



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



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DARLENE GREEN
Comptroller

Internal Audit Section

DR. KENNETH M. STONE, CPA
Internal Audit Executive

January 12, 2011

Dr. Lynnea Magnuson, Executive Director
Soldiers' Memorial Military Museum
Department of Public Safety
1315 Chestnut Street
St. Louis, MO 63103-2700

RE: Fixed Assets Review (Project # 2011-13)

Dear Dr. Magnuson:

Enclosed is the Internal Audit Section's fixed assets review report of the Soldiers' Memorial Military Museum for the report of August 31, 2010. A description of the scope of our work is included in the report.

Fieldwork was completed on November 17, 2010. Management's responses to the observations and recommendations identified in the report were received on January 5, 2011, and have been incorporated into 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

cc: Richard T. Bradley, P.E., President, Board of Public Service



CITY OF ST. LOUIS

SOLDIERS' MEMORIAL MILITARY MUSEUM

FIXED ASSETS REVIEW

AS OF AUGUST 31, 2010

Project #2011-13

Date Issued: January 12, 2011

*Prepared by:
The Internal Audit Section*



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
SOLDIERS' MEMORIAL MILITARY MUSEUM
FIXED ASSETS REVIEW
AUGUST 31, 2010**

EXECUTIVE SUMMARY

Purpose

The Internal Audit Section (IAS) has completed a review of fixed assets for the Soldiers' Memorial Military Museum. The purpose was to determine if the Museum effectively and efficiently managed risks to ensure:

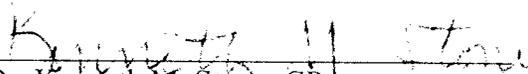
- Compliance with applicable laws, regulations, policies and procedures
- Safeguarding of assets
- Reliability and integrity of Fixed Assets Property Listing reports
- Economic and Efficient use of resources

Conclusion

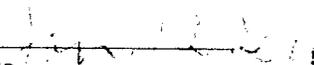
The opportunity exists for the Museum to improve internal controls over the fixed assets. The following are the observations resulting from the review:

1. Opportunity to perform annual physical inventory
2. Opportunity to update Fixed Assets Property Listing report (FAPL)
3. Opportunity to maintain copy of the FAMS manual

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



Dr. Kenneth M. Stone, CPA
Internal Audit Executive



Date: 1/12/11

**CITY OF ST. LOUIS
SOLDIERS' MEMORIAL MILITARY MUSEUM
FIXED ASSETS REVIEW
AUGUST 31, 2010**

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INTRODUCTION

Background

Soldiers' Memorial Military Museum (Museum) is dedicated as a memorial for veterans and as a museum for preserving a historic collection of military artifacts. The memorial building is open to the public and has meeting space available for veterans and other groups.

Purpose

The purpose of this review was to determine if the Museum effectively and efficiently managed risks to ensure:

- Compliance with applicable laws, regulations, policies and procedures
- Safeguarding of assets
- Reliability and integrity of Fixed Assets Property Listing reports
- Economic and Efficient use of resources

Scope and Methodology

The review was confined to evaluating Museum's internal controls over the operational and fiscal activities pertaining to FAMS. The review procedures included inquiries of management and staff, observations of relevant processes, and reviews for compliance with polices and procedures, as well as applicable laws and regulations. Limited tests of controls, follow-ups on prior audit observations, and other procedures were performed as considered necessary.

Exit Conference

An exit conference was conducted at the Museum Executive Director's Office on December 31, 2010. The Museum was represented by Dr. Lynnea Magnuson, Museum Superintendent.

The Internal Audit Section was represented by Dr. Ishmeal Ikpeama, Audit Supervisor and Olaide Hassan, Auditor-in-charge

Management's Responses

Management's responses to the observations and recommendations identified in the report were received from the Museum on January 5, 2011. These responses have been incorporated into this report.

OBSERVATIONS

Status of Prior Observations

There were no recent fixed assets reviews performed for the Museum.

Summary of Current Observations

Museum management had established some control procedures to ensure effective management of collection items in storage. These included, but not limited to:

- Creating and documenting with digital image on Computer system all collections (donated) items in storage
- Developing forms (deed of gift receipt) to be completed by respective donors to confirm their legal right to the property donated

The opportunity exists for the Museum to improve internal controls over fixed assets. The following are the observations resulting from the review:

1. Opportunity to perform annually physical inventory
2. Opportunity to update Fixed Assets Property Listing (FAPL)
3. Opportunity to maintain copy of the FAMS manual

Each of these observations 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

1. Opportunity To Perform Annually Physical Inventory

The Museum has not performed any physical inventory of the collections and property control items.

Sections 110.32 and 210.12 of the FAMS policy and procedures manual require each budgetary level organization, in coordination with the FAMS Section to conduct physical inventory of all fixed assets and property control items.

Museum management has been pre-occupied re-organizing the Museum and documenting the donated items located in the basement. The management working with an intern and a graduate student has been able to document and store the digital image of various donated items in the computer system.

Failure to perform annual inventory increases the risk that collections donated to the Museum and property control items may be misidentified, stolen or lost.

Recommendation

It is recommended that the Museums' management:

- Perform physical inventory of all the collections and property control items annually in accordance with the requirements of the FAMS manual
- Complete the documentation of the collection items in the basement

Management's Responses

The staff at Soldiers' Memorial will perform an annual physical inventory due at the end of each calendar year.

2. Opportunity To Update Fixed Assets Property Listing (FAPL)

Internal listing was maintained for all the property control items at the Museum. Several property control items listed on the FAPL were considered obsolete with no useful life and disposed of completely.

Section 110.28 of the FAMS manual requires that records be maintained of property control items at the respective responsible budgetary level organization.

Delete forms were not prepared to remove the property control items from the FAPL.

The value of assets reported on the FAPL report is overstated and inaccurate.

Recommendation

IAS recommends that the management:

- Prepare delete forms to remove the property control items from the FAPL
- Submit the completed delete forms to the Comptroller's Office Fixed Assets Coordinator to update the FAPL
- Regularly updated the internal records maintained for all the property control items

Management's Responses

The staff at Soldiers' Memorial will maintain an updated Fixed Asset Property Listing report.

3. Opportunity To Maintain Copy Of The FAMS Manual

The management indicated that the Museum does not have a copy of the FAMS manual.

Maintaining a copy the FAMS manual at the Museum will provide management the guidelines for physical control and accountability of fixed assets and also enhance the management of the fixed assets and property control items.

The Executive stated that there was not a copy of the FAMS manual at the Museum when she took over management. She indicated, however, that a copy of the manual is maintained by the Supervising Department Secretary.

Management may not be able to implement the requirements of the FAMS manual pertaining to controls and reporting of fixed assets and property control items.

Recommendation

IAS recommends the management contact the Comptroller's Office Fixed Assets Coordinator for a copy of the FAMS manual.

Management's Responses

The Staff at the Soldiers' Memorial will maintain a copy of the FAMS manual.