

## SUMMARY OF 2015 AUDIT RESULTS

- The auditor's report expresses an unmodified opinion on the financial statements.
- Deficiencies disclosed during the audit of the financial statements and/or major federal awards are reported.
  1. 2015-001 Finding: Internal Controls/Financial Statement Preparation – Material Weakness (significant deficiency in 2014)
    - a. The City does not have a process in place to timely reconcile and review capital asset activity throughout the year. The City currently only reconciles such activity at the end of each year. Additionally, the City implemented a new accounting software in 2015. Prior to implementation of the software, proper procedures were not implemented to ensure key employees were trained in use of the capital asset module of the software. Additionally, review of the new software's capital asset reporting capabilities was not performed to obtain timely, accurate and reliable reports. When capital asset schedules were received, the schedules did not reconcile to the general ledger and were required to be corrected by finance office staff on several occasions.
    - b. The financial statements were not prepared or reviewed timely by the Finance Office. We identified and corrected errors in the government-wide adjustments, fund statements, and the statements of cash flows.
    - c. The Deputy Finance Officer has access to the general ledger, has access to enter and modify purchase order and check information within the accounting software, prepares and posts journal entries, and handles signed checks of the primary checking account of the City. The Deputy Finance Officer also maintains the manual check stock, maintains the signature stamp for such bank accounts, and has access to the general ledger.
    - d. The City's ambulance billings were not completed in a timely manner throughout 2015, likely due to the implementation of new billing software.
    - e. Some reconciling schedules, including the water deposit subsidiary, interfund loans and interfund transfers, did not agree to the general ledger.
  2. 2015-002 Finding: Audit Adjustments – Material Weakness (significant deficiency in 2014)

During the audit process, we recorded material audit adjustments. Additionally, we posted several reclassification entries with no effect on net income. Furthermore, other entries were proposed as part of the audit, but were not recorded due to the overall insignificance on the financial statements. The Finance Officer has a lack of adequate review over the year-end process.
  3. 2015-003 Finding: Budgetary Overdraft – Significant Deficiency (significant deficiency in 2014)

Due to a lack of proper budgetary controls, the City has budget overdrafts in numerous departments of several funds in violation of South Dakota Codified Law 9-21-9. The City did not follow state law.
  4. 2015-004 Finding: Negotiable Certificates of Deposit – Significant Deficiency (new finding in 2015)

SDCL 4-5-6 indicates the types of investments that the City may invest public funds. Based on 4-5-6, the City is in violation of State law.
  5. 2015-005 Finding: Audit Package Late Filing – Material Weakness (new finding in 2015)

The annual report filing to the federal clearinghouse, including the data collection form, will be filed late due to significant issues encountered with a software conversion and failure to implement a process of timely accounting for capital asset activity.
- One instance of noncompliance material to the financial statements was disclosed during the audit. This was the late filing of the audit package, as described above.
- The auditor's report on compliance for the major federal awards expresses an unmodified opinion.