SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2020

The City of Rapid City respectfully submits the following summary schedule of prior audit findings from the December 31, 2019 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the 2019 Schedule of Findings.

2019-001 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. 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.

The Finance Office has segregated the custody of the signature stamp and blank check stock to members of management that do not have access to the other functions of the disbursement process. However, upon inspection during the course of the audit the access to the blank check stock was not properly secured. The Finance Director and/or Grants Compliance and Financial Reporting Manager will log all manual checks processed and endorsed with the signature stamp. This will ensure that all manual checks used were stamped by the proper member of management and not removed from the vault by an inappropriate party or for improper use.

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 City has accepted the risk associated with preparing its own financial statements and will continue to diligently work towards the goal of submitting error free financial statements to our auditors.

As noted in finding 2020-001 (d), the Finance office began performing monthly reviews and reconciliations of the City’s Treasury report on a fund by fund and total cash basis to general ledger balances as of September 30, 2020. This practice has become part of the monthly cash reconciliation process.

The City received authorization from the Building Board to replace the State permit fees schedules with standard City Permit Fee Schedules. Rapid City Council also approved this change. This internal control finding is not repeated.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2020 (Continued)

2019-002 Finding: Audit Adjustments

Status: The City made efforts to record all year-end entries but material and reclassification audit adjustments were required to correctly reflect the accuracy and completeness of account balances/transactions.

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. 2019-003: 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 City continues to divest investments as they mature to ensure compliance with State statute. This process will be a lengthy one as investment maturities must be reached before divestment can occur.

Finding No. 2019-004: Suspension and Debarment

Status: Written policies that specifically address Suspension and Debarment were adopted in the fall of 2019 and program directors reviewed existing vendors to full compliance early in fiscal year 2020. The finding is not repeated.

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

Status: This finding is not repeated. The language of the AFSCME contract approved during fiscal year 2020 specifically address the prior year finding.

Finding No. 2019-006: Period of Performance
Status: This finding is not repeated.
CORRECTIVE ACTION PLAN
DECEMBER 31, 2020

The City respectfully submits the following corrective action plan regarding findings from the December 31, 2020 Schedule of Findings. The findings are numbered consistently with the numbers assigned in the Schedule of Findings.

Finding No. 2020-901: Internal Controls/Financial Statement Preparation

Responsible Officials: Pauline Sumption, Finance Director/Dave Yuhas, Grants Compliance and Financial Reporting Manager

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.

The Finance Director and/or Grants Compliance and Financial Reporting Manager will log all manual checks processed and endorsed with the signature stamp. This will ensure that all manual checks used were stamped by the proper member of management and not removed from the vault by an inappropriate party or for improper use.

The Grants Compliance and Financial Reporting Manager will expand the scope of the period covered to ensure that all federal expenditures/revenue are identified and reported in the correct period.

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 City has accepted the risk associated with preparing its own financial statements and will continue to diligently work towards the goal of submitting error free financial statements to our auditors.

The Finance Office began performing monthly reviews and reconciliations of the City’s Treasury report on a fund by fund and total cash basis to general ledger balances as of September 30, 2020. This practice has become part of the monthly cash reconciliation process.

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, 2021.
CORRECTIVE ACTION PLAN
DECEMBER 31, 2020 (Continued)

Finding No. 2020-002: Audit Adjustments

Responsible Officials: Pauline Sumption, Finance Director

Corrective Action Plan: 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.

Anticipated Completion Date: The Finance Office expects that any audit adjustments proposed by auditors for the 2021 audit will be immaterial to the financial statements as a whole.

Finding No. 2020-003: Compliance with State Laws

Responsible Officials: Pauline Sumption, Finance Director

Corrective Action Plan: The City continues to divest investments as they mature to ensure compliance with State statute.

Anticipated Completion Date: Ongoing as current investments mature.