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DR. KENNETH M. STONE, CPA
Internal Audit Executive

July 27, 2011

Gene Stubblefield, Commissioner of Corrections
Division of Corrections
200 South Tucker Boulevard
St. Louis, MO 63102

RE: Fixed Assets Review (Project #2011-26)

Dear Mr. Stubblefield:

Enclosed is the Internal Audit Section's fixed assets review report of the Medium Security Institution for the period of July 1, 2009 through June 30, 2010. A description of the scope of our work is included in the report.

Fieldwork was completed on March 17, 2011. Management's responses to the observations and recommendations noted in the report were received on June 7, 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

Enclosure



CITY OF ST. LOUIS

PUBLIC SAFETY – MEDIUM SECURITY INSTITUTION

FIXED ASSETS REVIEW

JULY 1, 2009 THROUGH JUNE 30, 2010

PROJECT #2011-26

DATE ISSUED: JULY 27, 2011

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

CITY OF ST. LOUIS
PUBLIC SAFETY – MEDIUM SECURITY INSTITUTION
FIXED ASSETS REVIEW
JULY 1, 2009 THROUGH JUNE 30, 2010

EXECUTIVE SUMMARY

Purpose

The Internal Audit Section (IAS) has completed a review of fixed assets for the Medium Security Institution. The purpose was to determine if the Medium Security Institution effectively and efficiently manages risks to ensure:

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

Conclusion

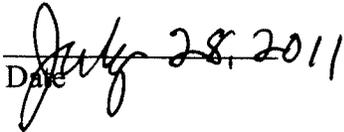
The opportunity exists for the Medium Security Institution to improve internal controls over fixed assets and property control items. The following are the observations resulting from the review:

- Opportunity to improve internal controls over fixed assets and property control items
- Opportunity to tag fixed assets and property control items

This of observation is 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
PUBLIC SAFETY – MEDIUM SECURITY INSTITUTION
FIXED ASSETS REVIEW
JULY 1, 2009 THROUGH JUNE 30, 2010

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INTRODUCTION

Background

The Medium Security Institution's (MSI) mission is to enhance public safety throughout the community and within the Medium Security Institution. This is accomplished by conducting investigations, supervising offenders, and establishing programs serving as alternatives to incarceration. MSI also houses inmates and provides for their basic needs.

The Fixed Assets Management System (FAMS) is the City of St. Louis' means of tracking City owned fixed assets and property control items at City departments. Fixed assets must have an initial purchase value of \$5,000 or more, be tangible in nature, and possess a useful life of more than one year. Property control items are defined as items that do not meet the fixed assets criteria. These items usually have an initial purchase price of \$1,000 but less than \$5,000.

Purpose

The purpose of the review was to determine if the MSI effectively and efficiently manages its fixed assets and property control items to ensure:

- Compliance with applicable laws, regulations, policies and procedures
- Safeguarding of assets
- Reliability and integrity of fixed assets property listing reports
- Economic and efficient use of resources

Scope and Methodology

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

Exit Conference

An exit conference was conducted at the Justice Center on June 1, 2011. MSI was represented by Gene Stubblefield, Commissioner of Corrections and Lee Ellison, Account Clerk II. The Internal Audit Section was represented by Craig Frazier, Auditor-in-Charge and Mohammad Adil, Internal Audit Manager.

Management's Responses

Management's responses to the observations and recommendations noted in this report were received from the Medium Security Institution on June 7, 2011. The responses have been incorporated into this report.

OBSERVATIONS

Status of Prior Observations

There have been no recent MSI fixed assets reviews.

Summary of Current Observations

Opportunity exists for MSI to improve internal controls over fixed assets. The following are the observations resulting from the review:

- Opportunity to improve internal controls over fixed assets and property control items
- Opportunity to tag fixed assets and property control items

This observation is 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 Improve Internal Control Over Fixed Assets And Property Control Items

Twenty-five fixed assets and property control items were selected from the FAMS' MSI Fixed Assets Property Listing (FAPL) to verify if they existed and their conditions. Eight of the selected fixed assets could not be traced back to the Division's floor for the following reasons:

- Four fixed assets could not be traced to the institutions floor by their FAPL serial numbers.

| # | Description | Purchase Date | Cost | Serial Number |
|-----|----------------------|---------------|----------|---------------|
| 1. | Convection Steamer | 12/1998 | \$12,529 | WC3083B |
| 2.. | Roll-in-Refrigerator | 12/1998 | \$1* | 321015205 |
| 3. | Steam Autoclave | 42/2003 | \$1* | MH005777 |
| 4. | X-Ray Machine | 4/1999 | \$1* | EJL-957626 |

- Four fixed assets could not be traced to the MSI floor because FAPL did not include their serial numbers.

| # | Description | Purchase Date | Cost |
|----|-----------------------|---------------|------|
| 2. | Air Compressor | 01/2000 | \$1* |
| 4. | Wheel Chair Lift | 5/1999 | \$1* |
| 5. | Roll-in- Refrigerator | 12/1998 | \$1* |
| 6. | Drain Cleansing Motor | 6/1998 | \$1* |

* Fully depreciated

Procedure 205.2 of the FAMS Policy and Procedures Manual states that in order to capture all information about fixed assets, selected organization have been assigned the responsibility for recording fixed assets activity as follows:

- Comptroller's Office has designated a FAMS Section to maintain the automated FAMS system and to act as a central coordinator over all accounting activities relating to fixed assets.
- Each organization within the City is responsible for notifying the FAMS Section of acquisition, retirement or retirement of fixed assets during the year.

MSI did not have a system of internal control in place to reconcile the fixed assets inventory to FAMS records and notifying FAMS Section of all acquisitions,

1. Continued...

retirements or transfers. The lack of reconciliation of the MSI's fixed assets to FAMS records increases the risk that the fixed assets may be misused, lost or stolen.

Recommendation

It is recommended that the MSI establish a system of internal control to

- Perform and document periodic reconciliations of the MSI fixed assets reported on FAMS to the fixed assets on the floor.
- Investigate and document the resolution of any differences arising during the reconciliation process.
- Notify FAMS Section promptly of any acquisitions, retirements or transfer of the fixed assets.

Management's Response

The eight items cited in the audit findings will be reinventoried in accordance with Procedure 205.2 of the FAMS Policy and Division of Corrections Policy and Procedure #1.2.7 Fixed Asset Accounting that was implanted in July 2004 and revised April 2010. The Medium Security Institution will reconcile the above discrepancies in order to safeguard the Fixed Assets from misuse, being lost or stolen.

2. Opportunity To Tag Fixed Assets And Property Control Items

None of the seventeen fixed assets items located in Observation #1 had a City identification tag attached. The information on the tag discloses the right of ownership by the City.

Section 210.14 of the FAMS policies and procedures manual states that all fixed assets and property control items owned by the City of St. Louis shall have an identification tag attached in a uniform and consistent location. The identification will provide positive ownership identification of the City owned fixed assets.

MSI did not have system of internal control in place to comply with the tagging requirements of Section 210.14 of the FAMS Policies and Procedures Manual for the City owned fixed assets and property control items. The absence of City identification tags on the City owned fixed assets and property control item increase the risk that they may be misused, lost or stolen.

2. Continued...

Recommendation

It is recommended that MSI establish a system of internal control to ensure that the City identification tags are attached on all City owned fixed assets and property control items in a uniform and consistent location. The identification tags are issued by FAMS Section.

Management's Response

The Division contests that City tags from the Comptroller's Fixed Assets Section are requested but are often not provided. In order to ensure accountability for the Fixed Assets, the Division attached its own tags which indicate City ownership of the assets. The Division will again request identification tags from the Fixed Assets Section of the Comptroller's Office and continue to identify property that doesn't have an identification tag with a tag denoting City ownership. The Medium Security Institution complies with Divisional Procedure #1.2.7 Fixed Asset Accounting which is the Division of Corrections control mechanism for Fixed Assets Property.