



OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



*Internal Audit Section*

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April 11, 2011

Todd Waelterman, Director  
Department of Streets  
1900 Hampton Avenue  
St. Louis, MO 63139

RE: Fixed Assets Review (Project # 2011-20)

Dear Mr. Waelterman:

Enclosed is the Internal Audit Section's fixed assets review report of the Traffic and Lighting Division as of August 31, 2010. A description of the scope of our work is included in the report.

Fieldwork was completed on December 15, 2010. Management's responses to the observations and recommendations identified in the report were received March 17, 2011, and have been incorporated into 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) 622-4723

Respectfully,

Dr. Kenneth M. Stone, CPA  
Internal Audit Executive

Cc: Steve Runde, P.E., Traffic and Lighting Division Commissioner



# CITY OF ST. LOUIS

**STREET DEPARTMENT**

**TRAFFIC AND LIGHTING DIVISION**

**FIXED ASSETS REVIEW**

**AS OF AUGUST 31, 2010**

**PROJECT #2011-20**

**DATE ISSUED: APRIL 11, 2011**

**Prepared by:  
The Internal Audit Section**



# OFFICE OF THE COMPTROLLER

**HONORABLE DARLENE GREEN, COMPTROLLER**

**CITY OF LOUIS  
STREET DEPARTMENT  
TRAFFIC AND LIGHTING DIVISION  
FIXED ASSETS REVIEW  
AS OF AUGUST 31, 2010**

**EXECUTIVE SUMMARY**

**Purpose**

The Internal Audit Section (IAS) has completed a review of fixed assets for the Traffic and Lighting Division. The purpose was to determine if the Traffic and Lighting Division effectively and efficiently managed risks to ensure:

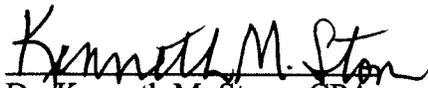
- Compliance with applicable laws, regulations, polices and procedures.
- Safeguarding of assets.
- Reliability and integrity of Fixed Assets Property Listing (FAPL).
- Economic and efficient use of resources.

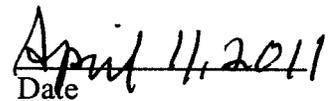
**Conclusion**

The opportunity exists for the Traffic and Lighting Division to improve internal controls over fixed assets. The following are observations resulting from the review:

1. Opportunity to update fixed assets property listing (FAPL)
2. Opportunity to perform annual physical inventory
3. Opportunity to maintain internal listing of property control items

Each of these observations is discussed in more detail in the *Detail Observations, Recommendations and Management's Responses* section of this report.

  
Dr. Kenneth M. Stone, CPA  
Internal Audit Executive

  
Date

**CITY OF LOUIS  
STREET DEPARTMENT  
TRAFFIC AND LIGHTING DIVISION  
FIXED ASSETS REVIEW  
AS OF AUGUST 31, 2010**

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## INTRODUCTION

### **Background**

The Traffic and Lighting Division (Division) was established by Section 17.04.010 of the St. Louis City Revised Code. The Division is responsible for designing, and regulating the control of traffic on City streets and thoroughfares, and for maintaining the system of public lighting within the City.

### **Purpose**

The purpose of this review was to determine if the Division effectively and efficiently managed risks to ensure:

- Compliance with applicable laws, regulations, policies and procedures.
- Safeguarding of Assets.
- Reliability and integrity of Fixed Assets Property Listing (FAPL).
- Economic and Efficient use of resources.

### **Scope and Methodology**

The review was confined to evaluating the Division's internal controls over the operational and fiscal activities pertaining to the Fixed Assets Management System (FAMS). The review procedures included inquiries of management and staff, observations of relevant processes, and reviews for compliance with polices and procedures, as well as applicable laws and regulations. Limited tests of controls, follow-ups on prior audit observations, and other procedures were performed as considered necessary.

### **Exit Conference**

An exit conference was conducted at the Division's conference room on March 7, 2011. The Division was represented by Stephen Runde, Commissioner for Traffic. The Internal Audit Section was represented by Dr. Ishmael Ikpeama, Audit Supervisor and Olaide Hassan, Auditor-in-Charge.

### **Management's Responses**

Management's responses to the observations and recommendations identified in the report were received from the Division on March 17, 2011. These responses have been incorporated into this report.

## OBSERVATION

### Status of Prior Observations

There were no recent fixed assets reviews performed for the Division.

### Summary of Current Observations

The Division made concerted efforts during the fixed assets fieldwork review to prepare internal listings of property control items. The opportunity exists however, for the Division to improve internal controls over fixed assets. The following are the observations resulting from the review:

1. Opportunity to update fixed assets property listing (FAPL)
2. Opportunity to perform annual physical inventory
3. Opportunity to maintain internal listing of 1 property control items

Each of these observations is discussed in more detail in the *Detail Observations, Recommendations and Management's Responses* section of this report.

## DETAILED OBSERVATION RECOMMENDATIONS AND MANGEMENT'S RESPONSES

### 1. Opportunity To Update Fixed Assets Property Listing (FAPL)

IAS randomly selected 20 of 68 fixed assets and 23 of 75 property control items listed on the Division's FAPL to verify if they existed. During the verification, it was observed that:

- Sixteen property control items, all computer equipment, were not physically located. They were all considered obsolete by the Division, and were discarded.
- Six property control items were described as fixtures installed at the Eads Bridge.

Fixed asset is defined as an item that has an initial purchase price of \$5,000 or more, is tangible and posses a useful life of more than one year. Property control item is defined as an item, which does not meet the criteria applicable to fixed asset and has an initial purchase price of \$1,000 but less than \$5,000, including computer equipment of significant value.

The Division did not have a system of internal control in place to notify the FAMS Coordinator of any retirements, transfers, or other changes to its fixed assets or property control items.

Because the FAMS Coordinator was not informed of the changes to fixed asset and property control items, the Division property control items were inaccurate and overstated on FAPL.

#### **Recommendation**

IAS recommends that the Division establish written procedures to:

- Prepare the Declaration of Surplus Vehicles / Properties Memorandum when any of the fixed assets or property control items is sold, retired or becomes obsolete.
- Submit the completed the Declaration of Surplus Vehicles / Properties Memorandum to the Comptroller's Office, Fixed Assets Coordinator to update FAPL.
- Regularly review and reconcile its inventory of fixed assets and property control items to FAPL; investigate differences and document the resolution.

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

*We will review the FAPL, report and prepare all proper forms to remove items we don't have or add items that we do. I will also make sure the appropriate person reviews the reports for accuracy as they arrive.*

## **2. Opportunity To Perform Annual Physical Inventory**

The Division did not perform an annual physical inventory of its fixed assets and property control items during the period of review, as required by the FAMS policy and procedures manual. The Division claimed to have performed physical inventory in 2009; however, it was not documented.

Sections 110.32 and 210.12 of the FAMS policy and procedures manual require each budgetary level organization, in coordination with FAMS, conduct a physical inventory of all fixed assets and property controls items annually.

The Division did not have a system of internal control to comply FAMS requirement that each budgetary level organization, in coordination with the FAMS Section, to conduct physical inventory of all fixed assets and property controls items annually.

Failure to perform annual inventory increases the risk that loss, theft or misuse of fixed assets and property control items may go undetected.

### **Recommendation**

It is recommended that the Division:

- Perform and document physical inventory of all fixed assets and property control items annually in accordance with the requirements of FAMS manual.
- Reconcile fixed assets inventory to FAPL and property control items to the internal property control listing
- Investigate and document the resolution of any differences between the inventoried fixed assets and property control items recorded in FAPL and the internal property control items listing respectively.

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

*Again, I will have the appropriate person perform a physical inventory annually and sign the document as proof that it was done.*

### **3. Opportunity To Maintain Internal Listing Of Property Control Items**

It was noted that the Division did not maintain a listing of the property control items as required by the FAMS procedures. A listing was prepared upon request; however, it was incomplete. For instance:

The listing did not include 47 computer equipment, printers and scanners, etc. located within the Division's offices.

Pertinent information such as serial numbers, costs and years of purchase for portable radios was not included.

Section 110.10 of the FAMS policies and procedures requires that user organizations maintain an internal listing of its property control items.

The Division did not have a system of internal control in place to ensure compliance with the requirements of the FAMS policies and procedures with regard to maintaining a listing of its property control items.

Lack of an adequately completed internal listing of property control items may result in loss, theft or misuse of the property control items that may go undetected.

#### **Recommendation**

It is recommended that the Division:

- Prepare a complete internal listing of the property control items.
- Conduct annual physical inventory to verify the existence of these items.

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

*We are currently in the process of completing an internal listing showing location of all items on the FAPL and to who they are assigned, if appropriate. As we receive the FAPL reports, we will reconcile them and update them regularly.*