

**COMPASS INDEPENDENT AUDIT
ANNUAL REPORT TO THE CITY COUNCIL
FOR THE YEAR ENDING DECEMBER 31, 2012**

Legal Requirement

Rapid City Municipal Code 2.95.130 requires the Chief Auditor to submit an annual report to the City Council each year indicating audits completed in the preceding fiscal year, major findings, corrective actions taken by administrative managers, cost savings and avoidances (when possible), and significant findings that have not been fully addressed by management.

2012 Approved Audit Plan

On August 20, 2012, the City Council approved two audits for the balance of Fiscal Year 2012. The City-Wide Cash Handling Audit and the City Charge Account Program Audit.

The City-Wide Cash Handling Audit reviewed the internal controls over the collection of revenue and the handling of money by City employees. The audit determined 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.

Completed Audits

Neither of the two audits approved by the City Council for the 2012 Annual Audit Plan were completed by December 31, 2012.

City-Wide Cash Handling Audit

Audit work for this audit is complete. The auditors have presented their findings and recommendations to City management. We have met with all department managers to discuss site-specific findings and recommendations. The final report is complete and has been available for review by the COMPASS Audit Committee members. At its March 18, 2013 meeting COMPASS Committee approved the report.

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City Charge Account Audit

Our entrance conference with Finance Office management was held on January 23, 2013. We have reviewed City department policies and procedures and other relevant program information. We have requested accounting and internal controls information from a sample of businesses in order to help determine more specific audit testing procedures.

2013-2014 Audit Plan

During 2012 audit staff completed a comprehensive city-wide risk assessment. The risk assessment gathered input regarding potential audit topics from city department directors and managers, the City Council and the COMPASS Audit Committee. In addition, several audit topics were brought forward by interested citizens. The risk assessment was used to develop the 2013-2014 audit plan. The COMPASS 2013-2014 audit plan was approved by the COMPASS Audit Committee at its December 17, 2012 meeting. This two year audit work plan was subsequently approved by the City Council on January 7, 2013. The plan provides a two year plan to guide the work of audit staff in 2013 and 2014.

The audit topics approved for 2013 include:

- A contract audit of the Rapid City Regional Airport's rental car and parking agreements;
- Cash handling/revenue audits of the Parks and Recreation Department's Aquatics and Tennis facilities, the Public Works Department's Walter Reclamation and Division and Utility Maintenance Function and the Civic Center Ticket Trust;
- Operational audits of the Finance Office and Information Technology Division; and
- A special area audit of City fees.

The audit topics approved for 2014 include:

- Cash handling/revenue audits of the Library Department's North Library and County/City Library East at the Western Dakota Technical Institute.
- Three special area audit of: Facilities Management, Fleet Management and Purchasing/Procurement.