



OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



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DARLENE GREEN  
Comptroller

*Internal Audit Section*

DR. KENNETH M. STONE, CPA  
Internal Audit Executive

January 31, 2011

Gary D. Bess, Director  
Department of Parks, Recreation and Forestry  
5600 Clayton Road  
St. Louis, MO 63110

RE: Soulard Market (Project #2011-02)

Dear Mr. Bess:

Enclosed is the Internal Audit Section's revenue review report of the Department of Parks, Recreation, and Forestry – Soulard Market for the period January 1, 2009 through March 31, 2010. A description of the scope of our work is included in the report.

Fieldwork was completed on September 14, 2010. Management's responses to the observations and recommendations noted in the report were received on January 24, 2011 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) 622-4723.

Sincerely,

Dr. Kenneth M. Stone, CPA  
Internal Audit Executive

Enclosure

Cc: Tom Astorino, Manager – Soulard Market



# CITY OF ST. LOUIS

**DEPARTMENT OF PARKS, RECREATION AND FORESTRY**

**SOULARD MARKET**

**REVENUE REVIEW**

**JANUARY 1, 2009 THROUGH MARCH 31, 2010**

**PROJECT # 2011-02**

**DATE ISSUED: JANUARY 31, 2011**

**Prepared By:  
The Internal Audit Section**



# OFFICE OF THE COMPTROLLER

**HONORABLE DARLENE GREEN, COMPTROLLER**

**CITY OF ST. LOUIS**  
**DEPARTMENT OF PARKS, RECREATION AND FORESTRY**  
**SOULARD MARKET**  
**REVENUE REVIEW**  
**JANUARY 1, 2009 THROUGH MARCH 31, 2010**

**EXECUTIVE SUMMARY**

**Purpose**

The Internal Audit Section (IAS) has completed a revenue review of the Soulard Market (Market). The purpose was to determine if the Market effectively and efficiently manages risks to ensure:

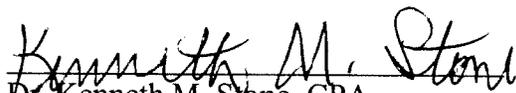
- Accomplishment of established objectives and goals
- Compliance with applicable laws, regulations, policies and procedures
- Safeguarding of assets
- Reliability and integrity of financial and operational information
- Economic and efficient uses of resources

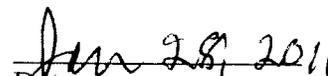
**Conclusion**

The opportunity exists for the Market to improve internal controls over operational and fiscal activities. The following are observations resulting from the review:

1. Opportunity to comply with the City Charter on bank deposits
2. Opportunity to develop written policies and procedures
3. Opportunity to renew automated teller machine (ATM) contract

Each of these observations 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 Jan 28, 2011

**CITY OF ST. LOUIS  
DEPARTMENT OF PARKS, RECREATION AND FORESTRY  
SOULARD MARKET  
REVENUE REVIEW  
JANUARY 1, 2009 THROUGH MARCH 31, 2010**

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# INTRODUCTION

## Background

Soulard Market (Market) serves the St. Louis Metropolitan area by providing the community with fresh wholesome produce and other merchandise at reasonable prices. The Market collects revenues in the form of rental fees from businesses that lease space from the Market. The Market is owned and operated by the City since 1842, and is dedicated to providing:

- Quality produce to area residents
- Affordable economic opportunities to farms and small businesses
- A community spirit, cultural exchange, and area revitalization

## Purpose

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

- Accomplishment of established objectives and goals
- Compliance with applicable laws, regulations, policies and procedures
- Safeguarding of assets
- Reliability and integrity of financial and operational information
- Economic and efficient use of resources

## Scope and Methodology

The review was confined to evaluating internal controls over the revenues collected from space rental at the Market. The audit 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 Department of Parks, Recreation, and Forestry office on January 5, 2011. The Market was represented at the exit conference by Gary Bess, Director of Parks, Recreation, and Forestry; Kathy Sullivan, Executive Assistant to the Director. The internal audit section was represented by Dr. Ishmael Ikpeama, Internal Audit Supervisor; Chance Key, MBA, Auditor-in-Charge.

## Management's Responses

Management's responses to the observations and recommendations noted in this report were received from the Market on January 24, 2011 and have been incorporated into the report.

## OBSERVATIONS

### Status of Prior Observations

The Internal Audit Section followed-up on the following observations included in the State Auditor's report issued December 2008. The status of these observations is as follows:

1. Market's petty cash fund is short \$80 and the petty cash ledger is not adequately maintained. **(Resolved)**
2. The method of payment is not indicated on some receipt slips. **(Resolved)**

### Summary of Current Observations

The opportunity exists for the Market to improve internal controls over its activities. The following are observations resulting from the review:

1. Opportunity to comply with City Charter on bank deposits
2. Opportunity to develop written policies and procedures
3. Opportunity to renew automated teller machine (ATM) contract

Each of these observations 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 Comply With City Charter On Bank Deposits

The rents for daily stands are received mostly in cash. Market Manager collects the rents, issue receipts, and keeps the money in a safe bolted inside a cabinet. It was noted that the rents collected during the market days (Thursday through Saturday) are not forwarded to the Department of Parks, Recreation and Forestry until the following Tuesday for deposit with the City Treasurer's Office.

Article XV, Section 24 of the City Charter states that all monies belonging to the City received by an officer or agent thereof shall be deposited daily with the City Treasurer's Office unless provided otherwise by law or ordinance.

The Market does not have internal controls in place to ensure compliance with the requirements of the City Charter that all monies belonging to the City received by an officer or agent thereof shall be deposited daily with the City Treasurer's Office unless provided otherwise by law or ordinance.

Failure to deposit the cash collected daily constitutes non-compliance with the City Charter and may result in the misappropriation or loss of cash.

#### **Recommendation**

It is recommended that:

- Monies collected during the market days should be deposited daily
- A follow-up on the request for a waiver as an exception to Article XV, Section 24 of the City Charter
- Monies collected during the weekend should be deposited by the first business day of the week.

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

*The Department has followed the suggestions of your auditors and has applied to the Deputy Comptroller for a waiver of the requirement contained in Article XV, Section 19 of the City Charter. I have enclosed a copy of the request.*

## **2. Opportunity To Develop Written Policies And Procedures**

The Market does not have written policies and procedures in place specific to its revenue collections and deposits process. Such policies and procedures at a minimum include the following:

- Collections and deposits of daily rents
- Collections and deposits of monthly and annual rents
- Invoicing of monthly and annual rent payments

Written policies and procedures assist in ensuring that procedures and job functions are:

- Effectively communicated to and understood by staff
- Approved by management
- Consistently performed
- In accordance with management's goals and objectives

Written procedures will ensure that proper books and records of receipts are maintained and regular reconciliations are performed. Written policies and procedures provide a basis for training and cross-training of new and current employees and provide a basis for the development of performance standards and measures.

The Department informed IAS that management had not updated its written policies and procedures since the Market was transferred in July 2008.

The lack of written comprehensive policies and procedures may:

- Increase the risk that control procedures may not be adequately performed
- Lead to unreliable data, if Daily, Monthly, and Annual records are not adequately maintained

### **Recommendation**

IAS recommends the Market update its policies and procedures manual to include:

- Collections and deposits of daily rents
- Collections and deposits of monthly and annual rents
- Procedures for invoicing monthly and annual rent payments

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

*We have updated the written policies and procedures regarding the daily rentals at the Market and have afforded the auditors copies of same. I am enclosing a copy for your information. We currently have a Department-wide policy and procedure for the collection of monies, which is followed at the market. We will update said policy and procedure in order to make it specific to Soulard Market.*

### **3. Opportunity To Renew Automated Teller Machine (ATM) Contract**

In addition to stall rental revenues the Market also receives transaction fees for the usage of an ATM located inside the Market. It was noted that the current ATM contract expired in June 2010, and the Market has not renewed the contract as of the fieldwork completion date.

For a contract agreement to be legally binding it should be properly executed and current.

The Market does not have a system of control in place to ensure that all contracts it has entered into are current.

#### **Recommendation**

IAS recommends that the Market should execute a new contract with UMB Bank or perform a Request for Proposal for new bids.

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

*We are checking with the Supply Commissioner to ascertain if a City-wide contract exists for ATM services. If none exists, we will use an RFP for the services.*