



OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



FILE COPY

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March 30, 2012

Richard R. Frank, Director of Personnel  
Department of Personnel  
1114 Market Street, Room 700  
St. Louis, MO 63101-2043

RE: Fixed Assets Review of the Department of Personnel (Project #2012-07)

Dear Mr. Frank:

Enclosed is the Internal Audit Section's fixed assets review report of the Department of Personnel as of August 31, 2011. A description of the scope of our work is included in the report.

Fieldwork was completed on October 21, 2011. Management's responses to the observations and recommendations noted in the report were received on March 21, 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



# CITY OF ST. LOUIS

**DEPARTMENT OF PERSONNEL**

**FIXED ASSETS REVIEW**

**AS OF AUGUST 31, 2011**

**PROJECT #2012-07**

**DATE ISSUED: MARCH 30, 2012**

**Prepared by:  
The Internal Audit Section**



# OFFICE OF THE COMPTROLLER

**HONORABLE DARLENE GREEN, COMPTROLLER**

**CITY OF ST. LOUIS  
DEPARTMENT OF PERSONNEL  
FIXED ASSETS REVIEW  
AS OF AUGUST 31, 2011**

**EXECUTIVE SUMMARY**

**Purpose**

The Internal Audit Section (IAS) has completed a review of fixed assets for the Department of Personnel (Department). The purpose was to determine if the Department 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 Department's internal controls over the operational and physical activities pertaining to the Fixed Asset Management System. 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**

The Department's mission is to provide a well qualified, diverse workforce, while supporting management's efforts to serve the citizens of St. Louis, through progressive human resource programs based on merit and equal employment opportunity principles. The department is also responsible for administering the Civil Service System.

**Exit Conference**

An exit conference was conducted at the department on February 23, 2012. The department was represented by Deputy Director and Manager. The Internal Audit Section was represented by Internal Audit Supervisor and Auditor-in-Charge.

**CITY OF ST. LOUIS  
DEPARTMENT OF PERSONNEL  
FIXED ASSETS REVIEW  
AS OF AUGUST 31, 2011**

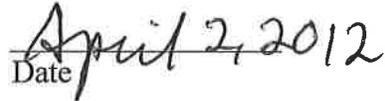
**Conclusion**

The opportunity exists for the Department to improve internal controls over fixed assets and property control items. The following are the observations resulting from the review:

1. Opportunity to comply with the Fixed Asset Management System policies and procedures.
2. Opportunity to reconcile Fixed Assets Inventory to Fixed Asset Property Listing.

These observations are 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 PERSONNEL  
FIXED ASSETS REVIEW  
AS OF AUGUST 31, 2011**

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## OBSERVATIONS

### **Status of Prior Observations**

There was no review of the Department's fixed assets within the past five years.

### **Summary of Current Observations**

An opportunity exists for the Department to improve internal controls over fixed assets. The following are the observations resulting from the review:

1. Opportunity to comply with Fixed Asset Management System (FAMS) policies and procedures
2. Opportunity to reconcile Fixed Assets Inventory to Fixed Asset Property Listing

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

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

### **1. Opportunity To Comply With Fixed Asset Management System (FAMS) Policies and Procedures**

Ten of 20 fixed assets consisting of computers and office equipment, selected from FAMS' Fixed Assets Property Listing (FAPL) could not be traced to the department's inventory listing or the department floor:

- According to the Department of Personnel, nine computers were transferred to Information Technology Services Agency (ITSA). However, these items were not deleted from FAPL because the Department did not submit transfer forms to FAMS.
- A printer could not be verified because the serial number was not recorded on the FAPL.

Section 210.08 of the FAMS Policies & Procedures 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 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.

The department has a FAMS coordinator, but inventory functions are conducted at the sectional level. The FAMS Coordinator does not maintain a centralized record of inventoried items.

The lack of controls over the fixed assets and property control items increases the risk that they may be misused, lost or stolen. In addition, failure to submit appropriate Asset Transaction Activity Forms to report retirements, transfers, etc. may result in over or understatement of the value of fixed assets under the control of the Department.

## 1. Continued...

### **Recommendation**

It is recommended that the Department take the following steps:

- Maintain records of all equipment retired or transferred out of the department and submit Asset Transaction Activity Forms to FAMS so the department's FAPL may be updated accordingly.
- Perform a Department wide annual physical inventory and reconcile it to equipment listed on FAPL.

### ***Management's Response***

*We currently do have only two (2) items that represent the fixed asset criteria (\$5,000+), (2-Letriers) which have been accounted for as listed above.*

*It should also be noted that the information on the FAPL that is incorrect is due to computer equipment that was taken by ITSA and replaced with the new equipment when we moved to the Carnahan Bldg. As ITSA replaces equipment, I do believe they should record such movement. We did not purchase these items; therefore, the Department of Personnel should not be responsible.*

### **Auditor's Comment**

The Department of Personnel should contact the City's FAMS coordinator for any corrections that need to be made to the FAPL.

## 2. Opportunity To Reconcile Fixed Assets Inventory To FAPL

The Department did not reconcile its internal listing of fixed assets to 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 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.

## 2. Continued...

The department has a FAMS coordinator but inventory functions are conducted at the sectional level. No centralized record of inventoried items is kept by the FAMS Coordinator. The lack of controls over the fixed assets and property control items increases the risk that they may be misused, lost or stolen. In addition, failure to submit appropriate Asset Transaction Activity Forms to report retirements, transfers, etc. may result in over or understatement of the value of fixed assets under the control of the Department.

### **Recommendation**

It is recommended that the Personnel Department establish a system of internal control to ensure that the FAMS Coordinator regularly performs the duties of the custodial/stewardship responsibility function required by Section 210.08 of the FAMS policy and Procedures Manual. Those duties would include, but not be limited to:

- Reviewing and confirming that all valid fixed asset transactions are recorded on a timely basis at proper values and are properly classified, including serial numbers.
- At least quarterly, conducting a periodic comparison of physical inventory to the quantities of fixed assets and property control items recorded on FAPL.
- Verifying inter- and intra-organizational transfers (i.e., within or between departments) and reporting them to the FAMS Section of the Comptroller's Office.

### ***Management's Response***

*The centralized record of inventory is kept by FAMS coordinator. A copy was given to the auditor. Computer equipment on the FAMS report was placed there by ITSA. ITSA personnel remove equipment and replace as needed. We do not have control of such items. Each section of the Department of Personnel keeps records of their inventory. The FAMS coordinator is notified when items are surplus and/or damaged via memo from sections.*

### **Auditor's Comments**

Record of inventory was presented during the exit conference but not during the fixed assets review.