

MINUTES

Thursday, January 25, 2018

Audit Committee Meeting 4 PM

Carnegie Town Hall

Sioux Falls City Council 235 West 10th Street

Members Present: Committee Member Arnold Martens, Committee Chair Rex Rolwing, Committee Member Greg Neitzert, Committee Member Rick Kiley

Members Absent: Committee Member Michelle Erpenbach, Committee Member Dean Buckneberg, Committee Member Rose Grant

1. Call To Order

Committee Chair Rex Rolwing called the meeting to order at 4 p.m.

2. Approval of Minutes

A. Meeting of Wednesday, October 11, 2017

A motion was made by Committee Member Rick Kiley and seconded by Committee Member Arnold Martens to approve the minutes.

Committee Chair Rex Rolwing called for a voice vote. All members present voted yes.

Motion Passed.

3. Reports and Updates

A. Update on external audit of City's 2017 financial statements by Keith Severson, Partner, Eide Bailly, LLP

Severson provided an update on the status of the audit of the financial statements for the City of Sioux Falls. He reviewed the service team, the audit objectives, and audit approach, which includes planning, interim testing, year-end testing, and reporting. Brian Stavenger, with Eide Bailly's Fargo, ND office and presenting by telephone, discussed recent or new professional standards which became effective 12/31/17 and risk assessment in the audit process. Discussion about the "Governmental Accounting Standards Board No. 74 and 75, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans followed.

B. Audit Report 17-05: Maintenance of Administrative Instructions

Abby Vandelanotte, Internal Auditor, provided an introduction, background, objectives, and scope and methodology of the audit. Management was interviewed, a sample of Executive Orders and written policies and procedures were reviewed, and best practices for policy maintenance were researched. The following best practices were identified: policies should be consolidated, maintained, and managed in a centralized location; policies should be kept current and changes should be communicated timely; policies should have an official custodian; and, employees should attest to policies and procedures that guide their job duties. The audit found: 1) Executive Orders are accurate, up-to-date, and regularly maintained; and, 2) policies and procedures are accurate and up-to-date, with a few exceptions (it was determined that routine maintenance and employee access could be improved.) The audit recommends: the City establish and document a

plan for managing the approval, issuance, and revision of internal policies and procedures. This should include defining a custodian at the departmental level, requiring scheduled reviews that are dated and initialed to demonstrate completion, and requiring policies to be maintained in an easily accessible, centralized location. Kim Schroeder, Internal Audit Manager, spoke about leading practices. Some opportunities for improvement were provided and it was noted the results overall were favorable.

Discussion followed about: the importance of conducting the referenced ethics training, how policies are managed at the departmental level, where policies are stored, interpretive policies, and executive order review. It was also noted that the third bullet on page 4 be revised to reflect the data found in the table on page 3. Audit staff indicated the change would be made.

A motion was made by Committee Member Rick Kiley and seconded by Committee Member Arnold Martens to accept Audit Report 17-05: Maintenance of Administrative Instructions.

Committee Chair Rex Rolwing called for a voice vote. All members present voted yes.

Motion Passed.

C. Audit Report 17-07: Waiver of Fees and Fines

Ashley VanDeBerg, Internal Auditor, explained the purpose of the audit was to identify how much revenue is foregone annually due to fees and fines being waived and to determine how those decisions are made. She went on to provide an introduction, background, objectives, and scope and methodology of the audit. The audit found there is not an excessive amount of fees and fines being waived. It is not a common practice for departments to waive fees and fines, except under management approval or under instances that are allowed by City Ordinance or Executive Order.

Discussion about the adequacy of record keeping, reasons provided for waivers, types of criteria used to make waiver determinations, and controls in ordinance followed.

A motion was made by Committee Member Greg Neitzert and seconded by Committee Member Arnold Martens to accept Audit Report 17-07: Waiver of Fees and Fines.

Committee Chair Rex Rolwing called for a voice vote. All members present voted yes.

Motion Passed.

D. Follow-up on Audit Recommendations

Schroeder noted that in 2016 there were 12 total audit recommendations, all of which were agreed to by management. 75% of the recommendations were implemented within one year. Schroeder explained progress to date and the path forward for the recommendations not yet fully implemented.

E. Review 2018 Annual Audit Plan

Schroeder briefly discussed items audited in the past five years and presented a draft 2018 audit plan. It includes 12 separate audits, four of which are carry-overs from this past year. Also included are follow-ups to recent audits.

Discussion about the effect of staff turnover on the carry-over items and the scope and methodology of the management agreement audits followed. Schroeder explained that the Internal Audit office cycle for these will include two management agreements per year over the course of a three-year period and that the audits will include a review of operating accounts.

A motion was made by Committee Member Rick Kiley and seconded by Committee Member Arnold Martens to accept the 2018 Annual Audit Plan for Submission to the City Council.

Committee Chair Rex Rolwing called for a voice vote. All members present voted yes.

Motion Passed.

4. Continuing Education Request

A. Kim Schroeder, Ashley Vandenberg, and Abby Vandelanotte, Sioux Falls Chapter of the IIA Spring Seminar

A motion was made by Committee Member Rick Kiley and seconded by Committee Member Arnold Martens to approve conference registration fees for continuing education for Kim Schroeder, Ashley Vandenberg, and Abby Vandelanotte for attendance at the Sioux Falls Chapter of the IIA Spring Seminar.

Committee Chair Rex Rolwing called for a voice vote. All members present voted yes.

Motion Passed.

5. Discussion regarding the RFP for the external audit of the City's financial statements for the years 2018-2020

Rolwing stated the RFP was issued on January 12th, and proposals are due on February 8th. Review of proposals will occur from February 12th through 16th. The review committee will consist of Committee Member Greg Neitzert, Committee Member Rose Grant, Internal Auditor Ashley VanDeBerg, and a member of the council who has not yet confirmed participation but has been asked.

6. Open Discussion

There was none.

7. Adjournment

A motion was made by Committee Member Arnold Martens and seconded by Committee Member Rick Kiley to adjourn at 4:52 p.m.

Committee Chair Rex Rolwing called for a voice vote. All members present voted yes.

Motion Passed.

Thomas M. Greco

City Clerk