

The Honorable City Council  
Attn: Audit Committee  
City of Sioux Falls, SD

## **Internal Audit's Midyear Report as of June 30, 2007**

### **RECOMMENDATION**

The Lead Internal Auditor recommends the Audit Committee review and recommend to the City Council acceptance of the Internal Audit/Audit Committee Midyear Report as of June 30, 2007.

### **SUMMARY OF RESULTS**

In accordance with Municipal Code, the Lead Internal Auditor prepares an annual work program for the Audit Committee. After review and approval by the Audit Committee, the City Council approves by resolution the annual work program. This report provides the City Council with a formal update on the activities of the internal audit function as of June 30, 2007.

We have two audits in process:

- Construction contracts administration
- Cash handling, citywide

We have two audits on our annual program not yet started:

- Washington Pavilion Management contract
- Purchasing/procurement

Additionally, we have completed other work not classified as an audit:

- Assets verifications
- Fraud risk assessment
- Anti-fraud procedures
- Vendor payments

More information on these audits and projects is included in the attached report. I would like to express my appreciation to City staff for their cooperation and assistance during our audit work.

Respectfully submitted,

Rich Oksol, CPA, CGAP  
Lead Internal Auditor

Attachment: Midyear Report 06/30/2007

**CITY OF SIOUX FALLS**  
**INTERNAL AUDIT AND AUDIT COMMITTEE**  
**MIDYEAR REPORT**  
**06/30/2007**

**From the Internal Audit Charter adopted by the City Council, resolution 104-06**

*Internal Audit's Mission*

To help the City achieve the highest efficiency and effectiveness with integrity

*Internal Audit's Vision*

To be a highly respected service division and a catalyst for positive change

**WORK COMPLETED**

**Fraud Risk Assessment**

Using appropriate fraud risk checklists from the American Institute of Certified Public Accountants and other appropriate checklists, we completed a citywide fraud risk assessment. We interviewed various City managers and directors about various internal controls, procedures, and policies specifically related to fraud prevention and detection. Our report will show what the City is already doing to prevent and detect fraud and opportunities to do more. This report should be released to the City Council in July or August after review and approval by the Audit Committee.

**Anti-fraud procedures**

We completed over 10 procedures using Computer Assisted Auditing Techniques (CAAT) and other specific audit techniques to look for unusual transactions which might be indicators for fraud. We looked at payroll, accounts payable, and purchasing. This report should also be released in July or August after review and approval by the Audit Committee.

**Asset Verifications**

Asset verifications determine if assets acquired with City funds are properly accounted for. The assets we focus on are cash, supplies and materials inventories, and fixed assets.

**Cash counts**

We performed over 15 unannounced cash counts of petty cash and change funds.

**Supplies and materials inventories**

Completed two: Water Plant and Water Reclamation

One more planned for later in the year

**Fixed assets** (items over \$7,500)/**noncapital inventory** (\$500 to \$7,499)

Completed three: Museum, Public Parking Facilities, Media Services and Planning  
Three more planned for later in the year

**Results of asset verifications were positive; City assets were properly accounted for.**  
Results are generally communicated to management via interoffice memo.

#### **Vendor Contracts**

We reviewed 12 months of vendor payments for supplies and materials contracts.  
Vendors were invoicing the City in accordance with vendor's bid documents.

### **AUDITS IN PROGRESS**

#### **Construction Contracts Administration**

Purpose: evaluate internal controls over the administration of construction contracts  
Target completion date: September

#### **Cash Handling, Citywide**

Purpose: evaluate internal controls over cash handling, citywide  
Target completion date: August

### **AUDITS NOT STARTED YET**

#### **Washington Pavilion Management Contract**

Purpose: evaluate contract compliance of Washington Pavilion Management, Inc.  
Probable start: August

#### **Purchasing/Procurement**

Purpose: evaluate internal controls over citywide purchasing and procurement process  
Probable start: September

### **OTHER ACTIVITIES**

#### **Procedure for Requesting Special Work**

We developed procedures for requesting special work from Internal Audit such as consultations and "quick response" audits. This was approved by the Audit Committee and disseminated to elected officials and City Directors.

#### **Continuing Education/Professional Development**

We completed our professional requirements for continuing education and professional development.

#### **Website Development**

Met with City webmaster to begin developing content for an Internal Audit section under the City Council portion of the City of Sioux Falls web site [SiouxFalls.org](http://SiouxFalls.org)