

AGENDA		
Monday, January 3, 2011		
Informational		
Meeting	4:00 p.m.	
at Carnegie Town Hall		
Sioux Falls City		
Council	235 West	
Tenth Street		

1. Call To Order

2. City Council Staff Report

A. Debra A. Owen, City Clerk/Chief of Council Operations

3. Mayor Huether

4. City Council Open Discussion

5. Presentations

A. Sanitary Landfill Internal Audit Report by Rich Oksol, Lead Internal Auditor

B. Pawn Shop Reimbursement Fund Internal Audit Report by Rich Oksol, Lead Internal Auditor

6. Executive Session

A. Personnel issues under SDCL 1-25-2(1)

7. Adjournment

The City Council may include such other business as may come before this body.

Date: 2011-01-03
SIRE Meeting ID: 1248
Meeting Type: Informational Meeting

YouTube:https://youtu.be/dszJEEWKG_E
Agenda Item: Not Assigned
Item ID: 54977

The following document(s) are public records obtained from the
City of Sioux Falls.

Sanitary Landfill Audit November 2010



**Internal Audit
City of Sioux Falls, South Dakota**

SANITARY LANDFILL AUDIT

Internal Audit

City of Sioux Falls, SD

Highlights of report 10-10

Why Internal Audit did this report

The City's Internal Audit division continues to look for opportunities to improve management control. Management controls help insure that financial and operating information is accurate and reliable, that employee's actions are in compliance with policies, procedures, and applicable laws and regulations, and that resources are acquired economically, used efficiently, and adequately protected. The Sanitary Landfill provides a significant service to the residents of Sioux Falls and a five county region. City programs and major organizational units are reviewed by Internal Audit on a rotating basis. This is the second internal audit of Sanitary Landfill.

What Internal Audit recommends

Internal Audit reports often result in recommendations to improve management controls and other opportunities for improvement. We recommend that management pursue an opportunity to negotiate with bidders to receive the best price for certain waste materials.

What Internal Audit Found

The City of Sioux Falls Regional Sanitary Landfill (SFRSL) provides state-of-the-art landfill services. Operational and financial information about landfill operations provided to elected officials is accurate. The Sioux Falls Regional Sanitary Landfill is in compliance with State law regulating landfills.

NOTEWORTHY ACCOMPLISHMENT

In 2006, the SFRSL received the Environmental Business Journal Public-Sector merit award for its continuous upgrade and expansion to ensure state-of-the-art operation and comprehensive service to the public. In 2009, the SFRSL received the Solid Waste Association of North American (SWANA) Silver Excellence Award for the success of its landfill gas pipeline to POET Biorefining-Chancellor. In 2010 the City of Sioux Falls received the National Environmental Health Association Excellence in Sustainability Award. Efforts to increase recycling in Landfill operations and the Household Hazardous Waste facility operations were factors in receiving this award.

We appreciate the courtesy and assistance provided to us by Public Works management and staff.

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INTRODUCTION

Sanitary Landfill is a division of the Public Works major organizational unit. Two of the major activities of Sanitary Landfill are the operation of the Sioux Falls Regional Sanitary Landfill (SFRSL) and a Household Hazardous Waste facility (HHHW). For accounting and financial reporting purposes, Sanitary Landfill operates as an enterprise fund. An enterprise fund provides goods or services. The cost of providing these goods or services is recovered through user fees and charges rather than tax revenues.

The 2010 budget for the Sanitary Landfill fund includes \$10,550,131 in sources and \$10,550,131 in expenditures. Originally known as the Runge landfill, the SFRSL began operations in 1979. It is located approximately 7.5 mile west of Sioux Falls. The service area covers five counties: Lake, Lincoln, McCook, Minnehaha and Turner. The HHHW facility is located in Sioux Falls and began operations in 2005.

AUTHORIZATION

This audit was included in Internal Audit's 2010 Annual Audit Plan. The City Council approved the Plan by resolution in December 2009. The Internal Audit division operates under the authority of an Internal Audit Charter adopted by City Council resolution 104-06.

STATEMENT OF INDEPENDENCE

Internal Audit is administratively and operationally independent of the programs and departments it audits, both in appearance and in fact. The Lead Internal Auditor is accountable to an Audit Committee appointed by the City Council per City ordinance 120-05.

INTERNAL CONTROLS

Some objectives of an internal control system (sometimes called management controls) are to provide management with reasonable, but not absolute, assurance about:

- >The reliability and integrity of information;
- >Compliance with policies, plans, procedures, laws and regulations; and
- >Effectiveness and efficiency of operations including the safeguarding of assets.

Errors or irregularities may occur and not be detected because of inherent limitations in any internal control structure. These limitations result from resource limitations, legislative restrictions and other factors. Additionally, projection of any assessment to future periods is subject to the risk that procedures may become inadequate or the effectiveness of the design and the degree of compliance with the procedures may deteriorate.

Internal control structure is the responsibility of management. Internal Audit assists management by evaluating the design and effectiveness of internal controls and making recommendations for improvements.

OPINION ON INTERNAL CONTROL

In our opinion, the internal control structure over the Sanitary Landfill operations including the HHHW facility met expected objectives.

DETAILED RESULTS

PREVIOUS AUDIT RECOMMENDATIONS

AUDIT RECOMMENDATIONS ADEQUATELY ADDRESSED BY MANAGEMENT

In 2008, Internal Audit reviewed internal controls over cash handling at the SFRSL scale house. This report (report 08-03) concluded that internal controls were properly designed and working well.

This audit report resulted in three recommendations to strengthen these controls. We reviewed the efforts to address these recommendations. Our conclusion was that these audit recommendations were adequately addressed by management.

EFFECTIVENESS AND EFFICIENCY OF OPERATIONS

LANDFILL ASSETS ADEQUATELY SAFEGUARDED

A component of effective and efficient operations is adequate safeguarding of assets. Our audit work involved selecting a sample of landfill fixed assets and noncapital inventory from the asset registers. We located each asset and noted whether assets are physically safeguarded and appeared to be in proper working condition.

We concluded that SFRSL assets are adequately safeguarded.

**EFFORTS TO INCREASE
RECYCLING SHOULD INCREASE
USEFUL LIFE OF LANDFILL**

We reviewed efforts by management to increase awareness of recycling. Since 2004, the City has employed a full time person to oversee recycling efforts. The City is also a partner and sponsor of the Sioux Falls Green Project, an effort to “educate and inspire the community to build a greener future”.¹ Public Works also produces a document called the 2010 Residential Guide to Sustainability. This contains useful information for residents on household hazardous waste and what items may be recycled. We noted that the amount of municipal solid waste (MSW) processed by the SFRSL in 2009 was 169,932 tons. This was the lowest amount of MSW processed in the last six years. This would be one indication that more waste is being recycled rather than ending up in the landfill. Increased recycling should result in a greater useful life for the SFRSL at its current site.

**MONITORING OF LANDFILL
CONTRACTS/AGREEMENTS IS
OCCURRING**

We identified several major contracts and agreements related to Landfill operations and verified that these contracts and agreements are monitored by staff and management. In general, we concluded that there is monitoring of these contracts and agreements to ensure proper fees are charged or proper revenue is being received according to the written terms.

**MANAGEMENT IS MAKING BEST
EFFORTS TO ENSURE
EMPLOYEE SAFETY**

We determined through interviews of Landfill staff and management and review of the budget for protective equipment that safety of employees is a priority of Landfill management. In 2010, an employee-led safety committee was initiated to discuss safety issues and alert managers to any safety concerns. Training is being conducted on a regular basis and safety hazards are identified and corrected.

¹ www.siouxfallsgreenproject.com

**LANDFILL MANAGEMENT IS
USING BEST PRACTICES TO
PROTECT ENVIRONMENT FROM
LANDFILL LEAKAGE**

Two byproducts of landfills are landfill gas and liquid garbage tea also known as leachate. Bacteria in landfills breakdown trash in the absence of oxygen (anaerobic) because landfills are airtight. A result of this anaerobic process is landfill gas. This gas is approximately 50 percent methane and 50 percent carbon dioxide.² The liquid garbage tea (leachate) is water with dissolved contaminants. It is important to control leakage from landfill to avoid contamination of air, groundwater and surface water. The SFRSL puts waste into cells which use compacted clay soils and a bottom synthetic liner to contain gas and liquid. A series of wells are drilled around the landfill cells to monitor possible leakage. The SFRSL uses the professional services of engineering and environmental consultants to remain in compliance with environmental regulations, analyze well samples, and control risks.

**OUTCOME BASED INDICATORS
(PERFORMANCE MEASURES)
ARE BEING ACHIEVED IN
GENERAL**

We reviewed the Landfill outcome based indicators reported for 2009. There were 15 outcome based indicators reported in the landfill section of the Mayor's Recommended 2011 Budget. 10 indicator targets were achieved, three were not, and two were not applicable for 2009. Two targets that were not achieved were disposal services for construction and demolition waste (C&D) and municipal solid waste (MSW). Part of the reduction in C&D waste processed may be due to the slowdown in building activity due to the economic recession. The recession may also account for some of the slowdown in MSW as well as efforts by the City to increase recycling and keep wastes out of the Landfill.

² "How Landfills Work" by C. Freudenrich, Ph.D.
<http://science.howstuffworks.com>

COMPLIANCE

CITY PURCHASING POLICIES FOLLOWED

We reviewed a sample of Landfill requisitions and purchase orders for 2009 and 2010 to determine whether these were in compliance with the City purchasing policy especially in regard to obtaining and documenting informal quotes for purchases between \$500 and \$7,499. We concluded that Landfill is making the effort to comply with City purchasing policies. We did note that compliance did improve after training of Landfill staff by City purchasing staff on City purchasing policy and procedures.

REQUIRED WORKPLACE POSTINGS ARE ON DISPLAY

We reviewed the State of South Dakota requirements for workplace postings such as Safety on the Job postings along with other requirements. We also observed whether the placard notifying City employees of the fraud hotline was on display. We concluded that the required workplace postings are on display in appropriate work places at the Landfill. The City's fraud hotline placard is displayed in the employee breakroom and employees interviewed by Internal Audit were aware of the existence of the hotline.

LANDFILL HAS REQUIRED PERMITS

We determined that the SFRSL has the required permit from the State Department of Environment and Natural Resources (DENR) to operate a landfill. We determined that the City's HHHW facility is not required to have a permit because it only accepts household waste and not business waste. We also determined that the State DENR regularly inspects the Landfill to review compliance with the permit.

LANDFILL HAS PROCEDURES TO KEEP ILLEGAL WASTE OUT OF LANDFILL

The SFRSL is required by State law and Environmental Protection Agency (EPA) regulations to keep polychlorinated biphenyls (PCB's) and other unauthorized wastes out of the Landfill. Specifically, in

order to be in compliance with Administrative Rules of South Dakota (ARSD) 74:27:13:19, a Standard Operating Procedure involving random inspections by trained personnel were developed. We interviewed employees about how the inspection process works, reviewed documentation of inspections, and noted that Landfill employees are trained to recognize illegal wastes. We concluded that the Landfill appears to be in compliance with ARSD.

RELIABILITY OF FINANCIAL AND OPERATIONAL INFORMATION

REPORTED LANDFILL INFORMATION IS ACCURATE

We reviewed the process by which operational statistics for the Landfill are compiled and reported. We verified this information to source documentation. We reviewed reported financial information and compared this to the audited financial statements of the City of Sioux Falls. We concluded that financial and operational information reported by the Landfill was correct.

OPPORTUNITY FOR IMPROVEMENT

We recommend that Public Works management request action by the City Council, per South Dakota statute 34A-6-63.1, to allow City Purchasing to negotiate with vendors to purchase certain Landfill wastes. Such action might be either a resolution or ordinance. Such action may allow the Landfill is make more profit than going through an annual bid process for landfill waste as is the current practice.

APPENDIX 1

OBJECTIVES

This was an operational audit of the Sanitary Landfill division. Operational audits consist of an evaluation of the internal control structure (see internal control section on page 5). Internal control is intended to help management achieve effective and efficient operations, produce reliable information, and ensure compliance with laws, policies and regulations.

The **effectiveness and efficiency component** of this audit included a review of:

- >Safeguarding of landfill assets.
- >Management's efforts to raise awareness of recycling and increase recycling in the landfill service region.
- >Monitoring of contracts.
- >Efforts to promote employee safety.
- >Landfill monitoring to detect and correct any leakage into the environment.
- >Outcome based indicators (performance measures).

The **compliance component** included a review of:

- >Compliance with the City purchasing policy.
- >Compliance with required workplace postings including the City's fraud hotline.
- >State of South Dakota permits to operate a landfill.
- >Efforts to keep illegal wastes out of landfill.

The **financial and operational information component** included a review of:

- >Verification of the information reported to elected officials and the public

We also **reviewed and verified the status of audit recommendations** from a 2008 internal audit report on cash handling at the SFRSL.

SCOPE

The scope of this audit was management controls as they currently exist and transactions from 2009 through July 2010.

METHODOLOGY

We interviewed Landfill management and staff. We reviewed policies and procedures. We observed operations at the Landfill and Household Hazardous Waste facility. We reviewed source documents such as requisitions, contracts and financial reports. We did research on best practices related to sanitary landfill operations.

PERFORMED BY

This audit was performed by Rich Oksol, CPA, CGAP.

APPENDIX 2

MANAGEMENT RESPONSE

Thank you for your professionalism, courtesy, time and efforts regarding the internal audit that was recently conducted at the Sioux Falls Regional Sanitary Landfill. We are always looking to strengthen our division of Public Works and your input is appreciated. We will continue to work with the City Council and the Internal Audit team to improve our services which provide a better quality of life for citizens of the City and regional area of Lake, Lincoln, McCook, Minnehaha and Turner counties.

The Landfill division of Public Works agrees with the Opportunity for Improvement finding of the audit. This has been discussed internally within Public Works Administration and the City Attorney's office has been contacted regarding this matter. We will ask for a legal review of this matter and will draft a resolution or ordinance as recommended in the audit. We anticipate bringing this action before City Council for action before March 31, 2011. I (Sanitary Landfill Superintendent) will serve as the contact person for this matter. Feel free to contact me by phone or e-mail as needed.

Once again, thank you for your review of our division and your continued efforts to improve the City of Sioux Falls services.

Date: 2011-01-03
SIRE Meeting ID: 1248
Meeting Type: Informational Meeting

YouTube:https://youtu.be/dszJEEWKG_E
Agenda Item: Not Assigned
Item ID: 55018

The following document(s) are public records obtained from the
City of Sioux Falls.

Pawn Shop Reimbursement Fund Audit
October 2010
Internal Audit Report 10-05



Internal Audit
City of Sioux Falls, South Dakota

PAWN SHOP REIMBURSEMENT FUND AUDIT INTERNAL AUDIT REPORT 10-05

INTRODUCTION

The City of Sioux Falls City Council authorized this audit in response to a special request from a City of Sioux Falls council member. The request was presented to and approved unanimously by the Audit Committee on March 25, 2010. This is the first internal audit of the Sioux Falls Police Department (SFPD) Pawn Shop Reimbursement Fund (the fund).

STATEMENT OF INDEPENDENCE

Internal Audit is administratively and operationally independent of the programs and departments it audits, both in appearance and in fact. The Lead Internal Auditor is accountable to an Audit Committee, appointed by the City Council, per City Ordinance 120-05.

BACKGROUND

The fund was initially established and administered by the SFPD in the early 1980's to fully or partially compensate city pawn shops for confiscated property that the SFPD had reason to believe was stolen and/or used in a criminal activity.

Besides paying businesses (pawn shops) for their losses incurred as a result of unwittingly purchasing stolen property that was then seized and presented in criminal proceedings, this multi-purpose fund was also maintained for the purpose of purchasing drugs, compensating informants and conducting alcohol compliance checks. The necessary dollars for the fund were budgeted and received annually from the City.

In 1997, a review of the "Pawn Shop Buy Fund and the City Evidence Fund" was conducted by a City of Sioux Falls, Finance Department budget analyst. The focus of the review was the practices, procedures and internal control of the fund. The review concluded that controls were in place "that would provide an adequate audit trail in the event of a discrepancy". Several recommendations were made to strengthen the operating and control procedures.

The fund continued, in various forms, from approximately 1980 until March, 2010. On March 16, 2010, the SFPD Chief of Police notified interested parties, in a letter, that the fund had been discontinued. The size of the fund, along with the increased number of pawn shops, was sighted as reasons for the discontinuation of the reimbursement program. Budget constraints were also mentioned as a factor in the decision. The pawn shops were advised that restitution for SFPD seized items would have to be requested through the courts instead of through and by the SFPD.

OBJECTIVES

The objectives of this compliance audit were to determine:

- 1) The fund authorization, the accounting of the fund, the procedures involved in both the administering of the fund and the confiscation of property from the pawn shops by the SFPD.

- 2) The administration of similar reimbursement funds by the Minnehaha County Sheriff's Department and the Lincoln County Sheriff's Department.
- 3) A thorough understanding of the issues involved with held or confiscated property and the determination of recommended best practices involving the pawn shops and the subsequent handling of these properties.

AUDIT SCOPE

The scope of work included a review of the history of the fund from approximately 1980, along with current practices and procedures involving held and confiscated property. Various SFPD administrative procedures, ordinances and related fund practices from the last two years were also reviewed.

AUDIT METHODOLOGY

Detailed audit procedures were performed upon the relevant data from the SFPD's fund. Management within the SFPD was contacted and interviewed to better understand their roles and responsibilities as related to the fund and to pawn shop practices and procedures. Personnel from the Minnehaha County Sheriff's Office, along with the Lincoln County Sheriff were also interviewed.

We reviewed applicable laws, regulations, agreements, ordinances, resolutions, practices and procedures pertaining to the pawn shops and the fund. Internal Audit verified source documents as relating to seized property and the fund, both from the SFPD and from various pawn shops. Pawn shop owners and management were interviewed to better understand the involved procedures from their perspective. Similar studies, articles and audits pertaining to pawn shops and reimbursement funds were identified and reviewed.

RESULTS

AUDIT OBJECTIVE 1

South Dakota Codified Law 9-34-8 and Chapter 37-16 authorize every municipality in the state to "license, tax, regulate or prohibit pawnbrokers". The Revised Ordinances of Sioux Falls, Chapter 28, deals with the regulations and requirements of Pawnbrokers and Dealers in Precious Metals and Gems. Ordinance Number 3-10, Section 23-22 outlines the required licenses/fees as issued by the City of Sioux Falls Attorney's Office.

Once the SFPD had probable cause to believe that pawn shop property may have been stolen or involved in a criminal activity, it would be handled in one of two ways. A hold could be placed upon the property which then prevented the property from being sold and physically leaving the pawn shop or secondly, the property would be seized by the SFPD and the pawn shop paid, at least partially, for the property. The manner of handling the property was determined by the pending legal action. If needed for evidentiary purposes in a pending legal action, the property was confiscated; if not needed for pending legal action, it could remain on hold at the pawn shop, sometimes for several years or until the case was settled or dismissed.

While the fund itself was established in the late 1970's or the early 1980's, there are virtually no records available that established or tracked the fund for that time period. The most current available records of the fund date back to 1992 with the introduction of the City's AS400/HTE computer hardware and software systems.

Originally the fund was referred to as the City Evidence/Pawn Fund. The fund was maintained for the purpose of purchasing drugs and stolen property, compensating informants, conducting alcohol compliance checks and paying businesses and individuals for their loss incurred as a result of unwittingly purchasing stolen property that may then be seized by the SFPD and presented in a criminal proceeding. The money for this fund was budgeted and provided by the City. The records, checkbook and receipts were maintained in the Detective Division Commander's office. Only the Detective Division Commander and the Property Crimes Section Lieutenant were authorized to write checks on the account. Prior to March, 2010, the following procedures involving confiscated property were followed:

- a) The SFPD ultimately reimbursed a maximum total of \$300 to all businesses or individuals that received the property, per case, according to the amount that the shops paid. Initially there was no dollar limit. If a confiscated item cost them \$400, they were paid \$400 for the property. Then \$300 became the maximum reimbursement for any one property. It finally evolved into a maximum of \$300 per case, no matter the number of properties or the number of pawn shops involved. The maximum of \$300 was proportionally split among the shops according to how much each shop paid for the properties.
- b) The original property owner/victim had to agree to proceed with prosecution (criminal charges) of an identified suspect.
- c) Funds were paid directly to the businesses or individuals.
- d) A receipt for the check was signed by the requesting detective and entered into the case file for permanent record.
- e) The detective obtained a receipt from the business or individual detailing the date of the transaction, the amount of money received, the item being purchased, the SFPD incident number, and the name of the pawn shop, along with the pawn shop employee handling the transaction.
- f) The property was then confiscated and retained in the SFPD Crime Lab as evidence for court proceedings.

The Detective Division Commander was responsible for maintaining an audit trail of this fund account for periodic review. The Commander submitted an annual report to the Chief of Police detailing the fund distribution and the account balance at the end of each fiscal year.

Once the reimbursement program was discontinued in March of 2010, the procedures for either seizing pawnshop property or placing a hold on property remained the same, except for the elimination of the reimbursement steps and related paperwork.

In order to monitor all pawn shop property, pawn cards were originally distributed by the SFPD to the pawn shops, who completed the forms. The pawn ticket included positive identification of all persons pawning or selling property along with a detailed description of the property itself.

SFPD personnel collected the cards weekly and then manually entered the information into a local data base. The original pawn tickets were retained by the pawn shop of origin.

In early 2010, the pawn cards were replaced by a computerized nationwide pawn tracking system called Leads On Line. This is a widely utilized national web based system whereby the pawn shops enter all transaction information into a confidential database, accessible electronically and exclusively by law enforcement agencies. Each pawn transaction is then checked against a nationwide data base to determine if a property has been reported stolen or used in some type of criminal activity. The cost for the Leads on Line reporting system is borne entirely by the SFPD.

The legality of sending the pawn shop transaction information to a private business has been questioned by some local pawn shops. A federal act called the Gramm-Leach-Bliley Act (GLBA) of 1999 allows this type of pawn information to be provided to a law enforcement agency **or** an agent of such agency. Leads On Line is authorized by the City of Sioux Falls as the agent for the SFPD.

In January of 2010, City of Sioux Falls Agreement # 2010-0018 was signed between the SFPD and LeadsOnline LLC. It's a four year agreement with the agency and costs \$8,028 per year.

AUDIT OBJECTIVE 2

We visited Lincoln County Sheriff Dennis Johnson at his office in Canton, South Dakota. We asked if he utilized similar pawn shop reimbursement funds and procedures. Sheriff Johnson stated that Lincoln County did not have any local pawn shops and thus had no need for such a fund.

Chief Deputy Michelle Boyd of the Minnehaha County Sheriff's Office stated that their department has used the same pawn shop processes as the SFPD. The Minnehaha County Sheriff's Office also discontinued the use of the fund in March of 2010 and no longer intends to reimburse the pawn shops for this property. The SFPD and the Minnehaha County Sheriff's Office share adjoining office space in the Law Enforcement Center and work closely on law enforcement issues.

AUDIT OBJECTIVE 3

The Fund

After multiple visits with the owners and/or managers of three of the larger pawn shops in town, it's very apparent that they would prefer to have the fund reinstated. Research reveals that the use of such a reimbursement fund is very rare on a national basis. The vast majority of communities have never had such a mechanism for paying pawn shops for confiscated items. The net effect of not having such a fund is that the courts determine both the legal ownership of the property and the compensation, if any, for the pawn shops and for the original owners/victims.

We recommend and favor this practice because it places the burden of determining the custody of the property and any compensation upon the court system.

Communication

Once the practice ended of having SFPD officers stopping by the individual pawn shops each week to collect the pawn cards, the personal contacts and the one-on-one relationships between the shops and the SFPD may have diminished. For information management purposes, the Leads on Line reporting system has been beneficial for the SFPD by decreasing the inherent costs in obtaining and tracking pawn property information. A major benefit is the availability of an accurate and extensive national database.

When property is either put on hold at a pawn shop or confiscated, the current procedure allows for very little follow-up communication as to the property status.

We recommend that the SFPD initiate and maintain a spreadsheet that lists the pertinent property information for each pawn shop and most importantly, the current status of the property. This information should be made available to the pawn shops through a password protected SFPD website that the pawn shops can log on to at any time. Since the property is either put on hold or confiscated by the SFPD, it's incumbent upon the department to make this information available to the pawn shops in a readily available and concise manner. This proposed spreadsheet must be accurately maintained from hold or seizure to final disposition of the property through court proceedings. The availability and accuracy of the pawn information will require detailed interaction with the Minnehaha County State's Attorneys Office. With the introduction of a new "on hold" procedure, as described in the next paragraph, the number of pawn properties to be tracked will be greatly reduced.

"On Hold" Procedures

One problematic procedure has been the length of time that some properties have been kept on hold. To remedy this, the SFPD has recommended a holding period not to exceed ninety days, unless extended by court order. Upon cause, these hold orders will be placed upon the property by electronic or written notification. The hold order notification will include a detailed description of the property, the name and agency of the Law Enforcement Officer placing the hold order and the date and time of the notification. Hold orders may be removed prior to the ninety day expiration by the originating agency. If the ninety day holding period has expired without being extended, the hold shall be considered expired and no longer in effect. The pawn shop is then able to freely market the property.

The SFPD has also proposed that the following businesses be subject to the same ordinances, practices and procedures as the pawn shops: Precious Metals and Gem Dealers, Licensed Secondhand Stores and Licensed Gun Dealers.

Internal Audit strongly supports these SFPD recommendations. If enacted through a revised ordinance, these SFPD proposed "On Hold" procedures and expanded business involvement will positively effect the administration of the related properties while enabling the private businesses to market their properties with minimal delay.

We further recommend that the SFPD submit their proposed revised ordinance to the City Council by March 1, 2011.

CONCLUSION

We thank the management and staff of the SFPD, along with various Sioux Falls pawn shop owners and management, for their cooperation and assistance throughout the course of this audit. We commend the SFPD for taking a proactive approach in proposing changes to the pawn property procedures that will ultimately benefit the City of Sioux Falls, the department and the private sector businesses.



320 West Fourth Street, Sioux Falls, SD 57104-2413
www.siouxfalls.org

Police Information 605-367-7212
FAX 605-367-7228
TTY/Hearing Impaired 605-367-7231

November 10, 2010

Dear Audit Committee:

Subject: Pawn Fund Audit Report

The Sioux Falls Police Department would like to thank the Internal Auditors for their work on auditing our pawn fund. We find the audit fair and historically accurate, and also recognize the need for some modification.


As you are aware, our agency was well on its way to modifying our processes and procedures regarding this fund prior to the audit process starting. The need and usefulness for a pawn fund had run its course. We found our practice of reimbursement out of date and inconsistent with what other law enforcement agencies were doing. In early 2010 we began a process of reevaluating and updating our pawn practices to include;

- Contracting with *LeadsonLine* for pawn tracking
- Discontinuing the SFPD pawn reimbursement fund
- Updating SFPD policy and procedure relating to pawned/secondhand items
- Working with the City Attorney's office to re-write city ordinance. This is to address inequities between various businesses in town regarding requirements governing the purchase and sale of pawned /secondhand goods.
- Incorporating an ordinance dealing specifically with property placed on hold by the police department

The only area of concern within the audit report deals with communication. We recognize the importance of keeping clear and open lines of communications with the business community in Sioux Falls. To that end we have a Sergeant in the Property Crimes Section of the Police Department assigned to act as a liaison with those businesses that deal in pawned and secondhand goods. Further, we have scheduled two meetings in December with all businesses affected by the recent and proposed changes dealing with these issues. We believe this personal contact will serve as a better way to maintain an open line of communication with these businesses.

We will as an agency continue to seek out new ways to partner with the community to make Sioux Falls a truly great place to live and conduct business.

Sincerely,


Doug Barthel
Chief of Police

Community Services
605-367-7230
FAX 605-367-7054

Crime Lab
605-367-7220
FAX 605-367-4682

Detective Division
605-367-7234
FAX 605-367-7371

Patrol Division
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FAX 605-367-7228

Records Section
605-367-7226
FAX 605-367-7228

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