

**COMPASS INDEPENDENT AUDIT
QUARTERLY REPORT TO THE CITY COUNCIL
FOR THE QUARTER ENDING SEPTEMBER 30, 2012**

Legal Requirement

Rapid City Municipal Code 2.95.030 (H) requires the Chief Auditor to submit, through the Audit Committee, quarterly reports to the City Council concerning the status of all pending audits and projects and the status or progress of any implementation recommendations.

2012 Approved Audit Program

On August 20, 2012, the City Council approved two audits for the current year. The City-Wide Cash Handling Audit and the City Charge Account Program Audit.

The City-Wide Cash Handling Audit will review the internal controls over the collection of revenue and the handling of money by City employees. The audit will determine if established internal controls are adequate; documented policies and procedures are being followed by staff; money is safeguarded; and good business practices are being followed.

The City Charge Account Program Audit will examine the internal control system surrounding the City's charge account program for purchasing and procurement of supplies, materials, and services. It will evaluate alternative procurement programs for potential cost savings and increased efficiency and effectiveness in the City's small dollar purchasing process.

Current Status

As of September 30, 2012 no audits were in progress. The City-Wide Cash Handling Audit began on October 8, 2012. The projected starting date for the City Charge Account Program Audit is mid-December.

City-Wide Cash Handling Audit

The current audit of City departments' cash-handling processes is in the planning phase. The auditors have reviewed general background information as well as specific financial and operational information related to departmental accounts, funds, policies, procedures and records. In addition, we have reviewed internal controls criteria from professional auditing and accounting organizations. This week we are developing the audit program for this audit and will begin the fieldwork and testing phase next week.

Most of the City departments contacted for information relevant to their cash-handling policies and processes responded in a timely manner. We experienced only minimal delays in obtaining information from three departments.