



Staff Report

TO: City Council
FROM: Jeff Mohlenkamp, Finance Director
DATE May 4, 2021
SUBJECT: Single Audit Report for FY2020

Background and Analysis:

All public entities that expend more than \$750,000 in Federal funds are required to conduct a single audit. The single audit reviews the expenditure of the Federal funds and evaluates the internal controls of the public entity that are designed to ensure expenditures are handled appropriately and in compliance with both City policies and with internal control standards.

The audit, performed by the firm of Rogers, Anderson, Malady & Scott, LLP, does not express an opinion on the effectiveness of the City's internal control. The report does provide the results of internal control testing and the findings from that process. These findings were highlighted and presented to City Council on February 2, 2021. The internal control findings were presented during that meeting and are also included in the attached single audit report. There are no additional findings that were not addressed during the February 2, 2021, audit presentation.

Definition of Deficiency, Significant Deficiency or Material Weakness

A **deficiency** in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A **material weakness** is a deficiency, or combination of deficiencies, in internal control, such that there is reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A **significant deficiency** is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Internal Control Findings

The audit did not identify any material weaknesses but did identify three new findings that are significant deficiencies and two prior year significant deficiencies. Each finding is listed below and explained in detail within Attachment A.

- Finding 2020-001 – Cash Disbursements Process – Segregation of Duties
- Finding 2020-002 – Payroll Process – Segregation of Duties
- Finding 2020-003 – Payroll Process – Personnel Action Forms
- Finding 2020-004 – Segregation of Duties for Business License Process
- Finding 2020-005 – Overhead Cost Allocation

City staff has implemented corrective action on all findings noted by the auditors with the exception of overhead cost allocation having an implementation target date of September 2021.

Fiscal Impact:

City staff estimates it costs approximately \$4,875 to prepare this staff report.

Recommended Action:

Receive and file the FY2020 Single Audit Report.

Attachments:

- A. FY2020 Single Audit Report