

MINUTES

Monday, September 24, 2018

Audit Committee Meeting 4 PM

Carnegie Town Hall

Sioux Falls City Council 235 West 10th Street

Members Present: Dean Buckneberg, Tony Goettsch, Rose Grant, Rick Kiley, Greg Neitzert, Theresa Stehly

Members Absent: Curt Soehl

1. Call To Order

Committee Chair Greg Neitzert called the meeting to order at 4 p.m.

2. Approval of Minutes

A. Meeting of Monday, April 23, 2018, at 4 p.m.

A motion was made by Rick Kiley and seconded by Rose Grant to approve the minutes.

Committee Chair Greg Neitzert called for a voice vote. All members present voted yes.

Motion Passed.

3. Presentations and Updates

A. Recognition of Service for Arnie Martens

Neitzert recognized the service of Arnie Martens who served on the committee since 2013.

B. Introduction of Tony Goettsch

Neitzert congratulated Tony Goettsch on his appointment as the newest member of the committee. Goettsch introduced himself to the committee and public.

C. Introduction of Rich Oksol

Neitzert introduced Rich Oksol who is now serving on a temporary, part-time basis on the Internal Audit staff.

D. Audit Staffing Update

Neitzert noted that within the past several months one Internal Auditor took advantage of a promotion opportunity to the Finance Department and the Internal Audit Manager transitioned to a job in the private sector. Accordingly, one Internal Auditor remains on staff along with Oksol. Neitzert explained that there are some administrative steps to take before a new manager and additional staff are hired. Part of the process includes a reevaluation of compensation and benefits based on the recently-released "2018 Compensation and Benefits Study." Discussion about the timing of the hire(s) followed.

E. Updates to the City Council-History of Internal Audit

Neitzert explained that he'll be providing an overview of the "History of Internal Audit" at the Tuesday, September 24th, Informational Meeting. He stated that the purpose of the presentation is to provide broad historical context relating to the need and uses of Internal Audit.

#### 4. Audit Report Review

##### A. In-Progress Audits Status-Zoo & Great Bear

Abby Vendelanotte, Internal Auditor, provided an update on the two audits. She noted that both are approximately 60% complete. Both will be presented to the committee by the end of the calendar year. Discussion about testing procedures, audit objectives, and the role of external audits followed.

##### B. Follow-Up of Recommendations from 2017

Oksol noted there were a total of 13 audit recommendations in 2017, 12 of which were implemented. The recommendation not implemented is associated with the Humane Society cash handling audit and is a result of software limitations. Oksol noted, however, that other sufficient controls are in place. Discussion about the role of external audits and City fees collected by the Humane Society followed.

##### C. Status of the 2018 Audit Plan

Neitzert stated that of the 13 audits in the 2018 plan, two were completed (Motor Vehicle Fee Revenue and Follow-Up of Audit Recommendations) and one was removed because there was no longer a need for the audit (Bank Franchise Tax Revenue.) Two are in progress (Great Bear Recreation Park and Great Plains & Delbridge Museum); three will begin after completion of the in-progress audits (Purchasing Card Program, Fraud Risk Analysis, and Financial Condition Analysis.) The remaining audits will likely not be started this calendar year. Discussion about the scope of the remaining audits which will not be completed followed. Vandelanotte noted that the Preventative Maintenance Audit is not being started because of a change in software.

##### D. Amendments to the 2018 Audit Plan

Neitzert asked the Committee what their thoughts were on how audits not started this calendar year should be handled. He explained that the committee recommends a plan and the Council has the final determination as to its adoption or not. The Committee agreed on the following: 1) staff should coordinate with the different parties involved in the 2018 Audit Plan to determine what their priorities are; 2) to prioritize the Fraud Risk Analysis; 3) to discuss staff's findings at the next Audit Committee Meeting; and, 4) for the Committee to formulate a recommendation to the Council.

##### E. Discussion of the 2019 Audit Plan

Neitzert laid out considerations for the 2019 Audit Plan which include Internal Audit staffing and progress on 2018 Audits. The "2009 - 2018 Audit Universe Coverage" table was explained by Oksol. He indicated that future audits are determined by a Citywide Risk Assessment and the frequency of their last occurrence. It was recommended that consideration be given to major business processes such as Payroll, the Capital Program, and Purchasing & Procurement, as well as areas not previously audited such as cybersecurity. It was also acknowledged that the Fraud Risk Analysis and Citywide Risk Assessment would need to be completed before December so that the Committee can adequately formulate a 2019 plan in conjunction with the

disposition of remaining 2018 items not completed.

The committee also discussed possibly sending out a survey to City employees to solicit feedback on audit possibilities. There was also discussion of the City Fraud Hotline. Oksol noted that the hotline is intended for employees to report instances of possible fraud. The hotline is provided by a contracted vendor and callers remain anonymous. He indicated that during his time as Internal Audit Manager there were two to three calls per year.

#### 5. Administrative Matters

##### A. Travel/Continuing Education for Abby Vandelenotte

Neitzert provided an overview of upcoming training that Vandelenotte will attend.

#### 6. Open Discussion

Neitzert spoke about the next meeting which will occur in late November or December depending upon the availability of members.

#### 7. Public Comment

There was none.

#### 8. Adjournment

Committee Chair Greg Neitzert adjourned the meeting at 5:01 p.m.

Thomas M. Greco

City Clerk