



OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



DARLENE GREEN  
Comptroller

*Internal Audit Section*

DR. KENNETH M. STONE, CPA  
Internal Audit Executive

1520 Market St., Suite 3005  
St. Louis, Missouri 63103-2630  
(314) 657-3490  
Fax: (314) 552-7670

**FILE COPY**

February 4, 2013

Kent Flake, Street Commissioner  
1900 Hampton Avenue  
St. Louis, MO 63139-2988

RE: Fixed Assets Review of the Street Division (Project #2013-FA1)

Dear Mr. Flake:

Enclosed is the Internal Audit Section's fixed assets review report of the Street Division as of July 31, 2012. A description of the scope of our work is included in the report. Fieldwork was completed on October 1, 2012.

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: Todd Waelterman, Director Street Department



# CITY OF ST. LOUIS

**STREET DIVISION**

**FIXED ASSETS REVIEW**

**AS OF JULY 31, 2012**

**PROJECT #2013-FA1**

**DATE ISSUED: FEBRUARY 4, 2013**

**Prepared by:  
The Internal Audit Section**



## OFFICE OF THE COMPTROLLER

**HONORABLE DARLENE GREEN, COMPTROLLER**

**CITY OF ST. LOUIS  
STREET DIVISION  
FIXED ASSETS REVIEW  
AS OF JULY 31, 2012**

**EXECUTIVE SUMMARY**

**Purpose**

The Internal Audit Section (IAS) has completed a review of fixed assets of the Street Division. The purpose was to determine if Street Division 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 Street Division'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**

Street Division is responsible for the maintenance of streets and alleys within the City. The Division performs street resurfacing and repair, street cleaning, snow removal, and wharf cleaning and maintenance.

**Exit Conference**

An exit conference was offered but management did not respond.

**CITY OF ST. LOUIS  
STREET DIVISION  
FIXED ASSETS REVIEW  
AS OF JULY 31, 2012**

**EXECUTIVE SUMMARY**

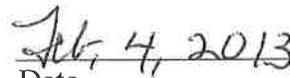
**Conclusion**

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

1. Opportunity to perform annual physical inventory.
2. Opportunity to reconcile Fixed Assets Property Listing (FAPL) to internal records.
3. Opportunity to appoint a Fixed Asset Management System (FAMS) coordinator.

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, CGMA  
Internal Audit Executive

  
Date

**CITY OF ST. LOUIS  
STREET DIVISION  
FIXED ASSETS REVIEW  
AS OF JULY 31, 2012**

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## OBSERVATIONS

### Status of Prior Observations

There has been no review of the Street Division's fixed assets within the past five years; therefore, there are no prior observations to be followed-up on.

### Summary of Current Observations

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

1. Opportunity to perform annual physical inventory.
2. Opportunity to reconcile Fixed Assets Property Listing (FAPL) to internal records.
3. Opportunity to appoint a Fixed Asset Management System (FAMS) coordinator.

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 Perform Annual Physical Inventory**

Street Division did perform an annual physical inventory. This has caused some serial numbers not to be recorded properly making tracking of assets difficult. Also some items that should have been retired are still on Street Division's FAPL. Forty-four items were randomly selected for testing. Of those items, eighteen or 40%, were not located. Those items were:

1. Equipment roll out carts
2. Equipment trailer radar speed control
3. Equipment copy machine Xerox 13K
4. Equipment Compaq Deskpro En PII
5. Equipment vibratory plate, wacker
6. Equipment pressure cleaner Alkota RGPM 3000 PSI 18 HP
7. Equipment truck mounted stripping machine
8. Equipment Radios portable Motorola Smartnet 800 MHZ
9. Equipment Radios Motorola portable Smartnet 800 MHZ
10. Equipment Radios Remote with desk set and junction box
11. Equipment Radios Motorola Maxtrac 800 smartnet
12. Equipment Radios portable Motorola MTX800S
13. Equipment Roll off container
14. Equipment Salt Spreader
15. Equipment Salt Spreader
16. Equipment Salt Spreader
17. Equipment Salt Spreader
18. Equipment Leaf Loader

Section 110.32 of the FAMS manual requires an annual physical inventory by budgetary level organization of all fixed assets and property control items.

The responsibility of conducting an annual physical inventory has not been assigned to a specific person, see observation number three.

Failure to perform an annual physical inventory increases the risk that items may be misused, lost or stolen and not be noticed.

#### **Recommendation**

IAS recommends that the Street Division assign an individual or individuals to perform an annual physical inventory and maintain documentation in a central location.

## 1. Continued...

### *Management's Response*

**Management was offered the opportunity to present a management response but did not respond.**

## 2. Opportunity To Reconcile Fixed Asset Property Listing To Internal Records

The Street Division did not reconcile the FAPL to the Division's internal records. Monthly reports are received from the Comptroller's Office that lists the Division's fixed assets. A reconciliation of the FAPL to the Division's internal fixed assets records was not performed.

Good management practices require that the Division's records of fixed assets be updated regularly and reconciled monthly.

The Street Division has not assigned personnel to perform the reconciliation of monthly reports to internal records, see observation number three.

Failure to perform a reconciliation of the fixed assets to internal records may result in an inaccurate reporting of the Division's fixed assets. This can lead to a misstatement of the number, types, and monetary value of fixed assets that the Division possesses.

### **Recommendation**

IAS recommends that Street Division reconcile the FAPL received from the Comptroller's Office to the Division's internal fixed assets records.

### *Management's Response*

**Management was offered the opportunity to present a management response but did not respond.**

## 3. Opportunity To Appoint A Fixed Asset Management System (FAMS) Coordinator

The Street Division does not have an individual assigned as its FAMS coordinator.

### 3. Continued...

Section 110.30 of the FAMS manual states that 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 Street Division has not assigned personnel to perform the FAMS Coordinator duties. Duties are informally carried out by management.

Changes to the FAPL were not reported, internal records were not maintained, and annual physical inventories were not performed.

#### **Recommendation**

IAS recommends that the Street Division take the following steps:

- Assign a FAMS Coordinator to perform an annual physical inventory and maintain documentation in a central location.
- Reconcile the monthly reports provided by the Comptroller's Office with internal records.
- Maintain a Property Control List (PCL) for items that do not meet the \$5,000 fixed assets threshold.

#### *Management's Responses*

**Management was offered the opportunity to present a management response but did not respond.**