



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



DARLENE GREEN
Comptroller

MEMO

Internal Audit Section
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DATE: November 13, 2014
TO: Jennifer Florida, Recorder of Deeds
FROM: Lolita Versey, Auditor II 
RE: Special Review-Technology and Archival Account

We have completed our review of the Recorder of Deeds Technology and Archival Account (Project # 2014-SPR04) for the period July 1, 2010 to June 30, 2014.

Attached is a copy of the DRAFT report.

If you would like to schedule an exit conference to discuss the draft report, please contact Lolita Versey at 657-3461 to make the necessary arrangements.

However, if the exit conference is declined, indicate so by Thursday November 20, 2014.

Responses to the observations and recommendations in the report may be faxed to Internal Audit at 552-7670 or mailed to:

Lolita Versey, MBA
Auditor II
Internal Audit Section
1520 Market Street, Suite 3005
St. Louis, MO 63103

If you have any questions or concerns, please contact Lolita Versey at 657-3461.

Thanks for your attention to this matter.

{MONTH} {DAY}, 2014

Jennifer Florida, Recorder of Deeds
City Hall
1200 Market Street, Room 126
St. Louis, MO 63101-2281

RE: Recorder of Deeds –Technology and Archival Account Special Review
(Project #2014-SPR04)

Dear Ms. Florida:

Enclosed is the Internal Audit Section's report of the Recorder of Deeds Office, *Technology and Archival Account* for the period July 1, 2010 through June 30, 2014. A description of the scope of work is included in the report.

Fieldwork was completed on September 22, 2014. Responses to the observations and recommendations noted in this report were received on Month XX, 2014, and have been incorporated in the report.

This review was made pursuant to the Recorder of Deed's request and 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) 657-3446.

Respectfully,

Dr. Ishmael Ikpeama
Internal Audit Supervisor

Ron Steinkamp, CPA, CIA, CFE, CRMA, CGMA
Internal Audit Advisor

Enclosure

cc:



CITY OF ST. LOUIS

**RECORDER OF DEEDS
TECHNOLOGY AND ARCHIVAL ACCOUNT**

SPECIAL REVIEW

JULY 1, 2010 THROUGH JUNE 30, 2014

PROJECT #2014-SPR04

DATE ISSUED: {MONTH} {DAY}, 2014

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
RECORDER OF DEEDS OFFICE
TECHNOLOGY AND ARCHIVAL ACCOUNT
SPECIAL REVIEW
JULY 1, 2010 THROUGH JUNE 30, 2014**

SUMMARY

Background

The Recorder of Deeds Office maintains nearly 250 years of public records on the people and property of St. Louis including birth, death, land and marriage records.

In accordance with Missouri Revised Statute Chapter 59.319, the Recorder of Deeds Office maintains a *Technology and Archival Account*. The primary purpose of the account is for record storage, microfilming, and preservation, including anything necessarily pertaining thereto. As of June 30, 2014, the account had a balance of \$315,510.22.

Purpose

Internal Audit reviewed the Recorder of Deeds' *Technology and Archival Account* at the request of the Recorder of Deeds. The purpose of this review was to determine if the Recorder of Deeds effectively and efficiently managed the *Technology and Archival Account* and related transactions to ensure:

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

Scope and Methodology

The scope of the review was limited to the review of transactions within the *Technology and Archival Account* over the period July 1, 2010 through June 30, 2014 and the related internal controls. The review procedures included:

- Inquiries of management and staff.
- Review of transaction details and supporting documentation.
- Reviews for compliance with policies and procedures, as well as applicable laws and regulations related to goals and objectives.
- Review of prior audits performed.
- Limited tests of controls.
- Other procedures as considered necessary.

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DRAFT

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SUMMARY

Status of Prior Observations

A report performed by the Missouri State Auditor of the City of St. Louis Office of Recorder of Deeds (2010-16, issued January 2010), had one finding pertaining to the account which we followed-up on during this review:

- Special Funds Bank Account Controls and Procedures (funds were not kept in a fund maintained by City Treasurer as required by state law; and purchases from the fund were not bid in compliance with city procurement policies). **Based on our review, the finding is repeated in this report.**

Conclusion

The Recorder of Deeds Office did not effectively and efficiently manage the *Technology and Archival Account*.

The following observations resulted from our review:

1. Questioned costs of \$130,274.08.
2. Allegations of nepotism.
3. Failure to maintain account with City Treasurer.
4. Inadequate bidding process.
5. Lack of segregation of duties.
6. Outstanding checks.

The observations are discussed in more detail in the *Detailed Observations, Recommendations and Management's Responses* section of this report.

Management's Responses

An exit conference was conducted at the recorder of Deed's Office on October 31, 2014. The Recorder of Deeds Office was represented by Jennifer Florida, Recorder of Deeds, and Georgie Simmons, Chief Deputy. The Internal Audit Section was represented by the Auditor- in- Charge, Internal Audit Supervisor, and Internal Audit Advisor.

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

1. Questioned Costs Of \$130,274.08

Review of the Recorder of Deed's internal financial ledger and bank statements related to the *Technology and Archival Account* revealed payments for expenses in the amount of \$130,274.08 that did not appear to comply with the allowable categories per State Statute. Revised Missouri State Statutes Chapter 59.319.1 allows the following expenses to be paid with the account:

- Personnel costs associated with records management (access and retrieval of records), inventory of records, microfilming of records, conversion of records with document imaging and writing of grant applications for records management or preservation projects.
- Purchase or, lease or maintenance of equipment (computers, microfilm cameras, microfilm readers, and reader/printers, and document imaging systems) to store, index, or preserve records.
- Purchase of supplies (film, photographic chemicals, record books, acid free paper, and acid free file folders) to store, index or preserve records.
- Vendor contracts for storing or preserving records, leasing of storage space, microfilming services, bookbinding and encapsulation.
- Purchase of storage equipment (shelves or cabinets).
- Building modifications for space where records will be kept.

We question the following payments made out of the *Technology and Archival Account* which do not seem to be allowed per State Statute:

- \$105,152.27 charged as renovations. A tour of the Recorder of Deed's Office space revealed that these renovations did not occur in spaces where the bulk of records are stored.
- \$5,493.90 categorized as "office supplies" that included notary stamp, notary public renewal, bond insurance, RAM (Recorders Association of Missouri) conference supplies, courier service, Mayor's Open House decorations, food for an office meeting, and name tags for RAM meetings.
- \$19,627.91 for reimbursements to employees for gas, mileage, food, and hotel accommodations for Legislation meetings, RAM meetings, MAC (Missouri Association of Counties) meetings and vendors meetings in Jefferson City, Branson, Kansas City, Lake of

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the Ozarks and Columbia, Missouri. In 2012, staff members also traveled to Albuquerque New Mexico for an IACREOT (International Association of Clerks, Recorder's Election Officials & Treasurers) conference.

Recommendation

It is recommended that the Recorder of Deeds follow State Statutes and work with Legal Counsel to determine the legality of these payments and any remedies available to recoup these questioned costs.

Management's Response

Please see the attachment for the management response in its entirety from the Recorder of Deeds.

2. Allegations of Nepotism

The former Recorder of Deeds resigned on July 11, 2014 because of nepotism allegations involving the hiring of her great nephew. The great nephew worked summers and was paid \$10,815 over the scope of our review (July 2010 through June 2014) according to the Recorder of Deed's internal financial ledger. In addition, \$170 was paid for the great nephew's parking expenses for the months of June, July and August 2010 out of the *Technology and Archival Account* according to the Recorder of Deed's internal financial ledger.

The Missouri Ethics Commission considers a great nephew a fourth degree relative, and Missouri Constitution, Article VII, Section 6 states that any public office holder who employs "any relative within the fourth degree, by consanguinity or affinity, shall thereby forfeit his office or employment".

Recommendation

It is recommended that the Recorder of Deeds follow the State Constitution and work with Legal Counsel to determine any other action that may be required or available regarding the payments related to the nepotism. In addition, the Recorder of Deeds should develop and distribute to employees its own internal conflict of interest policy in conjunction with the state laws to prevent any future potential misinterpretations and violations.

Management's Response

Please see the attachment for the management response in its entirety from the Recorder of Deeds.

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3. Failure To Maintain Account With City Treasurer

The *Technology and Archival Account* was maintained by the Recorder of Deeds in a bank account that was not kept by the Treasurer as required by State Statute. Missouri State Statute 59.319 requires that "the recorder's funds shall be kept in a special fund by the treasurer and shall be budgeted and expended at the direction of the recorder and shall not be used to substitute for or subsidize any allocation of general revenue for the operation of the recorder's office without the express consent of the recorder."

Review of the Recorder of Deed's ledger and bank statements revealed bank service charges totaling \$5,171.51 over the period July 1, 2010 through June 30, 2014 related to the *Technology and Archival Account*. There were thirteen (13) service charges related to returned items and cash vault debit adjustments for counterfeit bills. There was also a monthly "Analysis Service" charge for which the Recorder of Deed's staff could not explain. Service charges may have been minimized if the account was passed through the City Treasurer's clearing account which does not earn interest, but does not incur fees through careful negotiation of services to process multiple City accounts.

Recommendation

It is recommended that the Recorder of Deeds comply with Missouri State Statute 59.319 and work with the City Treasurer to reach an agreement allowing for the transfer of the custody of the *Technology and Archival Account* to the City Treasurer. This will ensure compliance with the State Statutes and assist with minimizing service charges to the account.

Management's Response

Please see the attachment for the management response in its entirety from the Recorder of Deeds.

4. Inadequate Bid And Procurement Process

It does not appear that the Recorder of Deeds consistently followed a formal bid and procurement process.

The City Counselor issued a report dated September 18, 2014 on its review of the Recorder of Deed's bid and procurement process specific to office renovations from the year 2009 through 2014.

In the report, the City Counselor noted several findings pertaining to concerns with the Recorder's bid and procurement process.

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In addition to the City Counselor's findings, we noted that the Recorder of Deeds did not have written policies and procedures related to the bid and procurement process and did not appear to consistently follow the City policies and procedures.

The failure to implement and follow formal policies and procedures related to the bid and procurement process may result in the appearance of impropriety and a lack of open competition and the Recorder paying more for products and services.

Recommendation

It is recommended that the Recorder of Deeds follow the City bid and procurement policies and procedures and document their compliance.

Management's Response

Please see the attachment for the management response in its entirety from the Recorder of Deeds.

5. Lack Of Segregation Of Duties

In a review of 185 checks issued out of the account to pay for expenditures, we noted that the former Chief Deputy signed five (5) checks made payable to herself totaling \$671.25 for travel expense reimbursements which appear to be unallowable per the State Statute. The Chief Deputy also approved the invoices.

There were two other authorized signatories on the account, the Recorder of Deeds and the Internet Manager. The Administrative Assistant maintained custody of the checks in a locked file cabinet drawer and performed the bank statement reconciliation. We were told that this was an acceptable practice in the Recorder of Deed's Office because another office employee wrote the Chief Deputy's name on the "pay to order of" line when she signed the checks.

If the Chief Deputy signs checks made payable to herself, duties may not appear to be adequately segregated.

Recommendation

It is recommended that the Recorder of Deeds establish and follow a policy that payees on any check are not allowed to also sign the check.

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Management's Response

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6. Outstanding Checks

Review of the Recorder of Deed's financial ledger and bank statements revealed five (5) payments totaling \$362.00 that had not cleared the bank and remain outstanding. One (1) of these payments was to a vendor, and four (4) were refunds to customers for overpayments of recording fees.

The Recorder of Deed's Office staff had no explanation for the outstanding checks. The account from which the checks were written was closed August 14, 2014. However, the outstanding checks remain a liability to the Recorder of Deed's until they are presented for payment or voided.

Recommendation

It is recommended that the Recorder of Deeds attempt to contact the customers or vendors to whom the payments were issued and determine why the checks have not been presented for payment. The checks should also be voided and new replacement checks may be issued to customers and vendors if the Recorder of Deeds liability still exists. In addition, the Recorder of Deeds should follow State of Missouri Statutes pertaining to Abandoned Property.

Management's Response

Please see the attachment for the management response in its entirety from the Recorder of Deeds.