



OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



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Internal Audit Executive

FILE COPY

October 31, 2013

Todd Waelterman, Director Street Department  
1900 Hampton Avenue  
St. Louis, Missouri 63139-2988

RE: Revenue Review of Street Department, Excavation Restoration (Project #2013-RRV05)

Dear Mr. Waelterman:

Enclosed is the Internal Audit Section's revenue review report of the Street Department, Excavation Restoration for the period July 1, 2011 through June 30, 2012. A description of the scope of our work is included in the report.

Fieldwork was completed on August 14, 2013. Management's responses to the observations and recommendations noted in the report were received on October 15, 2013 and have 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) 657-3490.

Respectfully,

Dr. Kenneth M. Stone, CPA, CGMA  
Internal Audit Executive

Enclosure:



# CITY OF ST. LOUIS

**STREET DEPARTMENT EXCAVATION RESTORATION**

**REVENUE REVIEW**

**JULY 1, 2011 THROUGH JUNE 30, 2012**

**PROJECT #2013-RRV05**

**DATE ISSUED: OCTOBER 31, 2013**

**Prepared by:  
The Internal Audit Section**



# OFFICE OF THE COMPTROLLER

**HONORABLE DARLENE GREEN, COMPTROLLER**

## **EXECUTIVE SUMMARY**

### **Purpose**

The purpose of this review was to determine if the Street Department (SD) effectively and efficiently managed risks related to Excavation Restoration revenue to ensure:

- Compliance with applicable laws, regulations, and policies and procedures.
- Proper and timely recording and reporting of revenue.
- Adequate safeguarding of revenue.

### **Scope and Methodology**

The period of review included revenues from July 1, 2011 through June 30, 2012. The review was confined to evaluating internal controls over the fiscal activities relating to the objectives noted above. The review procedures included:

- Inquiries of management and staff.
- Observations of relevant processes.
- Reviews for compliance with policies and procedures, as well as applicable laws and regulations.
- Limited tests of controls.
- Follow-ups on prior audit observations.
- Other procedures considered necessary.

### **Background**

The Director of Streets is responsible for overseeing the repair, cleaning, and maintenance of all public alleys, streets, and right of ways, along with the collection and disposal of refuse. The Director's Office oversees the Lateral Sewer Repair program and manages the 50/50 Sidewalk program.

### **Exit Conference**

An exit conference was offered but management declined.

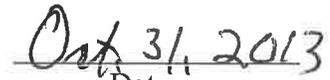
## Conclusion

The Street Department addressed internal controls and risk relating to the objectives noted above. However, we did note the following opportunities for improvement:

1. Opportunity to update policies and procedures manual.
2. Opportunity to reconcile receivable accounts to general ledger.

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, CGMA  
Internal Audit Executive

  
Date

**CITY OF ST. LOUIS  
STREET DEPARTMENT  
REVENUE REVIEW  
JULY 1, 2011 THROUGH JUNE 30, 2012**

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## OBSERVATIONS

### Status of Prior Observations

There has not been any recent revenue review performed on Street Department, Excavation Restoration.

### Summary of Current Observations

Several control procedures were noted in processing revenues. These included, but were not limited to the following:

- Segregation of duties among several different employees.
- Collection procedures.

The opportunity exists for management to further improve internal controls over the Street Department Excavation, Restoration fiscal activities, specifically:

1. Opportunity to update policies and procedures manual.
2. Opportunity to improve reconciliation of receivable accounts to the general ledger.

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 Update Policies And Procedures Manual

There were no written policies and procedures for determining when a contractor should have a portion of his/her deposit used for past due invoices or collection that exceeds the deposited amount.

Good business practices require sound written policies and procedures detailing the collection and disposition of revenues.

Current written standards are not adequate. No written procedures detailing the use of a contractor's deposit by management. Management has an unwritten policy of using deposits to cover short-falls of unpaid invoices.

Without written policy and procedures detailing the handling of deposits to be used for unpaid invoices or collection procedures for past due invoices, the Street Department runs the following risks:

- Loss of revenue for unpaid invoices.
- Delays in recognizing revenue when the deposit can satisfy overdue invoices.

#### **Recommendation:**

IAS recommends that the Street Department update their written policies and procedures to include details for handling both deposits and past due invoices.

#### ***Management's Responses:***

*In response to the noted opportunities for improvement, the Street Department has established the following policy: 1. Remittance Handling Procedures.*

### 2. Opportunity To Reconcile Receivable Accounts The General Ledger

Personnel stated that they reconcile accounts receivables monthly but they had no visible record of doing so. There are no tick marks, signatures, or dates to indicate that a reconciliation of revenues was done. In addition the existing written procedures do not include a requirement for management to review the reconciliation.

## 2. Continued...

The Department's policies and procedures for collection and recognition of revenue require that a monthly reconciliation of revenue takes place.

Current written standards are not adequate. There is a requirement for monthly reconciliations, but no details on how they are to be done are listed in the accounting manual for the Department.

Without written procedures of how the monthly reconciliation is to be done, the potential for the following are increased:

- Revenue may not be properly accounted for.
- Data may be unreliable.

### **Recommendation:**

IAS recommends that management update the written policies and procedures to include details of how the reconciliation is to be performed, documented, and reviewed.

### ***Management's Responses:***

*In response to the noted opportunities for improvement, the Street Department has established the following policy: 2. Accounts Receivable Collection Activities.*