



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



FILE COPY

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Comptroller

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DR. KENNETH M. STONE, CPA
Internal Audit Executive

September 28, 2010

Ed Bushmeyer, Assessor
Assessor's Office
1200 Market Street, Room 120
St. Louis, MO 63103

RE: Fixed Assets Review (Project #2011-04)

Dear Mr. Bushmeyer:

Enclosed is the Internal Audit Section's fixed assets review report of the Assessor's Office for the period of July 1, 2009 through June 31, 2010. A description of the scope of our work is included in the report.

Fieldwork was completed on August 6, 2010. Management's responses to the observations and recommendations identified in the report were received on September 13, 2010, 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
ASSESSOR'S OFFICE
FIXED ASSETS REVIEW
JULY 1, 2009 THROUGH JUNE 31, 2010**

EXECUTIVE SUMMARY

Purpose

The Internal Audit Section (IAS) has completed a review of fixed assets for the Assessor's Office. The purpose was to determine if the Assessor's Office effectively and efficiently managed risks to ensure:

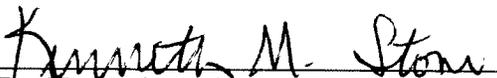
- Compliance with applicable laws, regulations, policies and procedures
- Safeguarding of assets
- Reliability and integrity of fixed assets property listing reports
- Economic and efficient use of resources

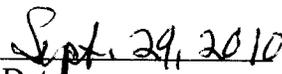
Conclusion

The opportunity exists for the Assessor's Office to improve internal controls over the fixed assets. The following are the observations resulting from the review:

1. Opportunity to perform fixed assets inventory annually
2. Opportunity to update Fixed Assets Property Listing (FAPL)

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



CITY OF ST. LOUIS

ASSESSOR'S OFFICE

FIXED ASSETS REVIEW

JULY 1, 2009 THROUGH JUNE 30, 2010

PROJECT #2011-04

DATE ISSUED: SEPTEMBER 28, 2010

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
ASSESSOR'S OFFICE
FIXED ASSETS REVIEW
JULY 1, 2009 THROUGH JUNE 31, 2010**

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INTRODUCTION

Background

The Fixed Assets Management System (FAMS) is the City of St. Louis' means of tracking fixed assets. These 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 above criteria, but are fixed assets that need to be accounted for. These items usually have an initial purchase price of \$1,000 or more or computer equipment of significant value.

Purpose

The purpose of this review was to determine if the Assessor's Office effectively and efficiently managed risks 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 Assessor's Office'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 were performed as considered necessary.

Exit Conference

An exit conference was conducted at the Assessor's Office on Thursday, September 2, 2010. The Assessor's Office was represented by Ed Bushmeyer, Assessor; Leo Hamm, Deputy Assessor; and Fred Zeller, FAMS Coordinator. The Internal Audit Section was represented by Craig Frazier, Auditor-in-Charge; and Dr. Ikpeama, Audit Supervisor.

Management's Responses

Management's responses to the observations and recommendations identified in the report were received from the Assessor's Office on September 13, 2010. These responses have been incorporated into this report.

OBSERVATIONS

Status of Prior Observations

There were no recent fixed assets reviews performed for the Assessor's Office.

Summary of Current Observations

It was noted that the management had established some control procedures to ensure effective management of FAMS. These included, but were not limited to:

- Internal records for tracking changes to the Fixed Asset Property Listing (FAPL)
- Development of forms to submit changes to the FAPL

However, the opportunity exists for the Assessor's Office to improve internal controls over fixed assets. The following are the observations resulting from the review:

1. Opportunity to perform fixed assets inventory annually
2. Opportunity to update Fixed Assets Property Listing

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 Perform Fixed Assets Inventory Annually

It is the established practice of the Assessor's Office to perform inventory of its fixed assets bi-annually instead of annually. The last fixed assets inventory was performed on November 10, 2008.

Proper inventory control practices require that for efficient operations a good knowledge of the tangible assets possessed by an organization is essential. In addition, Fixed Assets Management System (FAMS) Procedure 110.32 requires that a physical inventory by budgetary level organizations of their fixed assets and property control items be performed annually. Property control items are fixed assets that cost between \$1,000 and \$4,999 and computer equipment of significant value.

The Assessor's Office did not have a system of internal controls in place to comply with FAMS annual physical inventory requirements for its fixed assets and property control items.

Failure to perform annual inventory increases the risk that fixed assets and property control items may be misidentified, misused, stolen or lost.

Recommendation

It is recommended that the Assessor's Office:

- Perform physical inventory of its fixed assets and property control items annually in accordance with the requirements of the FAMS procedure 110.32.
- Reconcile the differences between FAMS' Fixed Assets Property Listing (FAPL) and its internal records.

Management's Response

The Assessor's Office will conduct an annual inventory of fixed assets and property control items. Any future purchase of equipment, which meets the \$5,000 purchase threshold, will be added to the current list of items and a report forwarded annually to the Comptroller to allow for appropriate depreciation for book value to be determined for these items.

The Assessor's Office relies extensively on personal computers for daily operations and customer service. A complete inventory of PCs, monitors, typewriters, and scanners, etc. will be maintained annually under the category of Property Control Items since their costs, while significant, do not meet the \$5,000 threshold for FAPL category. As above, this list will be reported to the Comptroller's Office for inventory and depreciation purposes.

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

2. Opportunity To Update Fixed Assets Property Listing (FAPL)

The Assessor's Office's FAMS' Fixed Assets Property Listing (FAPL) included fixed assets that cost less than \$5,000 and did not meet the requirements of FAMS procedure 110.32.

FAMS Procedure 110.32 requires that FAPL should only include fixed assets that cost \$5,000 or more. Fixed assets that cost between \$1,000 and \$4,999 and computer equipment, even if cost less than \$1,000, should be accounted for as Property Control Items and reported on an internally generated Property Control Listing (PCL).

The Assessor's Office has not submitted a request to FAMS to remove from FAPL items that cost less than \$5,000 based on the FAMS updated criteria of the fixed assets that are to be reported on FAPL.

FAPL does not accurately reflect accurately the fixed assets owned by the Assessor's Office.

Recommendation

It is recommended that the Assessor's Office

- Submit the appropriate forms to FAMS to remove from FAPL all fixed assets that cost less than \$5,000 (Property Control Items).
- Maintain records of its Property Control Items and report them on internally generated PCL.

Management's Response

The Assessor's Office will correctly transfer items of equipment that are currently erroneously listed on FAPL to our Property Control List thereby, placing these items in the appropriate category.

The Assessor's Office plans to keep appropriate records for the disposal of either category of equipment discussed above, declaring this equipment as surplus. Many items have been removed from the worksite and been placed in our storeroom. In years past, some have been disposed off through Facilities Management collection without effective record keeping. Corrective action will be taken in future surplus declarations.