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CITY OF ST. LOUIS



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FILE COPY

July 8, 2014

William Siedhoff, Director
Department of Human Services
1520 Market Street Suite 4065
St. Louis, MO 63103

RE: Fixed Asset Review – Department of Human Services (DHS) (Project #2014-FA10)

Dear Mr. Siedhoff:

Enclosed is the Internal Audit Section's fixed asset review report of Department of Human Services (DHS) as of April 30, 2014. A description of the scope of our work is included in the report.

Fieldwork was completed on April 21, 2014. Management's responses to the observations and recommendations were received on July 3, 2014 and have been incorporated in the report.

This review was made under authorization contained in Article XV, Section 2, 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

cc: Valarie Russell, Executive Assistant II
Wally Danneman, Accounting Coordinator



CITY OF ST. LOUIS

DEPARTMENT OF HUMAN SERVICES (DHS)

FIXED ASSET REVIEW

AS OF APRIL 30, 2014

PROJECT #2014-FA10

DATE ISSUED: JULY 8, 2014

**Prepared by:
Internal Audit Section**



OFFICE OF THE COMPTROLLER

CITY OF ST. LOUIS
DEPARTMENT OF HUMAN SERVICES (DHS)
FIXED ASSET REVIEW
AS OF APRIL 30, 2014

EXECUTIVE SUMMARY

Purpose

The Internal Audit Section (IAS) has completed a review of fixed assets of the Department of Human Services (DHS). The purpose was to determine if DHS effectively and efficiently manages risks to ensure:

- Compliance with applicable policies and procedures.
- Safeguarding of assets.
- Reliability and integrity of Fixed Assets Property Listing (FAPL) reports.
- Economic and efficient use of resources.

Conclusion

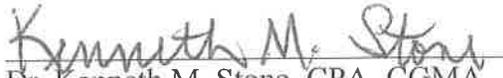
A positive internal control was noted during the review of DHS fixed assets:

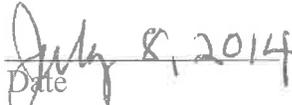
- The department had a designated FAMS Coordinator.

The opportunity exists for DHS to improve internal controls over fixed assets and property control items. Based upon our observations, DHS has the opportunity to:

- Obtain the FAMS Policy and Procedures Manual.
- Perform an annual physical inventory.
- Complete the appropriate FAMS forms.
- Reconcile internal records to the FAPL.

The observations are 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
DEPARTMENT OF HUMAN SERVICES (DHS)
FIXED ASSET REVIEW
AS OF APRIL 30, 2014**

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PROCEDURES

Background

The Department of Human Services is mandated by the City Charter to administer social welfare programs. DHS coordinates programming through five divisions: Office of the Disabled, Homeless Services, St. Louis Area on Aging (SLAAA), Youth and Family Services and Veterans Affairs. Other services are provided through subcontracts and partnerships with public and private entities.

Scope and Methodology

The review was confined to evaluating DHS's internal controls over the operational and physical activities pertaining to the Fixed Asset Management System (FAMS). The review procedures included:

- Inquiries of management and staff.
- Reviews for compliance with policies and procedures.
- Limited tests of related controls.
- Other procedures considered necessary.

Status of Prior Observations

There has been no review of DHS's fixed assets and therefore, no prior observations.

Exit Conference

An exit conference was conducted at DHS on July 1, 2014. DHS was represented by the FAMS Coordinator and Executive Assistant II. The Internal Audit Section was represented by the Auditor-in-Charge and Audit Supervisor.

DETAILED OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT'S RESPONSES

1. Obtain The FAMS Policy And Procedures Manual

The FAMS Policy and Procedures Manual is a reference source for accounting policies and procedures related to fixed assets and is to be used by all City personnel responsible for fixed asset accounting activities. The manual provides guidelines for physical controls and accountability to enhance management of fixed assets.

DHS could not locate a copy of the FAMS manual within its offices, which may have been misplaced due to staff changes or moving from another building to its current location.

After staff turnover and office relocation, DHS did not re-assign or communicate responsibility of the FAMS manual to an employee.

Without a FAMS manual, DHS may not be aware of and in compliance with the City's policy for accounting for fixed assets and property control items.

DHS obtained a FAMS manual from the Comptroller's Office FAMS Coordinator, after IAS started fieldwork.

Recommendation:

IAS recommends that DHS review the FAMS manual to become aware of and ensure compliance with the City's policies and procedures for accounting for fixed assets and property control items.

Management's Response:

The Department of Human Services has obtained a copy of the FAMS manual and is in the process of reviewing and writing a policy for the Department to comply with the manual.

2. Perform The Annual Physical Inventory

FAMS manual guideline requirements include annual physical inventory at department level of all fixed assets and property control items (Section 210.12). DHS had not performed an annual physical inventory recently according to statements from the current FAMS Coordinator.

When the Fiscal Manager retired, fixed assets records of the annual physical inventory were not properly transferred to and maintained by another employee.

If an annual physical inventory is not performed, fixed assets and property control items may be misappropriated; the FAPL may not be accurate and DHS may not be in compliance with the City's FAMS policy and procedures. Also, data on the FAPL may not be reliable.

The DHS FAMS Coordinator began a brief physical inventory, preparing its own internal listing after IAS began fieldwork.

Recommendation:

IAS recommends that DHS complete and document an annual physical inventory. The internal listing should include information to identify items by brand name, model number, serial number or service express number, acquisition cost and date, and location or employee to whom the item is assigned.

Management's Response:

The Department of Human Services has started a physical inventory. The department will maintain an internal record of items not listed on FAMS. The record will include brand name, model #, serial # or express number, acquisition cost/date, and location or employee/position for location purposes.

3. Complete The Appropriate FAMS Forms

FAMS manual guidelines require departments to designate a FAMS Coordinator with the responsibility to review FAMS management reports, and report changes (transfers, retirements, surpluses) of fixed assets and property control items in a timely manner on the proper add/delete/ or retirement forms (Sections 210.08, 305.04).

DHS did not complete the proper forms to add, delete, retire, or transfer fixed assets and property control items when required. Other duties prevented the FAMS Coordinator from completing the forms.

The FAPL has not been properly updated and is not accurate. The FAPL contains items no longer in use by DHS (see Table 1) and DHS currently has items that are not listed on the FAPL (see Table 2).

Table 1-FAPL Items Not Located

FAPL Description of Asset	Serial, ID, VIN Number
Fax Machine Konica Model 9765	109A1065855
Dell Optiplex	none
Compaq EVO D510	V23KNBZA763

Dell Optiplex GX 280	none
Hewlett Packard Computer EVO CMT P3/2	USU3160DZT
Dell Precision M6400	9SWC3L1
Hewlett Packard Computer EVO CMT P3/2	USU3160DZT
Latitude D510 Laptop	none
Dell Optiplex GX 280	8R7X261
Optiplex GX270	none
Dell Optiplex GX 280	0045-57059247
Hewlett Packard Printer Professional Series	SG8B9120BR
Compaq DeskPro EN Cell w/color monitor	6011DBW5A129
Compaq DeskPro 4000 MT model 686/266x w/color monitor	6823BSC3J923
Tru Model #T-49F reach-in Freezer at West Presbyterian Sr. Center.	none
Table Enclosed Sliding at Clifton Heights Sr. Center.	none
Conference Table 18' and Panel Base Black	none
Evacu-Trac Emergency Evacuation Chair	LDI003009A-V (North strwll)

Table 2-Items at DHS Not on FAPL

Description	Serial, ID, VIN Number
Dell Optiplex 760 (vacant Cubicle)	DVSQHL1
Serv express # 30220886917	
Dell Optiplex 790 (W's desk)	none
Serv express # 33434465617	
Sharp Copier MX M623N (SLAAA storage room)	BL292
Sharp Copier MX M623N (Fiscal)	BL290
Sharp Copier MX M623N (Office of Disabled-City Hall)	BL293
Dell Optiplex 790 (A's desk)	none
Serv express #33434605585	
Hewlett Packard LaserJet 4050N (A's desk) (moved from 634 N Grand, NST JAIBG)	USQX033116
Hewlett Packard LaserJet 2035 (W's desk)	VNB83L03526
Evacu-Trac Emergency Evacuation Chair	LDI003009A-V

Recommendation:

IAS recommends that DHS complete the proper forms to add fixed assets or property control items recently acquired; or delete items that have been retired, surplused, transferred, or considered obsolete for collection by ITSA or the Supply Division. DHS should submit the forms to the Comptroller's Office FAMS Coordinator to update the next FAPL report.

Management's Response:

The Department of Human Services will complete addition/deletion forms and submit to the City FAMS's coordinator once the actual physical inventory has been completed.

4. Reconcile Internal Records To The FAPL

FAMS manual guidelines charge the designated FAMS Coordinator with the responsibility to reconcile the fixed assets reports, provide additional information, and other procedures necessary to maintain reliable FAMS records (Section 210.058).

DHS did not reconcile fixed assets on hand to the FAPL as required to maintain an updated and accurate FAPL.

Other duties prevented the FAMS Coordinator from performing the reconciliations as needed.

Since DHS did not perform the required reconciliations, the FAPL is not accurate and contains items no longer in use by DHS and currently used items are not listed on the FAPL.

Recommendation:

IAS recommends that DHS perform the reconciliations necessary to ensure the next FAPL is updated and current.

Management's Response:

The Department of Human Services will perform reconciliations on a regular basis to insure that the City's FAPL is updated and current by submitting the necessary forms.