



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



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FILE COPY

November 18, 2014

Stephen Runde, Commissioner of Traffic & Lighting
Street Department
1900 Hampton Avenue
St. Louis, MO 63139-2988

RE: Fixed Assets Review – Traffic & Lighting Division (Project #2015-FA03)

Dear Mr. Runde:

Enclosed is the Internal Audit Section's fixed assets review report of the Traffic & Lighting Division as of June 30, 2014. A description of the scope of our work is included in the report. Fieldwork was completed on September 29, 2014.

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. Ishmael Ikpeama
Internal Audit Supervisor

Ron Steinkamp, CPA, CIA, CFE, CRMA, CGMA
Internal Audit Advisor

Enclosure:

cc: Todd Waelterman, Director of Streets
Rick Hulsey, Superintendent – Traffic & Lighting



CITY OF ST. LOUIS

TRAFFIC & LIGHTING DIVISION

FIXED ASSETS REVIEW

AS OF JUNE 30, 2014

PROJECT #2015-FA03

DATE ISSUED: NOVEMBER 18, 2014

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
TRAFFIC & LIGHTING DIVISION
FIXED ASSET REVIEW
AS OF JUNE 30, 2014**

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**CITY OF ST. LOUIS
TRAFFIC & LIGHTING DIVISION
FIXED ASSET REVIEW
AS OF JUNE 30, 2014**

SUMMARY

Background

The Traffic & Lighting Division is responsible for designing, and regulating the control of traffic on city streets and thoroughfares, and maintaining the system of public lighting within the city.

Purpose

The purpose of this fixed assets review was to determine if the Traffic & Lighting Division effectively and efficiently manages risks to ensure:

- Compliance with applicable laws, regulations, and policies and procedures.
- The proper safeguarding of assets.
- The reliability and integrity of Fixed Assets Property Listing (FAPL) reports.
- Economic and efficient use of resources.

Scope and Methodology

The review was confined to evaluating the Traffic & Lighting Division'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, as well as applicable laws and regulations.
- Limited tests of controls.
- Other procedures considered necessary.

Status of Prior Observations

There has been no prior review of the Traffic & Lighting Division's fixed assets within the past five years.

**CITY OF ST. LOUIS
TRAFFIC & LIGHTING DIVISION
FIXED ASSET REVIEW
AS OF JUNE 30, 2014**

SUMMARY

Conclusion

The opportunity exists for the Traffic & Lighting Division to improve internal controls over fixed assets and property control items. These include, but are not limited to the following:

1. Maintain a property control list.
2. Perform an annual physical inventory.
3. Perform periodic comparison of physical inventory to recorded quantities of fixed assets and property control items.

These observations are discussed in more detail in the *Detailed Observations, Recommendation, and Management's Responses* section of this report

Management Response

An exit conference was offered to management, but was declined. Management's responses to the observations and recommendations were received on November 14, 2014, and have been incorporated in the report.

**CITY OF ST. LOUIS
TRAFFIC & LIGHTING DIVISION
FIXED ASSET REVIEW
AS OF JUNE 30, 2014**

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

1. Maintain Property Control List.

Traffic & Lighting Division did not maintain a property control list.

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

The responsibility of maintaining a property control list had not been assigned to a specific person within the Traffic and Lighting Division.

Failure to maintain a property control list could expose the Division to loss of assets.

Recommendation:

It is recommended that the Traffic & Lighting Division maintain a property control list.

Management's Response:

The Traffic and Lighting Division agrees with the recommendation to maintain a property control list and have assigned the duties to the Traffic and Lighting Superintendent.

**CITY OF ST. LOUIS
TRAFFIC & LIGHTING DIVISION
FIXED ASSET REVIEW
AS OF JUNE 30, 2014**

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

2. Perform Annual Physical Inventory.

Traffic & Lighting Division did not perform an annual physical inventory of the fixed assets and property control items.

Section 110.32 of the FAMS manual requires an annual physical inventory be performed by budgetary level organization of all fixed assets and property control items.

Traffic & Lighting Division did not assign the responsibility of conducting an annual physical inventory to a specific person.

Failure to perform an annual physical inventory increases the risk that items may be lost, stolen, misused and not be noticed.

Recommendation:

It is recommended that the Traffic & Lighting Division assign an individual or individuals to perform an annual physical inventory and maintain documentation in a central location.

Management's Response:

The Traffic and Lighting Division agrees with the recommendation to assign an individual to perform an annual physical inventory and maintain documentation in a central location and have assigned the duties to the Traffic and Lighting Superintendent.

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

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3. Perform Periodic Comparison of Physical Inventory To Recorded Quantities Of Fixed Assets And Property Control Items.

The Traffic & Lighting Division did not conduct a periodic comparison of physical inventory to recorded quantities of fixed assets and property control items.

Section 110.30 states that one of the functions of the FAMS coordinator is to conduct a periodic comparison of physical inventory to recorded quantities of fixed assets and property control items.

The Traffic & lighting Division has not assigned personnel to conduct a periodic comparison of physical inventory to recorded quantities of fixed assets and property control items.

Failure to perform a periodic comparison of physical inventory to recorded quantities of fixed assets and property control items may result in an inaccurate reporting of the division's fixed assets. This can lead to a misstatement of the number, types and monetary value of fixed assets that the Traffic & Lighting Division possesses.

Recommendation:

It is recommended that the Traffic & Lighting Division perform a periodic comparison of physical inventory to recorded quantities of fixed assets and property control items and investigate any differences.

Management's Response:

The Traffic and Lighting Division agrees with the recommendation to perform a periodic comparison of physical inventory to recorded quantities of fixed assets and property control items and investigate any differences and have assigned the duties to the Traffic and Lighting Superintendent.