



OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



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Comptroller

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April 23, 2015

Stephen J. Runde, PE, Director  
Street Department  
City of St. Louis  
1900 Hampton Ave.  
St. Louis, MO 63139

RE: Street and Alley Lighting Repair and Maintenance Program (Project #2015-PR01)

Dear Mr. Runde,

The Comptroller's Internal Audit Section has completed a review of the Street and Alley Lighting Repair and Maintenance Program. Enclosed is the report covering the period July 1, 2013 through June 30, 2014. A description of the scope of the work is included in the report.

Fieldwork was completed on December 19, 2014. Management responses to the observations and recommendations noted in this report were received on April 21, 2015, 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,

Mohammad H. Adil, CPA, CGMA  
Internal Audit Supervisor

Enclosure

Cc: Rick Hulsey, Traffic Superintendent



# CITY OF ST. LOUIS

## STREET DEPARTMENT STREET AND ALLEY LIGHTING REPAIR AND MAINTENANCE PROGRAM

### PROCESS REVIEW

JULY 1, 2013 – JUNE 30, 2014

INTERNAL AUDIT PROJECT # 2015-PR01

DATE ISSUED: APRIL 23, 2015

Prepared by:  
The Internal Audit Section



# OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS  
STREET DEPARTMENT  
STEET AND ALLEY LIGHTING  
REPAIR AND MAINTENANCE PROGRAM  
PROCESS REVIEW  
JULY 1, 2013 – JUNE 30, 2014**

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STREET AND ALLEY LIGHTING  
REPAIR AND MAINTENANCE PROGRAM  
PROCESS REVIEW  
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**SUMMARY**

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**Background**

The Street and Alley Lighting Repair and Maintenance Program is managed by the Street Department's Traffic and Lighting Division (Division). The program provides for the repair and maintenance of the City's street and alley lights. According to Division management, street lights are maintained by the Division and the alley lights are maintained by Ameren Missouri under a contract agreement between the City and Ameren Missouri. However, this agreement remained unsigned as of the date of our fieldwork (See Observation #1).

**Purpose**

The purpose of this review was to determine if the Division effectively and efficiently managed fiscal risks within the Street and Alley Lighting Repair and Maintenance Program to ensure:

- Compliance with applicable laws, regulations, policies and procedures.
- Safeguarding of assets.
- Reliability and integrity of financial and operational information.
- Economic and efficient use of resources.

**Scope and Methodology**

The scope of the review covered the period July 1, 2013 through June 30, 2014. 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.
- Analytical review of financial performance.
- Observations of relevant processes.
- Reviews of processes and transactions for compliance with applicable laws, regulations, policies and procedures.
- Limited tests of internal controls and related transactions.
- Comparison of processes against best practices.
- Follow-ups on any prior observations.
- Other procedures considered necessary.

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**Status of Prior Observations**

The Internal Audit Section (IAS) reviewed the status of the observations in the previous process review report issued March 10, 2010. The report noted four (4) observations out of which two (2) remain unresolved as follows:

1. Improve Internal Controls over Inventories (Unresolved-Repeated)
2. Ensure Compliance with City Ordinance on Permits (Resolved)
3. Improve Management Statistical Reports (Resolved)
4. Develop Written Policies and Procedures (Unresolved – Repeated)

**Conclusion**

The opportunity exists for the Division to improve controls within the Street and Alley Lighting Repair and Maintenance Program.

**Current Observations**

We noted the following observations and opportunities for improvement:

1. Ameren Missouri Alley Lighting Repair and Maintenance Contract
2. Tracking of Service Requests
3. Develop Written Policies and Procedures (Repeated)
4. Procurement Management
5. Inventory Management (Repeated)

These observations are discussed in more detail in the *Detailed Observations and Recommendations* section of this report.

**Management Response**

An exit conference was conducted with the Street Department on March 3, 2015. In attendance representing the Street department were:

- Director
- Traffic Superintendent

The Internal Audit Section was represented by:

- Internal Audit Supervisor
- Internal Auditor

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The report observations and recommendations were discussed at the exit conference.

The Street Department management subsequently provided written management responses to the Internal Audit Section on April 21, 2015, which have been incorporated into this report.

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**DETAILED OBSERVATIONS AND RECOMMENDATIONS**

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**1. Ameren Missouri Alley Lighting Repair and Maintenance Contract**

The Division has an agreement with Ameren Missouri for the maintenance of the City alley lights; however, the copy of the contract provided was unsigned. According to the Division, the City Counselor was currently reviewing the proposed contract agreement. In addition, we noted that the Division had not monitored the repair and maintenance services performed by Ameren Missouri nor had it reviewed their invoices for adequacy of the charges based on the proposed contract.

Lack of a signed contract may result in failure by the contractor to provide adequate services in compliance with the contract requirements to residents in an efficient and timely manner. In addition, any restitution resulting from the breach of the agreement by the contractor may be unenforceable under the law.

Service monitoring is necessary to ensure that Ameren Missouri satisfactory completes all of the functions and activities it has agreed to perform, as well as providing assurances that services are performed in an acceptable manner.

**Recommendation**

Internal Audit recommends that Division management:

- Execute a signed contract with Ameren following applicable City procurement and contracting procedures.
- Monitor the delivery of services by:
  - Reviewing the service provisions of the contract to determine what the contractor is to provide and the desired quality.
  - Establishing documentation requirements and performance measures for accuracy and reliability of the work performed.
  - Regularly reviewing Ameren's reports to determine if services are being accomplished.
  - Periodically conducting on-site reviews at job sites to determine the nature and quality of the services being provided.
- Review the contractor's invoices for the adequacy of the work performed and the accuracy of charges.

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**DETAILED OBSERVATIONS AND RECOMMENDATIONS**

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**1. Continued...**

***Management Response***

*The Traffic Division is working with the City Counselor's Office to get an executed signed contract with Ameren Missouri. We have reviewed the service provisions of the contract and are aware of what the contractor is to provide. To establish documentation of the work performed, we will instruct Dispatchers and Foremen to send e-mails to Ameren Missouri for service requests rather than requesting service by phone. Using e-mail, we can request a reply when the job is complete.*

**2. Tracking of Service Requests**

Service requests made by City residents for the repairs and maintenance of the street and alley lightings were made through the Citizen's Service Bureau (CSB) or called in directly to the Division. Service requests received by CSB were forwarded to the Division through City Works system. The City Works system provided centralized communication for access to information needed to resolve issues and monitor progress. It also provided reports and analytics to management for better decision making.

Most work orders were assigned and tracked in the City Works system with the following exceptions:

- The Division did not consistently track service requests directly called in by Aldermen and contractors to the Electrical Foremen because they were not entered into the City Works.
- Service requests for alley lightings were passed on to Ameren Missouri and not tracked through completion by the Division.

Failure to log and track requests through completion results in a lack of Division management oversight and increases the risk that requests for service might not be adequately or timely resolved.

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**DETAILED OBSERVATIONS AND RECOMMENDATIONS**

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**2. Continued...**

**Recommendation**

Internal Audit recommends that Division management establish procedures to ensure that:

- All service requests are logged into Dispatcher's Log and City Works system regardless of the source of the requests or the provider of the services.
- All service requests, including service requests passed on to Ameren Missouri, are tracked for their timely and successful completion.

***Management Response***

*The Traffic Division is working to eliminate the Dispatcher's log to ensure that everything is entered into the CityWorks System so it can be tracked. As far as service requests for Ameren Missouri are concerned, as I stated in the previous response, we will send everything by e-mail.*

**3. Develop Written Policies & Procedures (Repeated)**

The Division had not established formal written policies and procedures for the program's operations. Internal Audit had previously noted this observation in a report issued on March 10, 2010.

Lack of written policies and procedures increases the risk that control procedures will not be effective or may be overridden. Written policies and procedures formalize criteria for executing operations, increases employee accountability, and provides an effective means of internal control. They are beneficial for the training of current and new employees and are a valuable resource in the event of employee departure. It is the responsibility of management to develop and document policies and procedures.

**Recommendation**

Internal Audit recommends that Division management establish written policies and procedures for the Repair and Maintenance Program.

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**DETAILED OBSERVATIONS AND RECOMMENDATIONS**

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**3. Continued...**

***Management Response***

*I will work with the Supervisors and Foremen to develop written policies and procedures, which includes a priority list of services to be performed based on the liability involved and completion times for high liability jobs.*

**4. Procurement Management**

Appropriate segregation of duties was not maintained in the procurement process. Although the Division had an Inventory Coordinator to order materials from suppliers, there were frequent instances of other personnel ordering and receiving supplies. These purchases were for items below the \$500 threshold needed for prior approval from management. This occurred, according to Division management, because it was considered more efficient in responding promptly to the service requests to have other personnel directly call and pick up items from vendor.

A sample of forty (40) invoices was reviewed for fiscal year 2014. Of the forty (40) invoices sampled, sixteen (16), at a value of \$3,233.14, were for purchases made by personnel other than the Inventory Coordinator. The Inventory Coordinator was not aware of these purchases being made, and procedures were not in place to ensure items purchased were used for intended purposes.

Sound internal control principles require proper segregation of duties to ensure adequate protection of assets.

**Recommendation**

Internal Audit recommends that the Division supply and parts orders be centralized and coordinated by the Inventory Coordinator. However, at minimum, the Inventory Coordinator should be aware of the purchases made by the Division to allow for proper tracking and inventorying.

***Management Response***

*I do not feel that the Street and Alley lighting Maintenance and Repair Program could operate efficiently if the Inventory Coordinator ordered all parts, however, I do agree that copies of all POs and purchases made by other Supervisors should be given to the Inventory Coordinator so that all purchases can be tracked.*

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**DETAILED OBSERVATIONS AND RECOMMENDATIONS**

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**5. Inventory Management (Repeated)**

The Division used an Access database system to track purchases of supplies and parts from vendors. The database was maintained by the Inventory Coordinator.

Internal Audit found that the database did not accurately report actual inventory because, in addition to other Division personnel ordering and receiving items directly, the Inventory Coordinator had not recorded all of his purchases into the database. Of the forty (40) invoices tested in Observation #4 above, twenty-three (23) at a value of \$5,788.56, in supplies and parts, were not entered into the Access database. This included items ordered and received by other Division personnel and items purchased by the Inventory Coordinator as follows:

- Item ordered and received by other Division personnel (Observation #4) \$3,233.14
  - Items purchased by Inventory Coordinator \$2,555.42
- \$5,788.56**

Internal Audit could not determine if the unrecorded purchases were used for intended purposes.

Lack of maintaining an accurate inventory database system distorts the true nature of materials purchased and used. As such, management has inaccurate information in making appropriate financial and budgetary decisions.

**Recommendation**

Internal Audit recommends that Division management establish and enforce inventory management procedures that ensure the capture all supply and part purchases in the Access database.

***Management Response***

*We will instruct the Inventory Coordinator to be sure to enter all purchases and, as stated previously, instruct Supervisors to give copies of all POs to the Inventory Coordinator so that everything purchased is in the data base. I will also instruct the Accountant to periodically check with the Inventory Coordinator to confirm that all purchases have been entered in the database.*