

**City of Rapid City, South Dakota
Corrective Action Plan
December 31, 2009**

The City of Rapid City, South Dakota respectfully submits the following corrective action plan for the year ended December 31, 2009.

Name and address of independent public accounting firm:

Casey Peterson & Associates, Ltd.
505 Kansas City St
Rapid City SD 57702

The findings from the December 31, 2009 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. James F. Preston, Finance Officer, is responsible for corrective action of the findings disclosed within this document.

US DEPARTMENT OF TRANSPORTATION

2009-1 *Condition and Criteria:* Year-end journal entries, supporting schedules, and the financial statements are prepared by the Assistant Finance Officer. There is not a formal process whereby this information is analyzed or examined in detail by someone to identify misstatements. Such procedures should be incorporated into the year-end close process to identify and prevent misstatements. The Assistant Finance Officer is primarily responsible for these functions and limited involvement by other staff has resulted in a lack of segregation of duties, related to year-end journal entries, certain reconciliations, and the preparation of the financial statements.

Auditors' Recommendation: The City should implement a system of internal controls whereby the year-end work performed by finance office staff is reviewed and approved. The City should also consider hiring a third party accounting firm to help with the year end reporting process, to relieve the finance office staff of the significant time burden involved in reconciling and preparing the annual financial report.

Action Taken: A training program will be put into place to allow the Chief Accountant to prepare the year-end financial statements beginning with the year ending December 31, 2009. This will enable the Assistant Finance Manager to retain a supervisory role in the process. The City Finance Officer is responsible for this corrective action plan.

2009-2 *Condition and Criteria:* During our review of statutory compliance we noted the City over-expended the budgeted appropriations for departments within several funds. According to SDCL 9-21-9, expenditures are limited to the amount appropriated for such purposes in the annual appropriation ordinance.

Auditors' Recommendation: We recommend that the City continue to evaluate compliance with the budget regularly and make budget amendments considered necessary.

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Action Taken: The Finance Office will evaluate compliance with the budget prior to year-end to make any amendments considered necessary through the supplemental appropriation process. The City Finance Officer is responsible for this corrective action plan.

- 2009-3 *Condition and Criteria:* The City does not have adequate internal controls to ensure the identification and proper recording of revenues at year-end. Audit procedures identified several cash receipts that were not properly reported as revenues at year-end. In addition, we noted unrecorded receivables related to cost reimbursement grants and special assessments which also resulted in incorrect revenue recognition.

Auditors' Recommendation: Bank statements should be reviewed at the year-end to ensure all revenues are captured in the correct period. At the end of each year expenditures under cost reimbursement grants should be reconciled to revenues recorded on the general ledger to ensure all receivables are recorded. Cash receipts on grants and other payments received subsequent to year-end should be analyzed to determine the amount of deferred revenue that should be recorded. Correspondence with third parties, such as property tax statements from the county, should be reconciled with the corresponding amounts recorded for deferred revenue, accounts receivable and total revenue.

Action Taken: The Finance Office will request year-end reports from the other departments detailing the revenues received during the year and compare them to the general ledger. The Finance Office will complete a spreadsheet reconciling expenditures with grant revenues recorded on the general ledger to ensure all receivables are recorded as well as the deferred revenue in regards to reimbursement grants. In addition, the Finance Office will correspond with outside entities to ensure that revenues and expenditures are recorded in the correct period. The Finance Officer is responsible for the corrective action plan.

- 2009-4 See Finding 2009-1 for a description of this finding and the City's corrective action.

- 2009-5 *Condition and Criteria:* The federal Office of Management and Budget's *Circular A-133* sets forth standards for consistency and uniformity of reporting among federal agencies for the audit of non-federal entities expending federal awards. During our testing of the Schedule of Expenditures of Federal Awards (SEFA), we noted several material errors.

Auditors' Recommendation: The City should implement a system of internal controls whereby the Schedule of Expenditures of Federal Awards is prepared by the Grant Administrator and is analyzed and examined in detail. In addition, office personnel involved with grants need to receive training on compliance and funding requirements applicable to federal awards.

Action Taken: The Finance Office will have the Accounting and Grants Manager prepare the Schedule of Federal Awards and the report will be analyzed by the Chief Accountant and the Assistant Finance Officer. In the past, including 2009, the Assistant Finance Officer has prepared the final Schedule of Federal Awards and it had not been reviewed by other personnel. In addition, the Finance Office will continue to look for training on compliance and funding requirements applicable to federal awards. The Finance Officer is responsible for the corrective action plan.