



Staff Report

TO: Finance and Audit Committee Members
FROM: Jennifer Ustation, Finance Director
DATE: January 10, 2022
SUBJECT: **Review of Draft FY2021 Report of Internal Control Over Financial Reporting**

Background and Analysis:

On December 20, 2021, City staff presented the Finance and Audit Committee with a draft of the FY2021 Annual Comprehensive Report (ACFR). As a part of the audit process, the City's current audit firm, Rogers, Anderson, Malody and Scott LLP (RAMS), will also complete a report on internal control over financial reporting, compliance and other matters based on an audit of financial statements in accordance with Government Auditing Standards. The draft report on internal control over financial reporting has been included with this report as Attachment A.

The auditors consider the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing their opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Within this report the auditors will identify any deficiencies encountered while testing the internal control over financial reporting.

A deficiency in internal controls exists when the design or operation of control does not allow management or employees to prevent or detect and correct misstatements on a timely basis. There are two types of deficiencies, a material weakness and a significant deficiency. A material weakness is a deficiency 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 in internal control that is less severe than a material weakness.

During FY2021, RAMS identified 2 new significant deficiencies, one was related to segregation of duties and the other was on adherence to the investment policy. There were two carryover deficiencies that addressed one deficiency as having been corrected and the other that had not been corrected since the last audit. In the draft

report that is provided it will be noted by management that the two new deficiencies have been addressed and new procedures and reporting have been implemented. The carryover finding has also been addressed and is in the process of correction.

Recommended Action:

Recommend the FY2021 Report on Internal Control Over Financial Reporting be forwarded to the City Council for consideration once in final form.

Attachments:

- A. FY2021 Draft Report on Internal Control Over Financial Reporting