



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



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FILE COPY

September 23, 2012

Gary Christmann, Commissioner City Emergency Management Agency
Soldier's Memorial
1315 Chestnut Street – Lower Level
St. Louis, MO 63103-2391

RE: Fixed Assets Review of the City Emergency Management Agency
(Project #2012-43)

Dear Mr. Christmann:

Enclosed is the Internal Audit Section's fixed assets review report of the City Emergency Management Agency as of February 29, 2012. A description of the scope of our work is included in the report.

Fieldwork was completed on April 18, 2012. Management's responses to the observations and recommendations noted in the report were received on September 19, 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, CGMA
Internal Audit Executive

Enclosure

Cc: James M. Garavaglia, Asset Manager, Asset Management Section

**CITY OF ST. LOUIS
CITY EMERGENCY MANAGEMENT AGENCY
FIXED ASSETS REVIEW
AS OF FEBRUARY 29, 2012**

EXECUTIVE SUMMARY

Purpose

The Internal Audit Section (IAS) has completed a review of fixed assets for the City Emergency Management Agency (CEMA). The purpose was to determine if CEMA 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.

Scope and Methodology

The review was confined to evaluating CEMA'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.

Background

CEMA's mission is to coordinate, cooperate and communicate with all agencies that have a responsibility in the area of Emergency Management and Homeland Security for the City of St. Louis. Those responsibilities include, but are not limited to: mitigation, prevention, preparedness, response and recovery from any manmade or natural disaster affecting the City of St. Louis.

Services provided by CEMA include, but are not limited to: operation and maintenance of an outdoor warning siren system, emergency operations planning, emergency reporting of essential information to government offices, resource management, training and education.

Exit Conference

An exit conference was conducted at the Agency on September 13, 2012. The Agency was represented at the exit conference by the Commissioner City Emergency Management Agency and Administrative Assistant. The Internal Audit Section was represented by an Internal Audit Supervisor and Auditor II.

CITY OF ST. LOUIS
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FIXED ASSETS REVIEW
AS OF FEBRUARY 29, 2012

Conclusion

The opportunity exists for CEMA to improve internal controls over fixed assets and property control items. The following is the observation resulting from the review:

Opportunity to improve internal controls over fixed assets.

This observation 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

September 26, 2012

Date

**CITY OF ST. LOUIS
CITY EMERGENCY MANAGEMENT AGENCY
FIXED ASSETS REVIEW
AS OF FEBRUARY 29, 2012**

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OBSERVATIONS

Status of Prior Observations

There was no review of CEMA's fixed assets within the past five years. Therefore, there are no prior observations to be followed-up on.

Summary of Current Observations

An opportunity exists for CEMA to improve internal controls over fixed assets. The following is the observation resulting from the review:

Opportunity to improve internal controls over fixed assets.

This observation 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

Opportunity To Improve Internal Controls Over Fixed Assets

CEMA purchases equipment for various departments throughout the City. Those departments maintain physical control over the equipment. CEMA, however, did not maintain distinct and complete records of the equipment on its Fixed Assets Property Listing (FAPL), thus making equipment tracking difficult. For example, some serial numbers were not recorded correctly and some equipment that should have been retired was still on CEMA's FAPL.

Section 210.08 of the FAMS manual requires physical and accounting controls to safeguard capitalized and non-capitalized assets at the budgetary level of the organization. Each organizational unit designates one or more (if needed) employees as the Fixed Assets Management System (FAMS) coordinator(s) to monitor the custodial/stewardship responsibility function. This function includes:

- Reviewing and confirming that all valid fixed asset transactions are recorded on a timely basis at proper values and are properly classified.
- Conducting a periodic comparison of physical inventory to recorded quantities of fixed assets and property control items.
- Instituting reasonable physical safeguards.
- Verifying and reporting inter- and intra-organizational transfers.
- Acting as a liaison to the FAMS Section within the Comptroller's Office.

Failure to properly report disposal of assets may lead to overstatement of fixed asset values. The lack of control over the fixed assets and property control items increases the risk that they may be misused, lost or stolen.

Recommendation

IAS recommends that CEMA take the following steps:

- Maintain records of all equipment that is transferred out of CEMA's control.
- Transfer items no longer under CEMA's control to the department that has physical control over the item(s).
- Perform an annual physical inventory and maintain documentation in a central location.
- Prepare Asset Transaction Forms to record changes to CEMA's FAPL.

Management's Response

My staff will be working to ensure that the correct departments are responsible for tracking and retaining their own equipment. Additionally, retired equipment will be removed from the fixed asset management property form promptly.