

Note: Minutes are considered "draft" until approved or amended at the next meeting.

MINUTES

Thursday, February 7, 2013

4:00 PM

Audit Committee Meeting

Carnegie Town Hall

Sioux Falls City Council

235 West 10th Street

Members Present: Council Member Sue Aguilar, Council Member Greg Jamison, Council Member Rex Rolwing, Audit Committee Member Anne Oppegard, and Audit Committee Member Jason Forbes

Members Absent: Council Member James Entenman

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 meeting held on Monday, December 10, 2012

A motion was made by Council Member Sue Aguilar and seconded by Committee Member Anne Oppegard to approve the minutes dated December 10, 2012.

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

3. Reports and Updates

A. Review Audit Report: 12-11 Library

Danette Schumacher, Internal Auditor, reviewed the report, the audit objectives, detailed responses, recommendations and management responses. Discussion followed.

A motion was made by Council Member Rex Rolwing 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. Review Audit Report: 12-12 Water

Rich Oksol, Lead Internal Auditor, reviewed the report, the audit objectives, detailed responses, recommendations and management responses. Discussion followed.

A motion was made by Committee Member JasonForbes 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.

C. Review Audit Report: 12-14 Utility Billing

Kim Schroeder, Internal Auditor, reviewed the report, the audit objectives, detailed responses, recommendations and management responses. Discussion followed.

A motion was made by Council Member Rex Rolfing 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.

D. Review ordinance amending Section 32.022 of Chapter 32 (reflecting updated title of Internal Audit Manager)

Oksol reviewed a proposed ordinance amendment to change his position title from "Lead Internal Auditor" to "Internal Audit Manager".

A motion was made by Council Member Sue Aguilar and seconded by Council Member Rex Rolfingto accept the proposed changes and move the ordinance forward to the City Council for review.

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

E. Review resolution adopting the amended Internal Audit Charter

Oksol discussed the resolution amending theInternal Audit Charter.

Oksol stated that, if accepted, this resolution would appear on the City Council Agenda for Tuesday, February 19, 2013. This would coincide with the 2nd reading for the ordinance changing his title.

Oksol reviewed the following proposed amendments to the Internal Audit Charter:

i All references to Lead Internal Auditor (LIA) were changed to Internal Audit Manager (IAM).

Professional Standards

The internal audit activity will meet or exceed the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors. The internal auditors will comply with the Code of Ethics of the Institute of Internal Auditors.

Opegard requested that Oksol's name be added to the final page above his title on the signature line in order to have consistency.Oksol stated he would do this. Opegard asked why there were three approval lines and one "Acknowledged Date" line. Oksol stated this was to show acknowledgement of what his supervisors had approved.

Rolfing asked for clarification on the following sections:

Page 4 - Accountability - 2nd Bullet Point:

i Report significant issues related to the processes for controlling the activities of the City of Sioux Falls, including potential improvements to those processes, and provide information concerning such issues through resolution.

Rolfing suggested adding "or reports" after resolution. Discussion followed regarding that the term 'resolution' means follow up from the committee. As it reads, it could be interpreted as meaning a resolution that goes before the City Council.

Page 4 - Responsibility - 2nd Bullet Point:

i Implement the Annual Audit Plan, as approved, including, as appropriate, any special tasks or projects requested by the Audit Committee.

Oksol explained the adopted written protocol about handling special requests that are not on the approved Annual Audit Plan.

Page 4 - Responsibility - 3rd Bullet Point:

i Issue periodic reports to the Audit Committee. Audit Committee will review issue these reports and submit them to the Mayor and City Council.

Rolfing asked if "the Mayor" and "City Council" should be reversed. Jamison asked Oksol if he submits these reports to the Mayor. Oksol stated that he does not send these reports separately to the Mayor but that they are public reports and are presented at the Informational Meetings. Oksol stated that amendments can be made at the City Council Meeting.

Page 6 - Amendment to the Charter:

Amendment of the Charter

The Internal Audit Manager is responsible for maintenance of this Internal Audit Charter to ensure that it is reviewed annually and is revised as necessary. Any amendment is subject to review and approval by the Audit Committee.

Oksol stated that this does go before the City Council for approval. Rolfing recommended that the term "and approval of the City Council". Oksol stated it was approved by the Council with the original agreements. Aguilar asked if it was done this way because the Audit function is supposed to be independent of city departments. Discussion followed. Oksol stated this was adopted by another city at that time.

Jamison stated he could check with one of the original members to see what the intent was of the language in the Internal Audit Charter and get back to the group. Discussion followed. Jamison stated he would provide additional research and email his findings to the rest of the committee prior to the Council Meeting on February 19th.

Jamison noted that the Internal Audit Charter is subject to a yearly review by the Internal Audit Manager. Oksol stated he has reviewed it but did not feel that any changes were needed until the organizational chart changed last year. Aguilar recommended that Oksol could provide a yearly report to the Audit Committee.

A motion was made by Council Member Rex Rolfing and seconded by

Council Member Sue Aguilar to accept this resolution and move this item forward to the City Council for review.

Jamison asked for a voice vote and all members voted yes. Motion Passed.

F. Update: Internal Audit peer review

Oksol reviewed the handout regarding the ALGA Peer Review and provided the following details: The peer review will cost between \$5,000.00 to \$7,000.00; Oksol and his office staff are meeting weekly to prepare for a peer review; he anticipates a peer review team coming to Sioux Falls the latter part of 2014; the peer review team would consist of three auditors from other local governments; Oksol reviewed the timeline and items that would be reviewed by the peer review team; the team would provide a formal report on their findings; this report would be presented to the Audit Committee upon completion.

Oksol reviewed the benefits to the city of having a peer review audit which included the enhanced credibility of the internal audit function and the internal auditors learning from the process of preparing for and going through a peer review.

Jamison provided background information on how the inquiries started on the peer review process.

Rolfing stated that he liked the idea of the Internal Audit staff being able to share their expertise in a peer review once the process is complete. He stated this may also provide our auditors with some new "best practice" ideas. Rolfing recommended that the peer review audit should be budgeted for in preparation of doing one in 2014.

G. Travel requests to attend Association of Local Government Auditors (ALGA) National Conference in May, 2013.

Oksol reviewed a handout providing information for the 2013 National Conference for the Association of Local Government Auditors. This year's conference will be held in Nashville, TN, from May 5-7, 2013.

If approved, Oksol and Schumacher will be attending the peer review training on Sunday, May 5, and Schumacher will be attending the rest of the conference on Monday and Tuesday.

A motion was made by Council Member Sue Aguilar and seconded by Committee Member Jason Forbesto to approve this request.

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

4. Open Discussion

The Audit Committee has one vacancy and is seeking a volunteer to serve.

5. Executive Session

There was none.

6. Adjournment

A motion was made by Committee Member Jason Forbes and seconded by Council Member Sue Aguilar to adjourn the meeting at 5:09 p.m.

Jamison called for a voice vote and all members present voted yes. Motion Passed.

Tamara Jorgensen, CMC

Assistant City
Clerk