

Minutes are considered draft until approved at the next meeting.

MINUTES	Monday, December 10, 2012	
Audit Committee Meeting	4:00 PM	
Sioux Falls City Council	Carnegie Town Hall	
	235 West 10th Street	

Members Present: Council Member Sue Aguilar, Council Member James Entenman, Council Member Greg Jamison, and Audit Committee Member Anne Oppegard

Members Absent: Council Member Rex Roling and Audit Committee Member Jason Forbes

Staff Present: Tamara Jorgensen, CMC, Assistant City Clerk; Rich Oksol, Lead Internal Auditor; Danette Schumacher, Internal Auditor; Kim Schroeder, Internal Auditor; Jim David, Legislative/Operations Manager; and David Bixler, Budget Analyst

1. Call To Order

Committee Chair Greg Jamison called the meeting to order at 4:00 p.m.

2. Review and approve minutes from last committee meeting dated October 4, 2012

A motion was made by Council Member Sue Aguilar and seconded by Council Member James Entenman to approve the minutes dated October 4, 2012.

Jamison called for a voice vote on that motion and all members voted yes. Motion Passed.

3. Reports and Updates

A. Deferred from the October 4, 2012 Meeting: Review Management Responses to Audit Report 12-08 Light and Power.

Oksol stated that this item was initially covered at the October 4, 2012, Audit Committee Meeting. He covered the additional responses received from the Public Works Department since the October meeting. Oksol stated that 40% of the inventory in the Light Management Division was off on the initial count; he stated this information was explained on page 5 of the report.

Jamison asked Public Works staff if they would like to add any comments regarding these recommendations. Dean Borchardt, Public Operations Manager, discussed the dollar amounts associated with the Light and Power Division, their budget, and proposed changes to their budget from 2012.

A motion was made by Committee Member Anne Oppegard and seconded by Council Member Sue Aguilar to accept this audit report.

Jamison called for a voice vote on that motion and all members voted yes. Motion Passed.

B. Discuss upcoming audit of the City's 2012 Financial Statements.

Oksol introduced Eide Bailly LLP representative Dean Buckneberg.

Buckneberg stated his firm would be conducting a financial audit of the City including auditing any federal financial assistance given to the City as of December 31, 2012.

Buckneberg stated the timeline for the audit as follows: beginning January 28,

2013 and to deliver a final report on March 29, 2013 (tentative deadline). Eide Bailly LLP personnel have prepared and met with management and have set up a listing of documents that they will need to get started on these audits. They plan to confirm revenues from the State of South Dakota and with the Counties.

Buckneberg also confirmed that they are conducting their bank confirmations differently. These procedure changes are a result of recent bank fraud regarding a municipality. In addition, their forensic group will be involved this year and will be conducting interviews with city staff to try to identify potential fraud or areas where fraud could be committed.

Buckneberg stated they are interested in any feedback from the Council or Committee Members regarding any concerns they may have. He stated they are available to address areas of concern regarding financial statements if anyone has questions.

Discussion followed regarding the following: federal audits and the dollar amount limit; the appropriate timing for responding to the Audit Committee regarding suspected fraud; what effect will the new IT system rollout have on the upcoming audit; if there were any items left over from last year's audit that require additional review.

Buckneberg stated they receive good cooperation from City staff regarding the audits.

Jamison asked when Eide Bailly would update the Audit Committee. Buckneberg stated this would occur in late March, but if anything was found sooner it would be reported to the Audit Committee immediately.

C. Review Audit Report: 12-13 Ryan White Grant.

This audit was requested by the Health Department to review expenditures distributed through the Ryan White Grant. Kim Schroeder, Internal Auditor, reviewed the report, the audit objectives, detailed responses, recommendations and management responses.

A motion was made by Council Member James Entenman and seconded by Committee Member Anne Opegard to accept this audit report.

Jamison called for a voice vote on that motion and all members voted yes.

Motion Passed.

D. Review Audit Report: 12-10 Fraud Risk Assessment.

Oksol reviewed the report, the audit objectives, detailed responses, recommendations and management responses. Oksol cited fraud examples starting on page 6 from other cities and fraud examples from the City of Sioux Falls on page 9.

A motion was made by Council Member Sue Aguilar and seconded by Council Member James Entenman to accept this audit report.

Jamison called for a voice vote on that motion and all members voted yes.

Motion Passed.

E. Review the 2013 Annual Audit Plan.

Oksol reviewed the 2013 Annual Audit Plan covering the following topics: Carry Forwards from 2012; Contract/Agreement Audits; Revenue/Cash Handling/Cash Receipts Reviews; Special Area Audits; Other Activities and Continuing Professional Development.

Jamison asked Oksol to provide information that would show how much time is spent on each audit report. Oksol stated he will provide this information.

A motion was made by Council Member James Entenman and seconded by Council Member Sue Aguilar to accept this Audit Plan. Jamison called for a voice vote on that motion and all members voted yes. Motion Passed. Oksol will make arrangements to add this item to the agenda for the City Council Meeting on Tuesday, December 18, 2012.

#### F. Discuss Public Input at Audit Committee Meetings.

Jamison stated that this item was discussed briefly at a past Audit Committee Meeting. He stated that Oksol has done some research on how other communities handle public input during their Audit Committee meetings. Oksol stated that some committees have a more formal process. He stated it is uncommon to have public input during these types of meetings. Oksol stated one city requires that an individual speak with the Chair prior to the meeting if they wish to speak regarding a specific audit report.

Entenman stated he likes the way the meetings are presented now and the way the Audit team presents information and gathers input. He stated that citizens have the ability to contact Council Members and the Audit Committee if they wish. In addition, there are five minutes provided at City Council Meetings if citizens wish to discuss items. Aguilar agreed that there are several opportunities for the public to address or contact the City Council if they have questions. She does not see a need for a change in policy at this time.

Jamison agreed that the procedures in place now are very good. He stated there is television coverage, live broadcasts and web streaming which allow for many types of transparency. In addition, citizens have access to Council Members in many ways if they wish to discuss items.

After additional discussion, the Audit Committee decided there would be no changes to current policy regarding public input at the meetings.

#### G. Discuss Peer Review for Internal Audit.

Oksol stated that a Peer Review is allowing other auditors to come in and evaluate your organization and how you do things. Oksol gave an update on the "Red Book Standards" and the "Yellow Book Standards": which are guidelines for the types of audits to be performed. Under the Red Book Standards, a peer review is recommended every five years; under Yellow Book Standards, a peer review is recommended every three years.

Oksol stated that ALGA (The Association of Local Government Auditors) would be a cost effective way of doing this. He stated they have a peer review program. ALGA does not charge for this service but there are expenses associated with travel and lodging arrangements. An onsite visit takes about five nights and multiple auditors (3) are sent. Oksol stated the estimated costs would be \$4,000.00. Oksol estimates that if the peer review was conducted through the Institute of Internal Auditors (Florida) it would cost \$10,000.00 for an audit.

If the City of Sioux Falls participates in this, the Internal Auditing Department would be asked if a member could be added, as a member of the peer review team, for future audits of other organizations. Oksol explained that the auditor would be paid their wages through the normal payroll procedure and would be reimbursed for travel and lodging expenses. Training for peer reviews are held annually at ALGA's national conference. This information is

also available on their website if a person is unable to attend the conference.

At Jamison's request, Oksol gave a breakdown of how the peer group audit is conducted and the timeline needed.

Entenman recommended that research and arrangements be made for a peer to peer group audit. He would like Jim David, Operations/Legislative Manager to check into this information. Aguilar advised that the budget be reviewed to see if funds are available now, if not the audit should be scheduled for 2014. Entenman requested that Jim David and David Bixler, Budget Analyst, do some research regarding the arrangements. Aguilar requested an update at the next Audit Committee Meeting.

#### 4. Open Discussion

Oksol stated that he will be sending out an email for proposed dates for the 2013 Audit Committee Meeting schedule.

Jamison asked for the timeline for electing or re-electing the Chair position for the Audit Committee. Discussion was held regarding the process for electing a member to this position. Jamison recommended that the change take place at the beginning of 2013 if desired by the committee.

Oksol reminded the committee that his performance evaluation is due.

Discussion was held on how the process was handled in the past.

#### 5. Executive Session

There was none.

#### 6. Adjournment

A motion was made by Committee Member Anne Oppgaard and seconded by Council Member Sue Aguilar to adjourn the meeting at 5:10 p.m.

Jamison called for a voice vote. All members present voted yes.

Tamara Jorgensen, CMC

Assistant City Clerk