by the Internal Audit Section that is related to the Individual Personal Property Tax within the last five (5) years.

Exit Conference

Exit meeting was held at the Assessor's Office on January 19, 2017 to discuss observation noted in the report.

Conclusion

We did note several internal control strengths. These included, but were not limited to the following:

- Written comprehensive and updated personal property department policies and procedures manual;
- Supervisory review of the daily transactions report; and
- Continuous cross-training of department employees to allow for efficiency in the use of personnel resources.

We also noted the following observation and recommendations, which if implemented will improve the Individual Personal Property Department operations.

- Improve Controls over Refunds on Taxpayers' Accounts

This observation is discussed in more detail in the Detailed Observations, Recommendations and Management's Responses section of this report.

Management Response

Management responses to the observations and recommendations noted in the report were received on January 26, 2017 and have been incorporated in the report.

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**DETAILED OBSERVATIONS, RECOMMENDATIONS
AND MANAGEMENT'S RESPONSES**

IMPROVE CONTROLS OVER REFUNDS ON TAXPAYERS' ACCOUNTS

We noted that several Personal Property Department employees performed various functions, which included but not limited to processing and posting refunds to taxpayers accounts. The refund processing required a supervisor's or manager's approval.

We noted that the management's approval of the taxpayers' refund processes did not include any additional verifications of the validity of the refunds by externally generated reports. These reports may include:

- The daily exception report showing all changes made to the taxpayers' accounts and the types of the changes.
- The weekly report from the Collector of Revenue showing refund checks issued in the past week including the taxpayers' information and addresses.

Management reviewing these reports, may detect any improper or fraudulent transactions by comparing the report to the refunds and other changes, if any, to the taxpayers' accounts it approved.

Recommendation

We recommend that Assessor's Office set up a system of internal controls over the taxpayers' refund processes to ensure that it requests and obtains:

- ITSA's daily exception report showing all changes the Assessor's Office made to the taxpayers' accounts including the types of changes and verify the report's information to the Assessor's Office records.
- ITSA's weekly reports showing refund checks the Collector of Revenue issued the past week including the taxpayers' information and addresses.

The Assessor's Office should verify that the changes made on the taxpayers' accounts are proper and justified. Such verification should be documented.

Management Response

We agreed with the suggested improvements to our internal controls by implementing the following:

1. *Verifying ITSA's daily exception report to the Assessor's Office records.*

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AND MANAGEMENT'S RESPONSES**

Management Response Cont'd...

2. *Reviewing ITSA's weekly reports to check for refund checks issued by the Collector of Revenue.*

It is also noted and agreed that we should document our verification process.

We appreciate the professional way the Comptroller's Office has handled our request and the confidential nature in which the Special Internal Audit was performed. These objectives results from an independent source provide the Assessor's Office with sound information that can be used to improve our processes and procedures in an effort to eliminate the potential of fraudulent activity.