

**Internal Audit Status Report**  
**Follow-up on Audit Recommendations**  
**December 2016**



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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 2015 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 involve necessarily 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.
- Internal Audit continues to follow up on the status of recommendations reported as "in progress".

## **RESULTS**

### **2015 AUDIT REPORTS**

#### **Public Facility Ticket Fee**

- City should revise current Ordinance or amend the current agreements to allow operators more flexibility in dealing with promoters and revise the wording requiring operators to remit fee within 60 days.  
**Status:** Implemented. City Council adopted Ordinance 66-15 on 07/14/2015.
- City should establish procedures to verify the accuracy of Public Facility Ticket Fee remitted by operators.  
**Status:** In progress.
- Fees collected should be as transparent as possible. Fees should be broken out on each ticket and not lumped in with other charges.  
**Status:** Implemented.
- All tickets issued for trade or as complimentary should be documented as such (applicable to Sioux Falls Canaries).  
**Status:** Undetermined. Internal Audit will follow up with Canaries business office in spring 2017 when season starts and determine how complimentary tickets are being documented.

#### **Police Crime Lab**

- Security controls (cameras) within each storage area should be increased.  
**Status:** In progress.
- Management should research and implement alternative handling and storage options in regard to currency.  
**Status:** In progress. Finance and Police in coordination with the City's custodian bank will be establishing a separate bank account for these monies.

#### **Great Plains Zoo & Museum**

No audit recommendations.

#### **Transit**

- Paratransit fare should be raised from \$2.00 to \$2.50 and all fares should be reviewed and adjusted on a regular basis.  
**Status:** Implemented. The fare ordinance was amended by City Council action on 02/16/2016.
- Management should purchase and implement different scheduling software for Paratransit and install GPS equipment in Paratransit vehicles.  
**Status:** Implemented.
- Management should develop an updated Transit Development Plan.  
**Status:** Implemented.

#### **Storm Drainage**

- Management should develop specific ways to evaluate the effectiveness of Best

Management Practices related to regional water quality for individual program elements and the overall program.

**Status:** Not implemented. This audit was completed and the recommendation made in June 2016. Management generally concurred with recommendation; however, this may take significant time and resources to fully implement.

- Management should develop written policies and procedures for major activities of the Division.

**Status:** In progress.

### **Citywide Accounts Receivable**

- Finance management should develop written procedures regarding the reconciliation of the subsidiary accounts receivable ledgers to the amount reported on the City's general ledger.

**Status:** Implemented.

### **Landfill Cash Controls**

- Management should ensure proper segregation of duties exists for checks received in the mail at the scale house.

**Status:** Implemented.

- The City should research and implement a way to store video surveillance for longer than two weeks.

**Status:** Implemented. (Storage has been increased to 45 days.)

## **2014 AUDIT REPORTS**

### **Convention Visitors Bureau (CVB) Business Improvement District (BID)**

- 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 January 2016. Council staff has been tasked to work with the CVB and City management to develop a "dashboard" of various indicators that objectively quantify results from the CVB's marketing and promotional efforts. These indicators will 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.

### **Construction Contracts**

- The *Engineering Division Project Managers' Manual* should be reviewed, updated, and completed by the City Engineer.

**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. City Managers and Directors were briefed by the City Attorney on ethics and the requirements of the open records law at the Management Forum in October 2016.
- 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:** Implemented. This was an audit objective of the Citywide Cash audit completed in December 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.