OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS

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Comptroller

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FILE COPY

November 20, 2014

Nicholas Yung, Refuse Commissioner
Street Department
1900 Hampton Avenue
St. Louis, MO 63139-2988

RE: Fixed Assets Review – Refuse Division (Project #2015-FA02)

Dear Mr. Yung:

Enclosed is the Internal Audit Section's fixed assets review report of the Refuse Division as of June 30, 2014. A description of the scope of our work is included in the report. Fieldwork was completed on September 12, 2014.

This review was made under authorization contained in Article XV, Section 2 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. Ishmael Ikpeama
Internal Audit Supervisor

Ron Steinkamp, CPA, CIA, CFE, CRMA, CGMA
Internal Audit Advisor

Enclosure:

cc: Todd Waelterman, Director of Streets
Randy Breitenfeld, Deputy Commissioner

CITY OF ST. LOUIS

REFUSE DIVISION

FIXED ASSETS REVIEW

AS OF JUNE 30, 2014

PROJECT #2015-FA02

DATE ISSUED: NOVEMBER 20, 2014

Prepared by:
The Internal Audit Section

OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

CITY OF ST. LOUIS
REFUSE DIVISION
FIXED ASSETS REVIEW
AS OF JUNE 30, 2014

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CITY OF ST. LOUIS
REFUSE DIVISION
FIXED ASSETS REVIEW
AS OF JUNE 30, 2014

SUMMARY

Background

The Refuse Division is responsible for collection and disposal of residential waste and also coordinates efforts to reduce the amount of waste going to landfills, such as recycling, composting, and waste reduction. The Refuse Division manages approximately $18. 6 million in fixed assets.

Purpose

The purpose of this fixed assets review was to determine if the Refuse Division effectively and efficiently manages risks to ensure:

- Compliance with applicable laws, regulations, and policies and procedures.
- The proper safeguarding of assets.
- The 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 Refuse Division's internal controls over its 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, as well as applicable laws and regulations.
- Limited tests of controls.
- Other procedures considered necessary.

Status of Prior Observations

There has been no prior review by Internal Audit of the Refuse Division's fixed assets within the past five (5) years.

CITY OF ST. LOUIS
REFUSE DIVISION
FIXED ASSETS REVIEW
AS OF JUNE 30, 2014

SUMMARY

Conclusion

The opportunity exists for the Refuse Division to improve internal controls over the management of its fixed assets and property control items. The following observation resulted from this review:

- Perform an annual physical inventory.

This observation is discussed in more detail in the *Detailed Observations, Recommendations, and Management's Responses* section of this report

Management Response

An exit conference was offered to management, but was declined. Management's response to the observation and recommendation was received on November 19, 2014, and has been incorporated in the report.

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

Perform Annual Physical Inventory

The Refuse Division did not perform an annual physical inventory of the fixed assets and property control items in the last year.

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

The Refuse Division had not assigned the responsibility of conducting an annual physical inventory to a specific person.

Failure to perform an annual physical inventory increases the risk that items may be lost, stolen, and misused.

Recommendation:

It is recommended that the Refuse Division:

- Assign an individual or individuals the responsibility of performing the annual physical inventory.
- Complete a physical inventory of fixed assets and property control items and reconcile to the fixed asset and property control records. Investigate and resolve any differences.
- Maintain documentation of the physical inventory and reconciliation.

Management's Response:

The Refuse Division has assigned Mr. Daniel Seckel, Route and Safety Coordinator, to perform an annual physical inventory of the Refuse Division's fixed assets in August of each year. Documentation of physical inventory will be kept at the Street Department headquarters located at 1900 Hampton Avenue.