



## **City-Wide Cash Handling Audit**

**Audit Report 12-01  
February 2013**

February 21, 2013

Members of the City Council:

Cash handling operations are an important government fiscal operation. The Rapid City City Council approved this audit of City-wide cash handling practices as part of the COMPASS 2012 Audit Plan.

Cash handling operations are spread throughout the organization. The amount of cash handled as well as the policies and procedures for handling cash vary greatly throughout the City. Cash handling could be strengthened in a number of ways.

Effective controls over cash handling require the development of written policies and procedures, consistently following those procedures and ensuring that City managers and staff understand the purpose of effective controls. In a decentralized operating environment like Rapid City, strong policies and procedures are especially important.

We have made ten recommendations to strengthen cash handling policies, procedures and practices. We provided the Mayor and the department directors with a draft of this report on January 15, 2013. In addition, we met with department directors and managers to discuss site-specific findings and our recommendations for improving controls at those specific sites. Management's response is included in this report. We greatly appreciate the cooperation and assistance of City managers and employees with this audit.

This audit was conducted by Kelan Kelly and Sarah Kuntz.

Kelan Kelly  
Chief Auditor

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# Introduction

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Cash handling is a very visible and important government fiscal function. Citizens expect government to provide high-quality services and, at the same time, be accountable for public funds. Cash handling audits determine whether cash resources are handled in a manner consistent with good business practices and whether assets are adequately safeguarded against misappropriation, misuse, loss and theft.

Cash handling audits assess the adequacy and effectiveness of internal controls throughout various cash handling sites in City departments. Cash handling audits consist of objective review and evaluation of the practices and procedures used by City employees related to the receiving, receipting, recording, depositing, transporting, reconciling and safeguarding of City resources.

For the purposes of this audit, the term “cash” refers to currency, coin, checks, money orders, debit and credit card payments.

Our review of City-wide cash handling operations focused primarily on the following four audit objectives:

1. Determine if internal controls over cash handling are appropriate;
2. Determine if cash is collected, receipted, recorded, deposited, transported, reconciled and secured in an adequate and accurate manner;
3. Ensure that petty cash and change fund balances are accurate, fund limits are appropriate, and proper controls over account use are in place; and
4. Determine if City employees are adequately trained in cash handling responsibilities.

## **Scope and Methodology**

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This audit focused on written policies and procedures as well as observed activities and practices related to cash handling across the City from October 2012 through January 2013. The audit work involved reviews of cash collections and records, and petty cash and change funds at 30 sites throughout Rapid City. We excluded the outdoor aquatic and tennis facilities, water reclamation office and the two library branches. These sites will be reviewed in subsequent audits.

In conducting this audit, staff employed a number of audit methods and techniques. Staff reviewed relevant literature on cash handling from the AICPA, COSO, GAO and GFOA to develop criteria for effective cash handling controls. We also reviewed audit reports from other jurisdictions. We obtained a list of cash handling sites from the Finance Office as well as from individual departments. We requested and reviewed written policies and procedures from all departments with cash handling responsibilities. Staff analyzed revenue reports from the City's accounting system. We interviewed management and staff. We observed cash handling activities at numerous sites throughout the City. Finally, we conducted unannounced cash counts for petty cash and change funds.

## **Compliance with Government Auditing Standards**

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We conducted this audit in accordance with generally accepted government audit standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our audit findings and conclusions based on the audit objectives. We believe that the evidence obtained provides a reasonable basis for the conclusions and findings based on the audit objectives.

# Background

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Cash handling activities in the City of Rapid City are spread throughout the organization. The City accepts payments for items and services such as building permits, parking, admission to aquatic, ice, golf and recreation programs, fines, utility payments, facilities use, and emergency medical services. Payments can be made in person, by mail or online. Cash handling operations range from sites that handle a high volume of cash to those that receive an occasional check. Some cash handling sites deposit cash directly with one of the City's banks while others deliver cash to the Finance Office for deposit.

The City received more than \$190,000,000 in cash in 2011 as noted in the table that follows. In addition, the City maintains approximately \$68,000 in petty cash and change funds.

Cash handling practices reflect both the need to maintain good customer service and the need to protect City assets. Effective practices protect assets from accidental loss and intentional misappropriation.

In general, sound cash handling principles require:

- An organizational structure and staffing resources sufficient to segregate incompatible responsibilities such as receiving revenue, recording transactions, depositing money, maintaining custody of assets and reconciling assets with transaction records;
- A physical environment conducive to safeguarding money;
- Employees qualified in cash handling practices; and
- Management oversight at an appropriate level for the specific cash handling environment.

Rapid City cash handling sites with 2011 revenues and petty cash and change fund balances

Site	2011 Revenues	Fund Type	Amount
Airport	10,559,121.70	Petty Cash	300
Civic Center – Business Office	10,252,075.80	Petty Cash	1,000
		Petty Cash	1,000
Box Office		Change Fund	20,000
Concessions		Change Fund	35,000
Community Planning & Development	113,000.00	None	
Risk Management	195,519.56	None	
GIS	5,532.67	None	
Finance - Cashier	191,612,280.02	Petty Cash	1,500
		Change Fund	1,000
Mail (Utility billing, invoicing)			
RSVP		Change Fund	25
Fire	2,032,438.00	Petty Cash	200
		Change Fund	500
Library – Downtown	93,081	Petty Cash	250
		Change Fund	550
Parks & Recreation Administration	170,285.00	Change Fund	100
Roosevelt Ice Arena	371,718.00	Change Fund	700
Rapid Swim Center	734,074.00	Change Fund	900
Mt. Calvary Cemetery	145,417.00	Change Fund	50
Meadowbrook Golf Course	1,125,908.00	Change Fund	750
Executive Golf Course	135,088	Change Fund	550
Police – Administrative	n/a	Petty Cash	250
Travel	n/a	Petty Cash	2,000
Investigation	n/a	Petty Cash	unknown
Evidence	89,648.71	Change Fund	100
Records		Change Fund	200
RASP		Change Fund	100
Fingerprinting		Change Fund	100
Parking Enforcement	109,473.00	None	
Public Works – Engineering	Unknown	None	
Transit	406,992.63	Change Fund	150
Water	Unknown	None	
Solid Waste	671,675.25	Change Fund	400
<b>TOTALS</b>			<b>\$ 67,675</b>

Revenues are 2011 fiscal year. Revenues were requested from the City Finance Office as well as each City Department. Due to limitations of Rapid City's financial accounting system, we were unable to reconcile the amounts reported by the Departments to the accounting system. In the table, the amounts are presented as reported by Departments. The Finance Office reported total City revenue. The petty cash and change funds in the table are reported at amounts that were counted at each site.

# Conclusions

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Currently, cash handling operations are spread throughout the City. We found a number of areas where cash handling practices could be improved by implementing best business practices. Controls over cash handling could be improved by strengthening existing policies and procedures; developing policies and procedures where they are lacking; improving management oversight of cash handling activities; and providing training for employees and managers responsible for cash.

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***Objective One: Determine if controls over cash handling are appropriate.***

During our review of cash handling policies and procedures collected from City departments we noted that most departments have developed policies and procedures. Most of the written policies we examined were department wide, few divisions or programs had their own. Most of the policies we reviewed were inadequate to provide effective control over cash handling activities. We noted a lack of consistency and documented revision dates in the policies and procedures developed by City departments.

The Finance Office is charged with custody of City funds in accordance with South Dakota law. However, the Finance Office has not established cash handling guidelines to provide a framework for policies and procedures for City departments.

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***Objective Two: Determine if cash is collected, receipted, recorded, deposited, transported, reconciled and physically secured in an adequate and accurate manner.***

Through audit testing, discussions with staff and observations, we determined the lack of segregation of duties in cash handling functions is the most common risk city-wide. There is a lack of management oversight of the cash handling function in several sites. Cash safeguards are available but not always used properly. At most sites no process is in place for reviewing missing, voided or canceled receipts.



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***Objective Three: Ensure that petty cash and change fund balances are accurate, fund limits are appropriate, and proper controls over account use are in place.***

The Finance Office maintains a list of outstanding change and petty cash funds, but the list is not complete. During our testing, we were unable to find supporting documentation authorizing all of the change and petty cash funds and the authorized fund amounts. We were unable to resolve discrepancies between fund use and authorized limits as provided by the Finance Office and fund information reported to us by departments. Audit work related to internal controls over change and petty cash funds also found that not all departments and programs have adequate procedures to reconcile and evaluate these funds. For example, it appears for three funds the authorized amount is excessive and one fund is insufficient.

Our counts showed few and insignificant differences between what was in the funds at the time of our count and the amounts departments reported should be in them. We commend City employees for maintaining accurate petty cash and change funds.

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***Objective Four: Determine if City employees are adequately trained in cash handling responsibilities.***

Our audit work indicated a lack of adequate training for employees whose positions require cash handling responsibilities. We did find that some employees had cash handling training prior to employment with the City and some employees received initial informal training from supervisors or co-workers. However, the City Finance Office does not provide formal training for City employees who handle cash. While all City employees age 18 and over are subject to a series of background checks prior to employment, those under age 18 are not. Two City departments may hire employees under age 18 into positions with cash handling responsibilities. It is important that all employees receive training in proper cash handling practices.

# Criteria

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Criteria represent standards against which performance is measured. Depending on the audit topic, criteria may include laws, regulations, contracts, grant agreements, expected performance measures, benchmarks and defined business practices. Criteria identify the required or desired state or expectation with respect to program or operation. Rapid City does not have a formal, written citywide cash handling policy for the receipt of cash or for change and petty cash funds. Therefore, our criteria consisted of guidelines issued by the Committee on Sponsoring Organizations of the Treadway Commission (COSO), recommendations from the American Institute of Certified Public Accountants (AICPA), guidance issued by the United States General Accountability Office (GAO) and industry best practices for governmental cash handling activities. We were also guided in our work by South Dakota law which charges the Finance Office with the responsibility to collect all City funds (SDCL 9-22-1) and to control City finances and property (SDCL 9-12-2).

Based on this guidance, best practices for receipt of cash and change funds include:

- Written policies and procedures;
- Payments are controlled by an electronic receipting system or pre-numbered receipts;
- Voids are adequately documented;
- Checks are restrictively endorsed upon receipt;
- Segregation of duties for receipts, deposits and reconciliations;
- The fund is accurately reconciled to the financial system;
- Cash is properly safeguarded;
- The fund is balanced to the authorized amount; and
- The amount of the fund is appropriate for operational needs.

Best practices for petty cash funds include:

- Cash is properly safeguarded;
- Disbursements are for authorized purposes;
- Purchases are supported by signed receipts or equivalents;
- Custodian maintains a cash ledger reflecting activity;
- Fund is reconciled by independent staff;
- Fund balance is maintained at authorized amounts; and
- The fund amount is appropriate for operational needs.

# Findings and Recommendations

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Controls over cash handling, change and petty cash funds should be improved citywide. While we found no instances of loss, misuse or misappropriation of City assets, when collections exceed \$190 million and controls are lacking, the risk increases for errors or misappropriations to escalate to significant amounts and loss of funds to Rapid City. We have made a number of recommendations to ensure City resources are properly safeguarded and best practices for cash handling are followed by City employees. We discussed site-specific findings and recommendations with department directors and management and provided them examples as guidance to correct applicable deficiencies.

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## ***Policies and Procedures***

Six of the thirty cash handling sites we evaluated have not established written policies and procedures for cash handling functions. The policies and procedures established by City departments and used at the other sites we reviewed are inadequate to address risks to City assets associated with cash handling. At eighteen sites written policies and procedures for petty cash and change funds have not been established.

The Finance Office has not established appropriate cash handling guidelines to provide City departments, divisions, and programs with a framework for developing effective cash handling policies and procedures.

Lack of effective, written policies and procedures for cash handling activities results in the potential for loss, misuse and misappropriation of City assets and for accounting and recording errors to go undetected.

**Recommendation 1:** We recommend the City Finance Office develop cash handling guidelines to assist City departments in developing effective written cash handling policies and procedures.

**Recommendation 2:** We recommend that City departments use these guidelines in drafting policies and procedures and make modifications as necessary to address site-specific situations. All policies and procedures should address the following:

- Collection
- Receipts

- Deposits
- Recording Transactions
- Cash Reconciliation
- Deposit Reconciliation
- Safeguards

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### ***Fund Documentation***

South Dakota law assigns responsibility for assets (cash and property) to the Finance Office. We identified several issues regarding inadequate documentation and maintenance of petty cash and change funds during our audit work. First, the Finance Office does not have a complete and accurate list (record) of outstanding petty cash and change funds used by departments. Records for the authorization of three funds were not contained in the Finance Office files. We identified eleven funds for which the Finance Office records did not match the amounts used by departments or lacked a proper description of the fund. For those funds authorized by City Council Resolution we found the resolution did not always:

- Have an assigned resolution number prior to 2008;
- Identify which division or program within a department the fund was established for; and
- Properly identify if the fund was new or an existing fund in which the amount was increased or decreased.

A lack of proper financial records documenting the creation of petty cash and change funds and subsequent increases or decreases in amounts and/or changes to fund use impairs the Finance Office's ability to carry out its statutory responsibilities to control municipal finances by conducting complete and accurate audits of the assets in petty cash and change funds.

**Recommendation 3:** We recommend the City Finance Office create and maintain a complete and accurate list of all petty cash and change funds that are properly supported by City Council Resolutions. We also recommend that all future resolutions are written to ensure:

- The custodial division or program is identified;
- The authorization specifies a new fund or an increase or decrease to an existing fund;
- Proper identification as a petty cash or change fund; and
- The fund function is explained.

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## ***Receipts***

City employees use a number of different methods to receipt cash transactions. Cash handling sites use either booklets of pre-numbered receipts issued by the Finance Office, or electronic accounting systems that generate numbered receipts. Nine City sites do not have a process to review for missing, voided or canceled receipts.

A review process for missing, voided or canceled receipts is an important safeguard to reduce the possibility of fraud and/or loss or misuse of City assets.

**Recommendation 4:** We recommend the City Finance Office develop a process for City department employees to use to review missing, voided, or canceled receipts when pre-numbered or system generated receipts are used.

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## ***Segregation of Duties***

We identified improper segregation of duties at eleven sites. These problems included improper division of duties over the following cash handling activities:

- Collection and reconciling of cash;
- Collection and depositing of cash;
- Reconciliation of deposits;
- Opening mail and creating a remittance list; and
- Reconciling the deposits to the remittance list.

At five cash handling sites we noted a significant lack of staff resources to properly segregate duties, with no mitigating controls in place to address problems at these sites.

Improper segregation of duties over cash handling activities creates the potential for loss and misuse of City assets as well as significantly increased risks for fraud and/or errors to go undetected.

**Recommendation 5:** We recommend department managers properly segregate cash handling duties where resources are available. We also recommend they implement mitigating controls where resources are limited. Duties to segregate include, but are not limited to:

- Collection and reconciliation of cash;
- Collection and depositing of cash;
- Reconciliation of deposits to financial system records;
- Opening mail and creating a remittance list; and
- Reconciling the deposits to the remittance list.

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## **Safeguards**

In our review of City cash handling sites we observed a number of instances of inadequate safeguards over cash assets. For example: four sites had working safes, but did not have them locked during business hours; only one site had a combination lock box for cash; several sites had cash boxes in poor condition; no cash boxes were used at a number of sites; and checks were not immediately restrictively endorsed at six sites.

At several sites we reviewed, cash received from the public passes to more individuals than is necessary for adequate control before a deposit is made. We identified five sites where the amount and/or volume of cash payments received from the public are insignificant. Proper physical resources for securing cash assets are not available at these sites. Four of these sites are in the CSAC building. Program staff at these sites do not have the proper training to collect cash and the cash handling function detracts from their primary customer service responsibilities. In addition, we noted that while the Finance Office collects and processes the majority of utility payments for the City, a small number of utility payments are received at the Water Department office on Mountain View Road. Division staff then transport these payments to the Finance Office.

Where physical security measures are inadequate, cash is at a high risk of loss, theft or misuse. Accepting cash payments without adequate training, storing cash without adequate safeguards, and transporting cash unnecessarily increases the potential for loss and misuse of City assets.

**Recommendation 6:** We recommend that management properly safeguard cash with safes and lockboxes.

**Recommendation 7:** We recommend that all staff receiving checks restrictively endorse them immediately where practical.

**Recommendations 8:** We recommend that all payments for products and services to the following City divisions in the CSAC building be made at the City Finance Office: Community Planning and Development (planning fees), Community Resources (GIS and Risk Management) and Public Works Engineering Division. We also recommend that all utility payments be made by mail or at the City Finance Office.

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## ***Management Oversight***

Under the guidelines for effective cash handling controls issued by COSO, internal control systems need to be monitored. Monitoring by management ensures that internal controls continue to operate effectively. This process involves assessment by appropriate personnel of the design and operation of controls on a timely basis, and taking necessary actions to correct weaknesses. Circumstances may change causing internal controls to be less capable of identifying risks. It is management's responsibility to review and determine whether existing internal controls continue to be effective.

Throughout the City, management oversight of cash handling activity is significantly lacking. At eleven sites there is no management review of cash reconciliations, and at six sites management does not review petty cash and/or change funds for accuracy. We also found no review for reasonableness and sufficiency for petty cash and change funds at several sites. It appears three sites had balances in excess of what was reasonably necessary and one site had an insufficient balance to adequately carry out their duties and services.

A lack of adequate management oversight of cash handling activity can result in the potential for errors or fraud to go undetected. Additionally, employees can be unnecessarily responsible for more money than they need, or conversely spend unnecessary time obtaining change.

**Recommendation 9:** We recommend department management develop and implement monitoring procedures over cash handling to ensure that records are complete and accurate; and that petty cash and change funds are accurate, reasonable, and sufficient.

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## ***Training***

The GAO has issued criteria for employee training with regard to internal control standards. Accordingly, all personnel need to possess and maintain a level of competence that allows them to accomplish their assigned duties, as well as understand the importance of developing and implementing good internal controls. Management is responsible for identifying the appropriate level of knowledge and skills needed for various jobs and providing the necessary training.

During our review of cash handling activities, we noted a consistent lack of training for City employees with cash handling responsibilities. A lack of training prevents employees from using sound business practices when handling cash and increases the risk of loss or misuse of City assets.

**Recommendation 10:** We recommend the City Finance Office develop and provide training on proper internal controls for all City employees with cash handling responsibilities.



# Management's Response

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## Airport Response to Cash Audit

*Finding: No written policies and procedures*

**Response:** Airport will wait for direction from the Finance Department as recommended by the Audit.

*Finding: No review for missing, void, or canceled receipts.*

**Response:** Airport will review for missing, void, or canceled receipts on a quarterly basis.

*Finding: No documentation to show quarterly counts of the petty cash fund.*

**Response:** Airport has documentation to show period counts and balancing of petty cash fund.

The petty cash fund has minimal transactions; however, the Airport will begin quarterly counts even if there is no activity.



February 8, 2013

Kelan Kelly  
Chief Auditor  
COMPASS Independent Audit  
2915 Canyon Lake Drive  
Rapid City, SD 57702

Dear Kelan:

This letter is pursuant to the recent Cash Handling Audit as conducted at the Rushmore Plaza Civic Center in December of 2012.

Per our meeting on January 31, 2013, the cash handling audit concluded two findings in relation to cash handling procedures at the Rushmore Plaza Civic Center. Summary of findings are:

- 1) Policies do not specifically address collection of cash.
- 2) No documentation to show periodic counts of petty cash and change funds.

Our plan to implement changes/corrections to said findings include:

- 1) We are in the process of revisiting our existing policies to ensure that proper cash collection procedures are in place. Once rewritten with proper verbiage, the policies will be brought before our Board of Directors for discussion and approval.
- 2) We have begun a bi-weekly count of all change funds by our Accounting and Ticket Operations Managers, and have created a log of said counts.

The Rushmore Plaza Civic Center takes the findings of the COMPASS cash handling audit seriously and will ensure the above items are implemented in a timely manner.

Sincerely,

RUSHMORE PLAZA CIVIC CENTER

A handwritten signature in black ink that reads "Tracy Heitsch". The signature is written in a cursive style with a large initial 'T'.

Tracy Heitsch  
Assistant General Manager - Finance



# CITY OF RAPID CITY

RAPID CITY, SOUTH DAKOTA 57701-5035

## Community Planning & Development Services

300 Sixth Street

Brett Limbaugh, Director  
Community Planning & Development Services  
city web: [www.rcgov.org](http://www.rcgov.org)

Phone: 605-394-4120  
Fax: 605-394-6636  
e-mail: [brett.limbaugh@rcgov.org](mailto:brett.limbaugh@rcgov.org)

### MEMORANDUM

TO: Kelan Kelly, Chief Auditor

FROM: Brett Limbaugh, Director <sup>BAL</sup>

DATE: February 13, 2013

RE: CPDS Cash Handling Response

In response to your findings in the Cash Handling Audit (summary attached) and our meeting on February 1, 2013 the Department of Community Planning & Development Services agrees to work with the Finance Department regarding the receipt of all planning fees. To that end we propose the following new procedure:

- Applicants will be given an invoice with the amount of the application fees, posting sign deposit, and/or any other planning fee.
- The applicant will be required to pay those fees at the Finance Department counter.
- The applicant will then provide a receipt as proof that the amount invoiced has been received by the Finance Department prior to the final acceptance of any application to be processed by the Planning Staff. A receipt will also be required prior to the production or delivery of any paper copies or documents to the customer.

Community Planning & Development Services Staff will work with the Finance Department Staff on the invoice form to be used and any additional record keeping in the next several weeks. Please let me know if this procedure will meet with your approval and if there are any additional recommendations you may have.



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# CITY OF RAPID CITY

RAPID CITY, SOUTH DAKOTA 57701-2724

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## Human Resources

300 Sixth Street

605-394-4136

February 1, 2013

Kelan Kelly  
Compass Program  
2915 Canyon Lake Drive  
Rapid City, SD 57702

RE: Cash Handling Audit

Mr. Kelly,

The Community Resources Department does not dispute any of the findings of the Compass Program's audit of the cash handling within our department that were presented to us on January 21, 2013. The six divisions within the department will require that all payments are received and receipted at the Finance Office of the City of Rapid City. This will include payments received by Risk Management and GIS that were specifically discussed in your findings; as well as, any other miscellaneous payments received by the Community Resources Department in the future.

The Community Resources Department will work with the Finance Office to implement these changes and will follow any other cash handling policies and procedures drafted by Finance as a result of the cash handling audit.

Sincerely,

Jeff Barbier  
Community Resources Director

Cc: Keith L'Esperance  
Don Jarvinen

## City-wide Cash Handling Audit

### Management's Response – Finance Office

February 10, 2013

**Finding:** Policies & Procedures are inadequate.

**Response:** The Finance Office will begin to develop cash handling guidelines to assist City departments in developing effective written cash handling policies and procedures that address collection, receipts, deposits, recording transactions, cash reconciliation, deposit reconciliation and safeguards. This project will likely take 6-10 months for completion.

**Finding:** Incomplete list of outstanding petty cash and change funds. Missing documentation authorizing outstanding petty cash and change funds and documentation lacks information to ensure positive identification.

**Response:** The Finance Office will prepare a resolution to re-establish all of the necessary petty cash and change funds. This resolution will include the following for each fund: custodial division or program identification; whether the fund is new, increasing or decreasing; proper identification as petty cash or change fund; and fund function. This project should take one month for completion and implementation.

**Finding:** No review for missing, void or canceled receipts.

**Response:** We will include this in the written policies and procedures noted in the first finding. This project will likely take 6-10 months for completion.

**Finding:** Inadequate segregation of duties – Cashier's office

**Response:** While I agree that there is an overlap of duties within the Cashier's office when it comes to cash handling, we feel the risk is small and we are willing to accept that risk as we have processes and procedures in place to assist in the mitigation. In addition, without funding for additional FTE's or additional office space to house those FTE's, we will be unable to rectify this finding in its entirety. As a side note, we have never been told by any independent auditing firm that there is a lack of segregation of duties regarding the daily operations of the Finance Office as far as I know. We have received comments regarding Ambulance Services (which have since been rectified) and the fact that I was doing the annual report all by myself with very limited oversight as well as making adjusting journal entries.

**Finding:** Lack of management oversight of reconciliations of petty cash and change funds.

**Response:** The Finance Office completes periodic reviews of all petty cash and change funds to determine that all funds are accounted for and are balanced. That being said, we will address the need to departmental monitoring and reconciliation in the written policies and procedures as noted in the first finding. This project will likely take 6-10 months for completion.

**Finding:** Lack of adequate training.

**Response:** The Finance Office will develop and provide training on proper internal controls for all City employees with cash handling responsibilities as part of the written policies and procedures noted in the first finding. This project will likely take 6-10 months for completion.



# RAPID CITY FIRE DEPARTMENT

*Prepare, Prevent, Protect*



To: Compass Committee and Staff  
From: Mike Maltaverne, Fire Chief  
Subject: Cash Handling Audit for Fire Department  
Date: February 5, 2013

In response to the review of cash handling practices within our EMS Billing Division, I respectfully submit this response. As we met with Compass Staff and members of our EMS Division, we are in agreement with the findings and recommendations that were noted in reference to our cash handling.

Our staff will be working over the next several weeks to comply with the recommendations made. At that time we will submit our corrective actions to Compass Staff in an attempt to be in compliance with cash handling best practices.

Thank you,

**Mike Maltaverne**

Fire Chief

Rapid City Fire Department

10 Main Street

Rapid City, SD 57701

605-394-4180 office

605-415-5600 cell

[mike.maltaverne@rcgov.org](mailto:mike.maltaverne@rcgov.org)



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NORTH • 10 Van Buren St. Rapid City, SD 57701 • (605) 716-4098  
EAST • 800 Mickelson Dr. Rapid City, SD 57703 • (605) 718-2904

Date: February 19, 2013  
To: Kelan Kelly, Chief Auditor, COMPASS Independent Audit  
From: Greta Chapman, Library Director  
Re: Cash Handling Audit Response

This is in response to the findings of the Cash Handling Audit for the Rapid City Public Libraries:

- 1) **Finding:** Policies and Procedures are inadequate
  - a. **Recommendation:** We recommend that City departments use guidelines provided by the Finance Office in drafting policies and procedures and make modifications as necessary to address site-specific situations. All policies and procedures that address the following:
    - Collection
    - Receipts
    - Deposits
    - Recording Transactions
    - Cash Reconciliation
    - Deposit Reconciliation
    - Safeguards
  - b. **Response:** Corrective action taken. The Libraries will conduct policy and procedure review in response to the COMPASS recommendation. The Libraries will use guidelines provided by the Finance Office when updating or drafting policies and procedures regarding the preceding list.
  
- 2) **Finding:** Checks are not immediately endorsed.
  - a. **Recommendation:** We recommend that all staff receiving checks restrictively endorse them immediately where practical.
  - b. **Response:** Corrective action taken. Checks are endorsed immediately at all three branch locations.



**From:** Biegler Jeff  
**Sent:** Thursday, February 21, 2013 7:53 AM  
**To:** Kelly Kelan  
**Subject:** COMPASS Responses

The COMPASS report illustrated areas of our operation which could benefit from recommended improvements, including segregation of cash handling duties, safeguarding of cash and checks, and management oversight of cash handling procedures. In addition, the report identified the need for a system of policies and procedures covering all matters relative to cash handling throughout our facilities.

Parks and Recreation is committed to making improvements where possible to correct these deficiencies. Where segregation of cash handling duties is not possible due to staffing limitations, management staff will increase oversight of facility staff performing cash handling responsibilities, including collection and reconciliation of cash, transactions, petty cash, and change funds. All checks will be immediately restrictively endorsed kept in locked safe at each location until deposit. Finally, management will develop written policies and procedures where needed to address the cash handling functions of the department and provide appropriate staff training to those with cash handling responsibilities.



# RAPID CITY POLICE DEPARTMENT

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Steve Allender, Chief of Police

February 13, 2013

Mr. Kelan Kelly, MPA  
Chief Auditor, COMPASS  
2915 Canyon Lake Dr  
Rapid City, SD 57702

Dear Mr. Kelly,

In response to our meeting on Monday, February 4, 2013, we appreciate your review and recommendations in regards to our cash handling practices at the Rapid City Police Department. I agree that we can enhance our cash handling practices and strive for more uniformity of that process.

We have purchased LedsSuite by Zuercher Technologies, a new records management system and are in process of "building" the different modules of this program. The financial module of this program includes: Funds; General Ledger Accounts; Invoice Items; Invoice Item Adjustment Schedules; Primary Accounts; and Purchase Requisitions. We have already reviewed and are in the process of streamlining the way we handle the financial portion of our business. Currently we will be unable to track our Administrative and Travel cash fund accounts in this program since they are not a revenue based fund and in-house only. Accounts have been established for Records, Evidence, Fingerprinting and RASP for accounting purposes.

The system is proposed to "go live" July 1<sup>st</sup> of this year. I am sure there will be some adjustments and revisions to our rules and procedures that we are currently developing as the system becomes operational.

We do have policies and procedures in place which we agree need to be enhanced. Taking into consideration your recommendations and the samples that were provided we will begin the process of developing guidelines for our financial processes. We will develop a policy to ensure that there are no missing receipts and that all receipts are accounted for whether voided or canceled; make a determination if the approved fund amount is appropriate for that section's purposes; determine if it is possible to limit cash handling duties to fewer employees in the different sections and to make deposits weekly and more often if needed.

Thank you for your assistance and guidance as we move through this process.

Karl Jegeris  
Assistant Chief of Police

vj



# CITY OF RAPID CITY

RAPID CITY, SOUTH DAKOTA 57701

## Public Works Department

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## MEMORANDUM

TO: Kelan Kelly, Chief Auditor, COMPASS Independent Audit

FROM: Terry Wolterstorff, Public Works Director *TLW*

DATE: February 12, 2013

SUBJECT: Cash Handling Audit

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The Public Works divisions have reviewed the cash handling audit findings and recommendations provided by COMPASS. We agree with the recommendations with a few exceptions explained below. It should also be noted that some recommendations require action from the Finance Office. If these recommendations are also accepted by the Finance Office, the Public Works department will work with them to implement those changes.

### Engineering

The Engineering Division agrees with all recommendations with no changes.

### Water

The Water Division agrees with all recommendations with no changes.

### Transit

The Transit division agrees with all recommendations with no changes.

### Solid Waste

The Solid Waste division agrees with all recommendations. They have already begun implementing changes, including developing standard operating procedures (SOP's), which includes the who, what, when, and where of the cash, check, and charge account handling and review of reconciliations. Additionally, they are limiting personnel with access to the scale house and the cash. This will include changing locks, limiting scale house alarm code access, and changing the combination on the safe that stores overnight receipts.



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## **Auditor's Concluding Comments**

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The response from the City Finance Office for Recommendation 5 noted that independent audit firms had not identified a lack of segregation of duties in daily operations in previous audits. During the planning for this audit and in an effort to not duplicate work already performed, we contacted the firm that conducted the 2011 financial audit, to discuss testing of internal controls during their annual financial audit. Through our discussion, we mutually agreed that the scopes of the annual financial audit and this audit were different. Therefore it is reasonable that previous audits did not identify the lack of segregation of duties that was identified through our audit work.