



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



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DR. KENNETH M. STONE, CPA
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FILE COPY

July 12, 2012

Pamela Rice Walker, Interim Director
Department of Health
1520 Market Street, Room 4045
St. Louis, Missouri 63103-2900

RE: Air Pollution Control (Project #2012-28)

Dear Ms. Walker:

Enclosed is the Internal Audit Section's revenue review report of Air Pollution Control for the period July 1, 2010 through June 30, 2011. A description of the scope of our work is included in the report.

Fieldwork was completed on April 10, 2012. Management's responses to the observations and recommendations noted in the report were received on July 11, 2012 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
Internal Audit Executive

Enclosure:

cc: Melba R. Moore, Commissioner
Joan McCray, Fiscal Manager
Rhonda Bartow, Health Services Manager



CITY OF ST. LOUIS
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DEPARTMENT OF HEALTH - AIR POLLUTION CONTROL

REVENUE REVIEW

JULY 1, 2010 THROUGH JUNE 30, 2011

PROJECT #2012-28

DATE ISSUED: JULY 12, 2012

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER
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HONORABLE DARLENE GREEN, COMPTROLLER

CITY OF ST. LOUIS
DEPARTMENT OF HEALTH - AIR POLLUTION CONTROL
REVENUE REVIEW
JULY 1, 2010 THROUGH JUNE 30, 2011

EXECUTIVE SUMMARY

Purpose

Air Pollution Control was selected for review based on the annual risk assessment. The purpose was to determine if Air Pollution Control's internal controls effectively and efficiently manages risks to ensure:

- Existence of adequate revenue policies and procedures that are applied on a consistent basis
- Proper recording and timely reporting of all revenues
- Reliability and integrity of financial information
- Compliance with applicable laws, regulations, and policies and procedures

Scope and Methodology

The scope of the period of review included fees collected from July 1, 2010 through June 30, 2011. 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 test of controls
- Follow-ups on prior audit observations
- Other procedures considered necessary

Background

Air Pollution Control's mission is to preserve, protect and improve the air resources in the City of St. Louis, so as to promote the health, safety and prevent injury to human, plant and animal life. City Ordinance 68657 provides Air Pollution Control the authority to collect fees for various activities. The activities include inspections (asbestos, gas station and source), notice of violations, various permits and testing fees.

Exit Conference

An exit conference was conducted at Air Pollution Control on June 20, 2012. Air Pollution Control was represented by Commissioner, Health Services Manager, Fiscal Manager, Air Pollution Control Inspector I and Secretary I. The Internal Audit Section was represented by Auditor I and Auditor II.

Conclusion

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

- Duties are properly segregated
- Receipts are pre-numbered, sequentially issued and accounted for
- Receipts are recorded in a revenue log

Air Pollution Control adequately addressed internal controls and risks relating to the objectives noted above, except for the following observation:

Opportunity to deposit receipts in accordance with the City Charter

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

CITY OF ST. LOUIS
DEPARTMENT OF HEALTH - AIR POLLUTION CONTROL
REVENUE REVIEW
JULY 1, 2010 THROUGH JUNE 30, 2011

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OBSERVATIONS

Status of Prior Observations

IAS has not performed a recent revenue review on Air Pollution Control. The State Auditor's report, issued June 2009, revealed no observations related to Air Pollution Control's revenues.

Summary of Current Observations

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

- Duties are properly segregated
- Receipts are pre-numbered, sequentially issued and accounted for
- Receipts are recorded in a revenue log

The opportunity exists for management to improve internal controls over the Air Pollution Control's fiscal activities. The following observation resulted from the review:

Opportunity to deposit receipts in accordance with the City Charter

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

Opportunity To Deposit Receipts In Accordance With The City Charter

Air Pollution Control does not deposit receipts in accordance with the City Charter. A sample of 40 receipts revealed that 14 were not deposited in a timely manner in the treasurer's office. These receipts were deposited an average of four business days late. It appears that management has not established control procedures that would require daily deposits as required by the City Charter.

Article XV, section 24 of the City Charter requires all monies belonging to the City received by any officer or agent to be deposited daily in the treasury division, unless otherwise provided by law or ordinance. Failure to deposit receipts timely results in non-compliance with the City Charter and increases the risk for misappropriation and loss of funds.

Recommendation

It is recommended that deposits are made daily in accordance with City Charter. It is also recommended that management adopt written policies and procedures that require daily deposits. The procedures should be communicated to the appropriate personnel.

Management's Responses: (Received July 11, 2012)

Management has adopted written policies and procedures that require daily deposits in accordance with the City Charter. Additional procedures will be designed and implemented to further track deposit transactions for additional compliance.