CITY OF ST. LOUIS

NEIGHBORHOOD STABILIZATION TEAM

FIXED ASSETS REVIEW

AS OF DECEMBER 31, 2012

PROJECT #2013-FA5

DATE ISSUED: JUNE 4, 2013

Prepared by:
The Internal Audit Section

OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS

Internal Audit Section

DARLENE GREEN
Comptroller

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

June 4, 2013

Joseph Thele, Neighborhood Development Director
1520 Market Street, Room 4000
St. Louis, MO 63103-2631

RE: Fixed Assets Review of the Neighborhood Stabilization Team (Project #2013-FA5)

Dear Mr. Thele:

Enclosed is the Internal Audit Section's fixed assets review report of the Neighborhood Stabilization Team as of December 31, 2012. A description of the scope of our work is included in the report.

Fieldwork was completed on April 29, 2013. Management's responses to the observations and recommendations noted in the report were received on May 29, 2013 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,

Kenneth M. Stone

Dr. Kenneth M. Stone, CPA, CGMA
Internal Audit Executive

Enclosure

CITY OF ST. LOUIS
NEIGHBORHOOD STABILIZATION TEAM
FIXED ASSETS REVIEW
AS OF DECEMBER 31, 2012

EXECUTIVE SUMMARY

Purpose

The Internal Audit Section (IAS) has completed a review of fixed assets of the Neighborhood Stabilization Team (NST). The purpose was to determine if the Neighborhood Stabilization Team 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 the Neighborhood Stabilization Team'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

The Neighborhood Stabilization Team's mission is to empower constituents to sustain a quality environment within their neighborhood through assistance, education, intervention, and organization. NST serves as a catalyst for bringing together Police, elected officials, governmental agencies, social service organizations, community groups and individuals to identify permanent solutions to on-going problems.

Exit Conference

An exit conference was conducted at the Neighborhood Stabilization Team Office on May 20, 2013. The Neighborhood Stabilization Team was represented at the exit conference by the Neighborhood Development Director and Customer Service Manager. The Internal Audit Section was represented by the Internal Audit Supervisor and the Auditor-in-charge.

CITY OF ST. LOUIS
NEIGHBORHOOD STABILIZATION TEAM
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EXECUTIVE SUMMARY

Conclusion

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

1. Opportunity to reconcile the Fixed Assets Property Listing (FAPL) to internal fixed assets records.

2. Opportunity to perform annual physical inventory.

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

Kenneth M. Stone

Dr. Kenneth M. Stone, CPA, CGMA
Internal Audit Executive

June 3, 2013
Date

CITY OF ST. LOUIS
NEIGHBORHOOD STABILIZATION TEAM
FIXED ASSETS REVIEW
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OBSERVATIONS

Status of Prior Observations

There has been no review of the Neighborhood Stabilization Team'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 neighborhood Stabilization Team to improve internal controls over fixed assets. The following are the observations resulting from the review:

1. Opportunity to reconcile the Fixed Assets Property Listing (FAPL) to internal fixed assets records.

2. Opportunity to perform annual physical inventory.

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 Reconcile Fixed Asset Property Listing To Internal Fixed Assets Records

Some items could not be verified or did not have serial numbers listed on the FAPL. The following items did not have serial numbers listed on the FAPL:

- 6 surveillance cameras - located
- 1 surveillance camera - located
- 7 Dell Latitude 520 Computers - not located. Two (2) of the items were listed on surplus letter to the Comptroller's Office but could not be verified.

The following items have serial numbers listed on the FAPL but have different serial numbers on the computers:

- 8 Dell latitude 630 Computers

Section 210.08 states that FAMS coordinators are responsible for reviewing FAMS management reports to verify all information was recorded accurately for that organization.

A reconciliation of the monthly reports provided by the Comptroller's Office to departmental listings of fixed assets was not performed.

Without the reconciliation of the Neighborhood Stabilization Team's internal records to the FAPL, it may not be accurately stated. Surplus items may not be removed from the FAPL and the possibility of other mis-statements may occur.

Recommendation

IAS recommends that the Neighborhood Stabilization Team begin reconciling the departmental internal records to the FAPL on a quarterly basis.

Management's Response

We agree with the findings and will implement the recommendations as outlined in the Fixed Assets Review. Specifically, Neighborhood Stabilization will:

- *Reconcile departmental internal records to the Fixed Assets Property Listing (FAPL) on a quarterly basis.*

1. Continued...

In addition, we wish to clarify information about the serial numbers of 8 Dell 630 Computers as outlined in section one of the review: Opportunity to Reconcile Fixed Assets Property Listing to Internal Fixed Assets Records. The review states that the serial numbers for the computers on the FAPL are different than the serial numbers listed on the computers. Dell equipment is identified by Service Tag numbers. Please note, for all intents and purposes, the Service Tag number is the serial number.

2. Opportunity To Perform Annual Physical Inventory

The NST has not performed an annual physical inventory within the past year.

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 was not performed due to NST not having an individual assigned to fulfill this requirement.

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 Neighborhood Stabilization Team assign an individual or individuals to perform an annual physical inventory and maintain documentation in a central location.

Management's Response

We agree with the findings and will implement the recommendations as outlined in the Fixed Assets Review. Specifically, Neighborhood Stabilization will:

- *Perform an annual physical inventory of all fixed assets and property control items.*
- *Assign the Secretary I to perform an annual physical inventory and maintain documentation in a central location.*