

CITY OF CHESTER, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

Finding #15-5: Other Post-Employment Benefits Actuarial Valuation Not Performed-(continued)

Criteria: GASB 45 requires that actuarial valuations are to be performed "at least triennially" for OPEB plans with less than 200 members.

Cause: As this is not an annual requirement, it was overlooked by management. The City's Finance and Administration Departments had turnover, as well as vacancies, during the year which lead to conflicting procedures and priorities as well as duplication of effort.

Recommendation: We recommend the City have an actuarial valuation performed on their OPEB plan every three years to stay in compliance with GASB 45 requirements. Furthermore, the Finance Director and City Administrator should be aware of all audit and compliance requirements effecting the City.

Finding #15-6: Financial Statement Presentation

Condition: Management relied on the auditor to prepare the financial statements on their behalf. Management does not have the resources to prepare the disclosures to the financial statements as required by independence standards established by *Governmental Auditing Standards* therefore an outside CPA consultant was brought in to assist with the June 30, 2015 fiscal year financial statements.

Criteria: *Government Auditing Standards* independence requirements include management's ability to effectively oversee the nonaudit services, such as financial statement preparation, including whether management possesses suitable skills, knowledge, or experience to do so.

Cause: The City's Finance and Administration Departments had turnover, as well as vacancies, during the year. The City's Finance Director's position is still vacant as of this time.

Recommendation: The City should hire, train and retain competent financial and administrative personnel. While the City has been using an outside consultant to assist with the June 30, 2015 financial statements, a full-time employee with governmental accounting experience is recommended.

Finding #15-7: Budget Oversight

Condition: The City overspent its budget in several departments. However, there is no record of Management or Council addressing the problem or making budgetary adjustments as necessary to prevent overspending or to ratify the overspending.

Criteria: Sound financial management required that budget be measured carefully against actual results and variance, especially overspending, be investigated to ensure adequate funds are available to carry out the mission of the City.

Cause: The City's Finance and Administration Departments had turnover, as well as vacancies, during the year. The City's Finance Director's position is still vacant as of this time. Council was not being given timely, accurate financial statements so that the budget could be managed.

Recommendation: Management and Council need to establish formal budget procedures for timely, accurate review and amendments, where necessary, should be made.

Federal Awards Findings and Questioned Costs:

Finding #15-4: Failure to Record Federal Grant in the City's Financial Statements

Same as above.

CITY OF CHESTER, SOUTH CAROLINA
DISPOSITION OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

As part of procedures performed during our audit of the financial statements of the City of Chester for the year ended June 30, 2015, we investigated the disposition of the findings for the year ended June 30, 2014. We determined that corrective action had been taken for each finding as follows:

Finding #14-1: Cash and Revenue Reconciliations

Condition: During the audit, it was discovered that several deposits were not recorded in the City's general ledger at the time the deposit was made to the bank account. As a result, a journal entry was made to reconcile the bank account several months later; however, the variances were not investigated and the correct revenue accounts were not credited.

Corrective Action Taken: No corrective action was taken. See Finding #15-2.



100 West End Street, Chester, South Carolina 29706
Telephone (803) 581-2123 • Fax (803) 377-1116
www.chesterisc.org

Camp, Moring & Brendle, LLC
1418 Laurel Street
Columbia, SC 29201

Re: CORRECTIVE ACTION PLAN -- FINANCIAL STATEMENT AUDIT

City of Chester concurs with the audit finding and respectfully submits the following corrective action plan for the year ending June 30, 2015.

The following from June 30, 2015 schedule of findings and questioned costs are described below:

COMMENTS ON FINDINGS AND RECOMMENDATIONS

Finding #15-1: Trial Balance Funds Did Not Balance

Condition: While the overall general ledger was in balance before audit fieldwork began, three internal funds, including the general fund, were out of balance.

Action taken or planned:

Corrective Action Plan: The City has hired an outside CPA to help reconcile the financial records and bring them up-to-date as well as address all audit findings.

Finding #15-2: Cash and Revenue Reconciliations Not Made on a Timely or Accurate Basis

Condition: The City's bank accounts were not timely reconciled. A majority of the bank reconciliations for the June 30, 2015 fiscal year were not performed until an outside consultant was brought in during the June 30, 2017 fiscal year. At this time, it was also discovered that several transactions were not properly accounted for in the general ledger. For example, a new bank account was opened for the Narcotics Seizure Account in April 2015 but none of the transactions had been recorded in the general ledger.

Revenue reconciliations were not timely performed either. It was discovered during the bank and revenue confirmation reconciliation processes that several deposits were not recorded in the City's general ledger at the time they were made into the bank accounts and were not recorded into the proper revenue account once they were recorded. Furthermore, deposits were not made on a daily or timely basis resulting in checks/receipts not being deposited until up to months after they had been received.

The untimely reconciliations and deposits made tracing deposits from the accounting system to the supporting documentation and bank statements extremely difficult.

Action taken or planned:

Corrective Action Plan: The City has hired an outside CPA to help reconcile the financial records and bring them up-to-date as well as address all audit findings.

Finding #15-3: Deposits Made and Checks Written on Wrong Accounts

Condition: Several instances were noted where deposits were made to and checks were written from the wrong bank account. For example, \$15,422 in taxes received from Chester County for the Chester Fire District were deposited into the City's general fund account rather than the Fire District's bank account, resulting in an accounts payable to the District at year end.

Action taken or planned:

Corrective Action Plan: The City has hired an outside CPA to help reconcile the financial records and bring them up-to-date as well as address all audit findings.

Finding #15-4: Failure to Record Federal Grant in the City's Financial Statements

Condition: A federal grant from the Department of Commerce was not recorded in the City's financial statements. The East Chester Village Renaissance Phase II grant was properly maintained by the Catawba Regional Council of Government. However, the grant was awarded to the City so all the revenue and expenditure transactions should be reflected in the City's financial statements. As a result, over \$60,000 in federal funds was not recorded during the fiscal year.

Action taken or planned:

Corrective Action Plan: The City has hired an outside CPA to help reconcile the financial records and bring them up-to-date as well as address all audit findings.

Finding #15-5: Other Post-Employment Benefits Actuarial Valuation Not Performed

Condition: An Other Post-Employment Benefits (OPEB) Actuarial Valuation was performed as of June 30, 2012 but was not performed again as of June 30, 2015.

Action taken or planned:

Corrective Action Plan: The City has hired an outside CPA to help reconcile the financial records and bring them up-to-date as well as address all audit findings.

Finding #15-6: Financial Statement Presentation

Condition: Management relied on the auditor to prepare the financial statements on their behalf. Management does not have the resources to prepare the disclosures to the financial statements as required by independence standards established by *Governmental Auditing Standards* therefore an outside CPA consultant was brought in to assist with the June 30, 2015 fiscal year financial statements.

Action taken or planned:

Corrective Action Plan: The City has hired an outside CPA to help reconcile the financial records and bring them up-to-date as well as address all audit findings.

Finding #15-7: Budget Oversight

Condition: The City overspent its budget in several departments. However, there is no record of Management or Council addressing the problem or making budgetary adjustments as necessary to prevent overspending or to ratify the overspending.

Action taken or planned:

Corrective Action Plan: The City has hired an outside CPA to help reconcile the financial records and bring them up-to-date as well as address all audit findings.

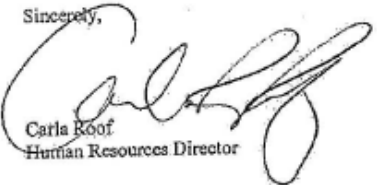
STATUS OF CORRECTIVE ACTIONS ON PRIOR FINDINGS

Finding #14-1: Cash and Revenue Reconciliations

Condition: During the audit, it was discovered that several deposits were not recorded in the City's general ledger at the time the deposit was made to the bank account. As a result, a journal entry was made to reconcile the bank account several months later; however, the variances were not investigated and the correct revenue accounts were not credited.

Corrective Action Taken: No corrective action was taken. See Finding #15-2.

Sincerely,


Carla Roof
Human Resources Director