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OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



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**DR. KENNETH M. STONE, CPA**  
Internal Audit Executive

March 11, 2009

Honorable James W. Murphy  
Sheriff  
City of St. Louis  
1114 Market Street, Suite 112  
St. Louis, MO 63101

RE: Observation and Review of Tax Delinquent Land Auction (Project #2009-22)

Dear Sheriff Murphy:

Enclosed is a report of the observation and review of the Tax Delinquent Land Auction held by the Sheriff's Office on October 14 through October 16, 2008. The objectives of this observation and review were to determine if:

- Land sales transactions and proceeds were accurately recorded and reported
- Land sales proceeds were adequately safeguarded
- The land sales process was performed in compliance with applicable Missouri State Statutes, and with applicable policies and procedures of the City of St. Louis and the Sheriff's Office

The fieldwork was completed on December 16, 2008. Management's response to the observation and recommendation noted in the report was received on February 18, 2009 and has been incorporated in the report.

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) 622-4723.

Respectfully,

  
Dr. Kenneth M. Stone, CPA  
Internal Audit Executive

Enclosure



CITY OF ST. LOUIS  
**CITY OF ST. LOUIS**

*SHERIFF'S OFFICE*

*OBSERVATION AND REVIEW OF TAX DELINQUENT  
LAND AUCTION*

*OCTOBER 14 THROUGH OCTOBER 16, 2008*

*PROJECT #2009-22*

*DATE ISSUED: MARCH 11, 2009*

*Prepared by:  
The Internal Audit Section*



OFFICE OF THE COMPTROLLER  
**OFFICE OF THE COMPTROLLER**

*HONORABLE DARLENE GREEN, COMPTROLLER*

**CITY OF ST. LOUIS  
SHERIFF'S OFFICE  
OBSERVATION AND REVIEW OF TAX DELINQUENT LAND AUCTION  
OCTOBER 14 THROUGH OCTOBER 16, 2008**

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## **INTRODUCTION**

### **Background**

The Municipal Land Reutilization Law (City of St. Louis) was established by Revised Statutes of Missouri (RSMo.), Section #s 92.700 to 92.920. RSMo. Section #92.875 created the Land Reutilization Authority (LRA) for the management, sale, transfer and other disposition of tax delinquent real estate acquired by virtue of the foreclosure of the liens for delinquent real estate taxes. The statutes also authorize the courts to order the Sheriff to advertise and sell (or attempt to sell) the subject property at public auction, in an effort to recover the delinquent taxes and incurred collection costs, before turning any unsold property over to LRA.

### **Purpose**

The objectives of this observation and review were to determine if:

- Land sales transactions and proceeds were accurately recorded and reported.
- Land sales proceeds were adequately safeguarded.
- The land sales process was performed in compliance with applicable Missouri State Statutes, and with applicable policies and procedures of the City of St. Louis and the Sheriff's Office.

### **Scope and Methodology**

The review was confined to evaluating the tax delinquent land sales process for LRA Suit #143, which was conducted on October 14 through October 16, 2008. The procedures included inquiries of management and staff, observation of relevant processes, and reviews for compliance with policies and procedures, as well as applicable laws and regulations. The related controls were tested on a limited basis, prior audit observations were followed up and other procedures were performed as considered necessary. The fieldwork was completed on December 16, 2008.

### **Exit Conference**

The management of the Sheriff's Office was offered the opportunity to have an exit conference; however, they declined.

### **Management's Response**

Management's response to the observation and recommendation identified in this report was received from the Sheriff's Office on February 18, 2009. That response has been incorporated into this report.

## **OBSERVATIONS**

### **Status of Prior Observations**

The following observations, included in the audit report issued March 4, 2004, were followed up:

1. Opportunity to update written procedures (**Not Resolved – See Current Observation**)
2. Need to correct computation of Sheriff's commission (**Resolved**)

### **Summary of Current Observations**

The opportunity exists for the Sheriff's Office to improve controls that help to ensure the tax delinquent land sales process is performed in compliance with applicable Missouri State Statutes, and with applicable policies and procedures of the City of St. Louis and the Sheriff's Office.

The following observation resulted from our review:

- Opportunity to update written procedures (Repeated)

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

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

**Opportunity to Update Written Procedures (Repeated)**

The Sheriff's Office's written policies and procedures for court-ordered sales of tax delinquent land parcels have not been updated to more accurately reflect the current process. The procedures actually in use have been significantly changed since written procedures for the land sales process were incorporated into the Policies and Procedures Manual maintained by the Sheriff's Office Administrative Section.

The most significant changes were:

1. Improvements in recordkeeping and reconciliation procedures the office follows after deposited sale proceeds are transferred via the City Treasury to the Land Sales Special Fund account. Those changes had been implemented in response to recommendations resulting from a state audit of the Sheriff's Office and preceding recommendations from Internal Audit Section reviews of the land sales process.
2. Provisions for the Sheriff's Office to have the "Sheriff's Deeds" recorded by the Recorder of Deeds' Office in the names of the land parcel purchasers after the confirmation of the sales by the court. The Sheriff's Office pays the recording fees using funds obtained by adding the fee cost to the minimum bid price for all land auction sales.

In addition, the responsibility for publishing the notice of land sales in the local newspaper was shifted from the Sheriff's Office to the Collector of Revenues Office.

Lack of up-to-date written policies and procedures increases the risk that procedures will not be:

- Effectively communicated and understood by staff
- Approved by management
- Consistently performed
- In accordance with management goals and objectives

There are also increased risks that:

- Control procedures will not be effective or may be over-ridden
- Employees will not be effectively trained
- Appropriate performance standards and measures may not be developed

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

**Recommendation**

It is recommended that the Sheriff's Office management updates the written procedures for court-ordered sales of tax delinquent land parcels as soon as possible to accurately reflect the current process. This should include procedures for the following:

- a. Recording status changes of sold land parcels (i.e., sale confirmations, recording of deeds, set-asides, distributions of proceeds and excess proceeds, etc.)
- b. Generation of any cumulative financial or statistical reports from the spreadsheet tracking system
- c. Reconciliation to records obtained from outside sources (i.e., the monthly City General Ledger reports or reports generated by the Collector of Revenue's Office)
- d. Any other revisions in the responsibilities of the Sheriff's Office for assuring that:
  - sales, or other disposition of tax delinquent land;
  - collection, recording, depositing, and distribution of sales proceeds; and
  - related preliminary and after sale activities ...

are performed in accordance with applicable policies and procedures of the Sheriff's Office and applicable Missouri State Statutes.

**Management's Response**

*We have completed the updates of the written procedures for the land tax sales process as per the audit recommendation. We recently provided your office with a copy of the revised procedures.*

**Auditor's Comment**

The Internal Audit Section has received and reviewed the updated written procedures for the land tax sales process. The procedures appeared to have adequately addressed the areas indicated in our recommendation with one exception. There was **no procedure for reconciling the Land Sale Proceeds account activity in the monthly City General Ledger reports** to the Sheriff's Office's internal accounting records. This is an important control activity that should be regularly and consistently performed to ensure timely detection and correction of any errors in of the posting of sale proceeds.