SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2019

The City of Rapid City respectfully submits the following summary schedule of prior audit findings from the December 31, 2018 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the 2018 Schedule of Findings.

2018-001 Finding: Internal Controls/Financial Statement Preparation

Status: The City implemented several changes in internal control processes; however the City still had a lack of adequate internal controls during the year.

Initial Year Report: Originally issued years ago.

Reasons for Recurrence and Corrective Action Plan: Strengthening internal controls is a continuous process. With the implementation of a new financial accounting package, comes the need to modify existing processes and responsibilities. The City recognizes this and is engaged in an ongoing campaign to review and modify existing functions and processes to ensure adequate internal control and proper segregation of duties.

Many of the control deficiencies relating to the Deputy Finance Officer have been addressed and resolved as part the software implementation process. The Finance Office will segregate the custody of the signature stamp and blank check stock to an employee who does not have access to the other functions of the disbursement process.

The City is one of a limited number of municipalities that has chosen to prepare its own financial statements in an effort to reduce overall audit fees, gain a better understanding of City’s ongoing financial activity and ensure an adequate level of independence. As such, errors identified during the auditors review are expected to be more common than financials prepared by the auditors on behalf of the client. The Finance Office will continue to diligently work towards the goal of submitting error free financial statements to our auditors.

The bulk of the City’s cash and investments are maintained on a “pooled basis”. Maintaining cash and investments on this basis creates difficulties in reconciling on a fund by fund basis. Variances between the bank reconciliations and general ledger are common when cash and investments are maintained on a “pooled basis”. The Finance Office will develop and implement a process by which the City’s monthly Treasury reports are reconciled and reviewed on both a fund by fund and total cash basis to general ledger balances.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2019 (Continued)

2018-002 Finding: Audit Adjustments

Status: The City made efforts to record all year-end entries, but several audit adjustments were made.

Initial Year Report: Originally issued years ago.

Reasons for Recurrence and Corrective Action Plan: The Finance Office agrees that both material and immaterial audit adjustments were subsequently recorded in order to accurately report account balances/transactions. The yearend reconciliation checklists and processes modifications recommended by the auditor as well as those noted internally will be implemented to ensure the accuracy and completeness of account balances/transactions.

Finding No. 2018-003: Compliance with State Laws

Status: There was no change in investment policy or types of investments held by the City. As such, finding is repeated.

Initial Year Report: Originally issued in 2015.

Reasons for Recurrence and Corrective Action Plan: The Finance Office remains in discussions with both the South Dakota Municipal League and various legislators to effectuate change in the State statute. While the City disagrees with the finding, we have started to divest some of these investments as they mature.

Finding No. 2018-004: Suspension and Debarment

Status: This is a repeat finding.

Reasons for Recurrence and Corrective Action Plan: Changes to the City’s Uniform Grant Guidance Policies/Procedures that specifically address Suspension and Debarment were adopted in the fall of 2019. Unfortunately, the implementation of the corrective action plan was not completed for many of the City’s 11,000 plus existing vendors by December 31, 2019. The Finance Office has implemented a procedure to ensure compliance for all new vendors. Program directors will be responsible for the implementation of Suspension and Debarment procedures as it relates to existing vendors for their specific federal program by the end of fiscal year 2020.


Finding No. 2018-005: Lack of Supporting Payroll Documentation

Status: This is a repeat finding.

Reasons for Recurrence and Corrective Action Plan: Union negotiations and changes to the AFSCME contract were not completed by December 31, 2019. The current AFSCME contract under consideration contains language for out of class pay that will pay all fill-in supervisors at the same contracted rate.

CORRECTIVE ACTION PLAN
DECEMBER 31, 2019

The City respectfully submits the following corrective action plan regarding findings from the December 31, 2019 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the Schedule of Findings.

Finding No. 2019-001: Internal Controls/Financial Statement Preparation

Responsible Officials: Pauline Sumption, Finance Officer and Ken Young, Community Development Director

Corrective Action Plan:

Strengthening internal controls is a continuous process. The City recognizes this and is engaged in an ongoing campaign to review and modify existing functions and processes to ensure adequate internal controls and proper segregation of duties. The functions and processes will continue to be reviewed and improved upon as deficiencies are discovered.

Many of the control deficiencies relating to the Deputy Finance Officer have been addressed and the risks associated with these deficiencies mitigated through the controls imbedded in the financial software and governing body oversight. Management will again perform an assessment of the internal control deficiencies noted and make changes if deemed necessary. The Finance Office will segregate the custody of the signature stamp to management employees who do not have access to the manual check stock or the other functions of the disbursement process.

The City is one of a limited number of municipalities that has chosen to prepare its own financial statements in an effort to reduce overall audit fees, gain a better understanding of City’s ongoing financial activity and ensure an adequate level of independence. As such, errors identified during the auditors review are expected to be more common than financials prepared by the auditors on behalf of the client. The Finance Office will continue to diligently work towards the goal of submitting error free financial statements to our auditors.

The bulk of the City’s cash and investments are maintained on a “pooled basis”. Maintaining cash and investments on this basis creates difficulties in reconciling on a fund by fund basis. Variances between the bank reconciliations and general ledger are common when cash and investments are maintained on a “pooled basis”. The Finance Office will develop and implement a process by which the City’s monthly Treasury reports are reconciled and reviewed on both a fund by fund and total cash basis to general ledger balances.

Electrical permit fees are currently being calculated using State fee schedules. These schedules are subject to individual interpretation which creates inconsistency in fee calculations. In order to ensure consistent fee calculations, the program director will request authorization from the Building Board to replace the state fee schedules with the standard City Permit Fee Schedules, as shown in Table 100-C in Resolution No. 2019-094, with approval from the Rapid City Council.

Anticipated Completion Date: Assessing and mitigating identified internal control risks are, and should be, an ongoing process. Changes in responsibilities and processes to those deficiencies identified during the audit are currently in the development stage and will be implemented for the year ending December 31, 2020.
CORRECTIVE ACTION PLAN  
DECEMBER 31, 2019 (Continued)

Finding No. 2019-002: Audit Adjustments

Responsible Officials: Pauline Sumption, Finance Officer

Corrective Action Plan: The year-end reconciliation checklists and processes modifications recommended by the auditor as well as those noted internally will be implemented to ensure the accuracy and completeness of account balances/transactions.

Anticipated Completion Date: The Finance Office expects that any audit adjustments proposed by auditors for the 2020 audit will be immaterial to the financial statements as a whole.

Finding No. 2019-003: Compliance with State Laws

Responsible Officials: Pauline Sumption, Finance Officer

Corrective Action Plan: The Finance Office remains in discussions with both the South Dakota Municipal League and various legislators to effectuate change in the State statute. While the City disagrees with the finding, we have started to divest some of these investments as they mature.

Anticipated Completion Date: Ongoing as current investments mature.

Finding No. 2019-004: Suspension and Debarment

Responsible Officials: Pauline Sumption, Finance Officer

Corrective Action Plan: Changes to the City’s Uniform Grant Guidance Policies/Procedures that specifically address Suspension and Debarment were adopted in the fall of 2019. Unfortunately, the implementation of the corrective action plan was not completed for many of the City’s 11,000 plus existing vendors by December 31, 2019. The Finance Office has implemented a procedure to ensure compliance for all new vendors. Program directors will be responsible for the implementation of Suspension and Debarment procedures as it relates to existing vendors for their specific federal program by the end of fiscal year 2020.

Anticipated Completion Date: Program directors will ensure compliance for those programs receiving federal funds by December 31, 2020.

Finding No. 2019-005: Lack of Payroll Supporting Documentation

Responsible Officials: Pauline Sumption, Finance Officer

Corrective Action Plan: The current AFSCME contract under consideration contains language for out of class pay that will pay all fill-in supervisors at the same contracted rate.

Anticipated Completion Date: Changes to the AFSCME contract are currently on schedule to be adopted before December 31, 2020.
CORRECTIVE ACTION PLAN
DECEMBER 31, 2019 (Continued)

Finding No. 2019-006: Period of Performance

Responsible Officials: Megan Gould, Rapid Transit Director

Corrective Action Plan: The Rapid Transit Director will verify that monthly expenditure reimbursement requests fall within the period of performance dates of the applicable grant being drawn against.

Anticipated Completion Date: This corrective action plan has been implemented.