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OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



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Comptroller

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November 15, 2004

Hon. Gregory F.X. Daly  
License Collector  
City of St. Louis  
City Hall Room 104,  
1200 Market Street  
St. Louis, Missouri 63103

RE: License Collector's Office-Graduated Business License (GBL) Follow-Up Review  
(Project # 2004-F19)

Dear Mr. Daly:

We have conducted a limited follow-up review on the License Collector's Office –Graduated Business License, Project #2002-47, review report issued June 23, 2003. This follow-up review was made under authorization contained in Article XV, Section 2 of the Charter, City of St. Louis, as revised and conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*. A limited follow-up review does not necessarily involve detailed testing or verification, but instead relies on communication with department management and staff, as well as limited observations. Our purpose was to determine the status of the unresolved observations and recommendations from the process review issued June 23, 2003 as of May 31, 2004.

We determined that the following observations have been **resolved**:

1. Opportunity to develop alternative methods for identifying businesses operating within the City of St. Louis (Observation #1, Original Report) – The License Collector's Office, in cooperation with the Mayor's Office, has forwarded letters to the various City departments and agency heads requesting them to submit tax verification form on each vendor, contractor, consultant or service seeking to do business with their departments.

The License Collector's Office has also developed procedures to check on contractors and individuals who apply for a permit for repairs or a new construction through the City's Building Division. The License Collector's Office has also developed procedures to monitor home based businesses.

2. Opportunity to improve controls over the reconciliation of cash receipts (Observation #2, Original Report) – The License Collector's Office has developed written procedures for the reconciliation of the daily cash receipts. Written procedures have also been developed for the daily deposit of collections and the adjustments to the daily cash collections.

2. Continued...

Also, the functions of the daily cash collections and the reconciliation of the daily collections have now been separated. The cashier clerk collects the cash while the account clerk performs the reconciliation. Finally, the Assistant Deputy Collector reviews and approves the reconciliation statement.

We determined that the following observations have been **partially resolved**:

1. Opportunity to develop a plan for implementing City Ordinance #52030 (Observation #3, Original Report) – Section 17 of Ordinance #52030 (adopted June 1, 1963) granted authority to the License Collector to perform an examination of the licensees' books and records with the purpose of verifying the accuracy and truthfulness of statements included within any application for licenses.

Written procedures have been developed for the monitoring of the Graduated Business License to ensure accuracy of the returns submitted. Appropriate letter has also been prepared to inform the licensees of the discrepancies noted in the return submitted. The License Collector's Office has also, performed the audit of the City Restaurants' Gross Receipts. Discrepancy letters were sent to businesses whose returns were found to be inaccurate with unpaid taxes and penalty collected.

The full implementation of the audit procedures on the Graduated Business Licenses which include periodic audits of the licensed businesses is scheduled for November 2004.

2. Opportunity to develop job descriptions for all positions (Observation #4, Original Report) – The License Collector's Office has developed job descriptions for all of its positions except for the position of Chief Deputy License Collector. These positions are categorized and listed under the Office Pay Schedule for the License Collector's Office as approved by Ordinances 64946 and 65522.

The recommendation was for the License Collector's Office to develop job descriptions for **all of its positions** without exceptions.

We provided the department management draft report on the status of each observation and offered them an opportunity to provide written responses to this report. Management provided us with the written responses on November 5, 2004 which have been attached to this report.

If you have any questions, please contact me at (314) 613-7410.

Respectfully,



Mohammad H. Adil, CPA  
Internal Audit Supervisor

CC: Honorable Darlene Green, Comptroller

Enclosure



GREGORY F.X. DALY  
LICENSE COLLECTOR

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November 5, 2004

Mohammed H. Adil, CPA  
Internal Audit Supervisor  
1114 Market St., Room 608  
St. Louis, MO 63101

Re: Graduated Business License Follow-Up Review

Dear Mr. Adil:

Enclosed is our response on the status of observations made in your draft report on the GBL follow-up review.

1. Opportunity to develop alternative methods for identifying businesses operating within the City of St. Louis

We are enclosing a documented procedure for checking new permits for repairs or construction through the City's Building division. We use these building permits to determine that the contractors, sub-contractors, building owner and occupant are properly licensed.

Also enclosed is a written procedure for processing Home Occupation licenses.

2. Opportunity to develop a plan for implementing City Ordinance#52030

We have begun auditing Graduated Business Licenses to verify that the correct number of employees were filed and paid for. Initially we sent 14 letters to businesses and they have all replied. Of the 14, we have found 5 to be correct in their filing; 4 are still pending as we are waiting for additional information from the customer; and 5 were found to owe additional fees. Those businesses who owed additional amounts for the 2003 license were then asked to submit a breakdown of their employees' hours for the 2004 license. Thus far, we have collected a total of \$11,425.00.

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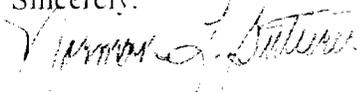
We have also expanded our initial efforts beyond the test group of Manufacturers to include other businesses which are based in the City. Of an initial mailing of 30 letters we have collected \$900.00 and have billed for an additional \$11,500.00 due to errors in filing.

3. Opportunity to develop job descriptions for all positions

I have requested the Chief Deputy to begin writing up a job description . However, since State Statue provides that the Chief Deputy has all the powers of the License Collector in his absence, the duties encompass supervision of all the operations of the Office.

At this point, in view of the progress we have made, I don't feel that an additional meeting is necessary. However, if you have any questions or need additional clarificaion, please don't hesitate to call me.

Sincerely,



Norman L. Sutterer  
Assistant Deputy

cc: Gregory F. X. Daly, License Collector  
Stan Piekarski, Chief Deputy

NLS/meh