

List of Potential Audit Topics for the 2013-2014 COMPASS Audit Plan

	Department or Program	Audit Topic
	<i>Proposed for 2013</i>	
1	Finance Office	Financial Processes
2	City-Wide	Fees
3	Community Resources	Information Technology Division
4	Airport	Parking and Rental Car Contracts
	<i>Proposed for 2014</i>	
1	City-Wide	Facilities Management
2	City-Wide	Fleet Management
3	City-Wide	Purchasing Processes
4	Civic Center	Certain Funds
	<i>Proposed Alternatives</i>	
1	City-Wide	Records Management
2	City-Wide	Overtime Pay for City Employees
3	City Policy	Tax Increment Financing Districts
4	City Policy	Financial Incentives to Private Firms
5	Attorney's Office	Standardized Contracts
6	Community Planning & Development	Business Process Reviews
7	Community Resources	Risk Management
8	Parks and Recreation	La Croix Golf Course Lease

2013-2014 Audit Plan

City of Rapid City COMPASS Independent Audit

Presented by

Kelan Kelly, Chief Auditor

Endorsed by

The COMPASS Audit Committee

City of Rapid City
COMPASS Independent Audit
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COMPASS INDEPENDENT AUDIT PROGRAM'S ORGANIZATIONAL INDEPENDENCE

According to the *Government Auditing Standards 2011 Revision* issued by the Comptroller General of the United States, in all matters relating to audit work, the audit organization must be independent (Section 3.02). An audit organization is considered independent under these standards if it is placed within a different branch of government from the audited entity; for example, legislative auditors auditing executive branch programs (Section 3.28 b). Accordingly, the Chief Auditor confirms to the City Council of the City of Rapid City that the City's independent audit activity is organizationally independent of the departments and programs that it audits.

Operational Audits

Operational audits involve an analysis of a department's, division's or program's operations. They may include appraisals of the internal control structure, conformity with laws, regulations and policies, reliability of financial reporting, and effectiveness and efficiency in meeting organizational goals. Audit reports indicate how well activities are performed, make recommendations for improvements, and offer other conclusions drawn from audit work.

Finance Office (2013)

The mission of the Finance Office is to provide administrative services to assist in providing optimum service to the citizens of Rapid City. The Finance Office provides accounting services for all revenue generated by the City, for all expenditures made and prepares the annual Mayor's budget document. The Finance Office prepares the Comprehensive Annual Financial Report (CAFR) and coordinates the annual external audit. Staff prepare and submits grant reports, reimbursement requests and maintain documentation for all federal grant audits. The office also purchases investment instruments and coordinates bonding and lease arrangements. The office is also responsible for maintaining records of all City Council actions. The Finance Office is funded primarily through non-General Fund sources including interdepartmental charges. The 2012 operating budget is \$2.26 million.

All City departments rely on the work done and records maintained by the Finance Office to operate efficiently and effectively. This audit will evaluate the Finance Office's policies, procedures, processes and practices for: receiving revenue due to the City; paying all bills due to vendors; preparing year-end financial and grant reports; and reconciling revenues and payments. The audit may also examine the resources allocated to certain financial and compliance functions in the department.

Community Resource, Information Technology Division (2013)

The City's information technology function is housed in the Community Resources Department. Division staff provides a variety of information technology support functions to all City departments. These services include support to more than 30 separate facilities and more than 1,000 individual computers. Staff maintain about 40 servers which support the City's network infrastructure. Staff also maintain 7 wireless networks and the City's website. In 2012, the Division had 11 full-time employees and an operating budget of \$900,000. The audit will examine the division's activities related to providing technical support to other agencies and securing the City's information systems and data. We will review the division's current operating structure and resources.

Community Planning and Development (Alternate)

The mission of the Community Planning and Development Department is planning, developing and building a better community. The Department provides a variety of development services which include building inspections, residential and non-residential growth projections, development review, transportation planning, air quality inspections, annexation studies, tax increment financing review and historic preservation assistance. Department funding comes from the City's General Fund, grants and fees and totaled \$1.99 million in 2012. Department staff process several types of permits including building permits and inspections, land use applications and air quality permits. For this audit, staff will conduct business process reviews of some or all of these permitting processes to determine if efficiency can be improved, costs can be reduced and processes streamlined to better serve applicants.

Community Resources, Risk Management Division (Alternate)

The City's Risk Management Division is in the Community Resources Department. The Division is managed by the Risk Manager/Training Officer. The division's primary functions are to oversee the Worker Compensation Program, the General Liability Insurance Program, DOT drug/alcohol testing and to provide employee safety training. The City self-funds its Workers' Compensation Program. In addition, third-party administrators are used for both the Workers Compensation and General Liability Program. A major focus of any municipal Risk Management Program is to identify and reduce potential risk exposure to minimize the expenditure of resources for Workers' Compensation and general liability claims. This audit will examine the division's activities related to safety training, risk identification and reduction and attempt to identify best practices in risk management that could benefit the City. We may also review the City's current policy and practices for management and staff training.

Contract/Agreement Audits

Contract and agreement audits are performed primarily to determine compliance with contractual terms. We may also determine if City funds are spent in a responsible manner, good business practices are being followed and that, in the case of non-profit corporations, adequate governance structures are in place.

Airport Car Rental and Parking Contracts (2013)

The Rapid City Regional Airport provides rental car services and parking for airport users through contracts with private companies. The audit will evaluate contractor and airport compliance with the terms of the parking and rental car agreements.

La Croix Golf Course Lease (Alternate)

In an attempt to reduce general fund spending on the City's golf courses, the City entered into a lease agreement with the YMCA to operate the La Croix Golf Course in 2003. The lease terms were modified in 2007 no longer requiring the City to provide cash operating assistance or equipment to the YMCA, however the City continued to pay the water use from the Golf Course Enterprise Fund. The contract was renewed in 2009, runs through 2016, and continues to require the City to pay for the water use which now comes from the General Fund. This audit will evaluate the YMCA's compliance with the terms of the agreement and determine if a continuing city subsidy for water use is necessary and in the best interest of the City.

Standardized Contracts (Alternate)

City departments use contracts to conduct business in a wide variety of areas. Currently nearly all contracts are reviewed by the City Attorney's office including those for relatively small dollar amounts. The audit will examine the City's contracting practices to determine if changes could result in a more streamlined process thus improving the business processes in some departments.

Revenue/Cash Handling/Cash Receipts Reviews

Each year Compass Independent Audit selects City divisions or major organizational units for a review of revenue, cash handling and cash receipts.

Parks and Recreation Department, Aquatic and Tennis Programs (2013)

In 2013 we will review the Parks and Recreation Department, Aquatics Program's outdoor swimming pool facilities. We will also examine cash handling at the Sioux Park tennis facility. We will review internal controls over the collection of revenue and the handling of cash. These reviews will determine whether departmental written procedures are being followed by staff, cash is safeguarded, proper fees are being charged, and good business practices are being observed.

Public Works Department, Water Reclamation Division (2013)

For 2013, we will also review the Public Works Department, Water Reclamation Division. The Division charges companies whose pump trucks bring wastewater to the facility for treatment; however fees are generally collected in the spring and summer. Annual revenues amount to about \$700. We will review internal controls over the collection of revenue and the handling of cash.

Library Department (2014)

In 2014 we will review the Library Department's North Library and County/City Library East at the Western Dakota Technical Institute. We will review internal controls over the collection of revenue and the handling of cash. These reviews will determine whether departmental written procedures are being followed by staff, cash is safeguarded and good business practices are being observed.

Civic Center (2013)

The Civic Center uses a special fund (Ticket Trust) to pay entertainers and promoters at each event. Revenue from gross ticket sales are deposited into this fund. The Civic Center pays entertainers and promoters for each event per the terms of the contract for that event. The Civic Center reports and deposits only the net amounts with the Finance Office into the Civic Center Fund. The Finance Office has been unable to conduct appropriate fund reconciliations. We will examine internal controls over the use of this payment mechanism as well as evaluate the Civic Center's compliance with contract terms.

Special Area Audits

Special area audit are similar in focus to operations audits. These audits often have a city-wide, cross-departmental or multi-program focus. In some cases, these audits arise from and follow-up on prior audit projects. They may include evaluating operations, financial impact or public policy. These audits generally focus on methods to enhance efficiency and effectiveness. Many special area audits identify opportunities to change current structure or operations in order to realize future cost savings.

City Fees (2013)

The City uses fees to help fund a variety of services. This audit will identify all the fees (not taxes) and the revenue provided from collection of those fees. It will also identify when the fees were last reviewed and adjusted. We may attempt to determine if all fees are authorized by ordinance. We will attempt to determine if fees charged for certain services adequately cover the City's cost to provide those services. In addition, best practices for setting and reviewing fees (especially from the Government Finance Officers Association) will be identified and the City's current practices will be compared.

Facilities Management (2014)

Facilities management involves a variety of areas including: space utilization, maintenance, repairs, renovation, and construction. This audit will review the current process for managing and maintain city owned buildings, grounds and structures. In addition we will evaluate alternative facilities management structures that may provide improved operational efficiency and overall cost savings.

Fleet Management (2014)

Fleet management involves numerous activities to manage and maintain the City's vehicles and equipment including acquisition, licensing, parts inventory, maintenance, utilization and disposal. Most City departments with vehicle fleets either manage them in-house or use private vendors for specific maintenance-related functions. The audit will examine the current fleet management system for opportunities to improve efficiencies. In addition, it will evaluate alternative fleet management systems in an effort to find ways to improve operations and reduce overall fleet management costs.

Purchasing/Procurement (2014)

The City currently has a decentralized procurement process. As a relatively large purchaser of goods and services in the Black Hills region, the City may be in a position to use its purchasing power to leverage better prices on many goods and services. The audit will examine the internal control system surrounding the City's current process for purchasing supplies, materials and services. We will also evaluate alternative methods to purchase certain goods and services.

Records Management (Alternate)

Timely access to accurate data and records is critical to the effective operation of all City departments, divisions and programs. It is also essential for elected officials to successfully discharge their governance duties. The city currently lacks an accessible, coordinated, effective records management function and many of the departmental records management systems are either manual or significantly outdated. The audit will examine the current system of City-wide records management, evaluate City Council, City staff and public needs for records access, use and retention; and identify best practices in records management that will improve the City's processes.

Overtime Pay (Alternate)

The City pays over time to employees who work more than 40 hours in a work week. In FY 2010, the City paid nearly \$1.84 million in overtime and in 2011 employee overtime pay amounted to \$2.2 million. This represents 5% of all wages in 2010 and 6 % of total wages in 2011. Overtime pay to employees in the Police and Fire Departments (including EMS) amounted to 69% of overtime pay in 2010 and 67% in 2011. This audit will determine when and how employees earn overtime and obtain an understanding of the management control of overtime. The audit will determine if proper procedures for approving and recording overtime are being followed. We will focus on those departments representing the majority of employee overtime, but will also include other departments that generate significant overtime.

Tax Increment Financing Districts (Alternate)

Audit work in this area would involve determining the economic impact to Rapid City of the use of Tax Increment Financing Districts (TIF). The idea is to provide statistical information on the number of districts created to date; the amount of direct financial assistance received by each project financed from TIF dollars; and the subsequent real return in dollars to the City.

We would not attempt to determine if the City's current policy on the use of TIFs for economic development is appropriate, but rather provide policy makers with objective economic and financial data to inform future policy decisions on TIF use in Rapid City.

Financial Incentives to Private Firms (Alternate)

The City provides financial incentives to help private businesses bring new facilities and operations to Rapid City. These incentives are designed to stimulate economic activity and increase employment in the Rapid City area. By doing so the City's employment and tax bases expand and the City will see future financial benefits. Audit work in this area would involve determining the economic impact to Rapid City for the use of these incentives. We would not attempt to determine if the City's current policy on the use of financial incentives to private business is appropriate, but rather provide policy makers with objective economic and financial data to inform future policy decisions on such use if City funds.

Recurring Audits/Projects

Technical Assistance to Committees, Council Members, Departments

This time is in our audit plan in order to respond to requests for information or help in specific areas not requiring an audit. The assistance does not result in a formal report, must not impair the independence of Internal Audit, nor require more than a few hours of time. Requests for assistance that will result in a formal report or require more than a few hours of time should be approved by the Audit Committee through the special audit process.

Follow-up on Status of Audit Recommendations

We follow up with management on the status of implementation of audit recommendations made in previous years. The City Council will be provided a report each year on the status of audit recommendations.

Continuing Professional Development

Internal auditors are required to receive continuing professional education in order to comply with *Government Auditing Standards*. We are a member of the Sioux Falls chapter of The Institute of Internal Auditors (The IIA) to assist us in fulfilling this requirement. We are also active members of the Association of Local Government Auditors (ALGA). We make use of conferences and web-based training as our training budget allows.