

Internal Audit Status Report
Follow-up on Audit Recommendations
March 2016



City of Sioux Falls
Internal Audit Department
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FOLLOW-UP ON AUDIT RECOMMENDATIONS INTERNAL AUDIT STATUS REPORT

INTRODUCTION

Our Internal Audit Charter requires that we follow-up on the status of past audit recommendations. Additionally, this follow-up is required by professional internal auditing standards.

OBJECTIVE

Our purpose in performing a follow-up review of audit recommendations is to determine the status of corrective actions agreed to by management.

SCOPE AND METHODOLOGY

The scope of this report focused on audit recommendations from 2014 internal audit reports. We also reviewed recommendations from earlier reports that were considered in progress or not implemented in last year's report. When internal audit reports contain recommendations, department directors or their representative provide a response to these recommendations and this is included in the final report. They will typically include information about corrective actions taken in regard to recommendations with which they concur. Important points are as follows:

- Some issues are not easily corrected nor are they always controllable by the departments. Corrective actions may take considerable time and effort to fully implement.
- Many recommendations involve opportunities for improvement in customer service, transparency, or other areas that do not necessarily involve a problem with internal controls.
- In a few cases, department management will assume the risk in not implementing an internal control recommendation rather than try to mitigate it. If, in the judgment of management, the benefits of the corrective actions do not outweigh the costs, this may be a reasonable approach. If Internal Audit believed this approach subjected the City to serious risk, we would bring it to the attention of the Audit Committee for resolution.

RESULTS

2014 AUDIT REPORTS

MidAmerican Energy/Constellation NewEnergy

No audit recommendations.

Convention Visitors Bureau Business Improvement District

- Finance department should establish written policy and procedures defining duties and responsibilities of Finance staff and CVB in administering the BID.
Status: Implemented.
- Finance department should establish procedures to verify the accuracy of the BID tax remittals.
Status: Implemented.
- The CVB should develop a travel and entertainment policy which outlines the allowable travel and local entertainment expenses and level of documentation required for reimbursement.
Status: Implemented.
- The CVB and City should establish an agreement which requires the CVB to report certain performance based measures annually to the Sioux Falls City Council. Measures should be quantitative in nature and specific to CVBs productivity.
Status: In progress; the Mayor-appointed CVB Funding Review Committee made a similar recommendation in 2016. Council staff has been tasked to work with the CVB and City management to develop a “dashboard” of objective Return on Investment measures of the marketing and promotion activity of the CVB. These measures would then be reported monthly.

Family Daycare Registration Program

- Management should implement a policy to perform random unannounced inspections on all daycare providers.
Status: Not implemented. Management concurred with the recommendation. However, this would require authorization from the City Council to hire additional Full Time Equivalents (FTEs) to allow more inspections. There have been higher priorities for additional FTEs.
- Management should implement a policy for a periodic secondary file review on all active public and private paper provider files as a check on the completeness of the files.
Status: Implemented.

Rental Rehabilitation Program

- Management should document in writing the policies/procedures to administer the rental rehabilitation program.
Status: Implemented.
- Management should implement a policy of review of each file prior to loans being issued to ensure completeness.
Status: Implemented.

Payroll

No audit recommendations.

Cell Phones, Mobile Devices, Long Distance

- Management should develop and implement a business need form for cell phones.
Status: Implemented.

- Old forms of the Exiting Checklist should not be accepted by Human Resources. Checklist should clearly indicate the status of any City-issued cell phone (if employee was issued one).
Status: Implemented.

Rental Registration Program

- Management should update the Rental Registration ordinance, Registration application, and all other applicable forms to match the current process.
Status: Implemented.
- Management should establish a procedure that is used consistently for every neighborhood that inspectors are verifying to ensure the highest possibility of finding unregistered rentals and to assist in future verifications in those neighborhoods.
Status: Implemented.

Dakota Golf Management

- Management should document in writing the policies and procedures put in place to monitor the funds in the Management account and copies of all bank statements should be delivered to the Finance office.
Status: Implemented.

2013 AUDIT REPORTS

Investment Policy

- Finance Director should complete written procedures for investment activities as required by policy.
Status: Implemented.

2012 AUDIT REPORTS

Fraud Risk Assessment

- Ethics training: last city-wide ethics training for employees was completed in December 2007. Such training should occur every 3-5 years and include a review of the City's ethics ordinance, City Charter provisions, the Board of Ethics, and practical application.
Status: In progress. City Attorney will be overseeing the creation of a video for use during new City employee orientation explaining the City's ethics requirements. City Attorney's office will also be preparing ethics training materials for presentation to current employees. New elected officials are always briefed by the City Attorney on the City's ethic requirements.
- Update list of where all revenue enters the City: type of revenue and exactly where it comes in, what form it is in (currency, checks, credit cards), and how often.
Status: In progress. This is an audit objective of the Citywide Cash audit in 2016.

CONCLUSION

Overall, management has made progress in addressing issues raised by Internal Audit.

AUTHORIZATION

The Sioux Falls City Council approved this work by resolution in January 2016 as part of the 2016 Annual Audit Program. The Internal Audit division operates under the authority of an Internal Audit Charter adopted by City Council resolution 11-13.

AUDIT STANDARDS

The City of Sioux Falls Internal Audit Office follows the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors.

STATEMENT OF INDEPENDENCE

Internal Audit is administratively and operationally independent of the programs and departments it audits, both in appearance and in fact. The Internal Audit Manager is accountable to an Audit Committee appointed by the City Council per section 32.022 of the Code of Ordinances of Sioux Falls, SD.

DISTRIBUTION OF REPORT

This report is intended for the information and use of the Mayor and City Council, management, and others within the City of Sioux Falls. However, the report is a matter of public record and its distribution is not limited.

PERFORMED BY

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