

## MINUTES

### Informational Meeting

Wednesday, January 2, 2019 at 4:00 PM

Carnegie Town Hall, 235 West 10th St., Sioux Falls, SD 57104

#### 1. Call To Order

Council Members Present: Christine M. Erickson, Rick Kiley, Greg Neitzert, Marshall Selberg, Curt Soehl, Pat Starr, Theresa Stehly

Council Members Absent: Janet Brekke

Council Chair Christine M. Erickson called the meeting to order at 4 p.m.

#### 2. Committee/Commission Reports

##### A. Metro Management Council: Friday, December 28, 2018

Council Member Rick Kiley reported that the Metro Management Council discussed the future force structure, governance and oversight of Metro Communications and the Metro Management Council with outgoing Director Paul Niedringhaus. The Metro Management Council also approved Resolution 18-03 to appoint Deputy Sherriff Michelle Boyd as Executive Coordinator/Liaison for Metro Communications. Kiley noted that at the previous meeting, Jessica Mundahl was designated as the Interim Executive Director due to Niedringhaus leaving the organization. Kiley explained that Mundahl will oversee day-to-day operations at the 911 center and Boyd will assist with the selection of a permanent Metro Communications Director, exploration of restructuring options, exploration of a new Metro 911 site, and continued implementation of Zuecher software.

Discussion followed about: ideas for restructuring, the permanent Director hiring status, space availability challenges, a back-up data center, and recording of Metro Management Council meetings.

#### 3. Administration Communications

There was not an update.

#### 4. City Council Open Discussion

Council Member Theresa Stehly spoke about the steps taken to remove snow from the face of traffic lights during the recent snow event and she requested that the Council schedule a working session in the next month to begin exploring and formulating budget priorities.

#### 5. Presentations

##### A. Audit Report 18-01: Great Bear Recreation Park Audit Report by Abby Vandelanotte, Internal Auditor

Presentation: Approximately 5 minutes followed by discussion

Abby Vandelanotte, Internal Auditor, provided an overview of the audit's objectives, scope, findings and recommendations. The report concluded that overall, Great Bear Recreation Park Inc. is in compliance with the major points of the management agreement and the City has established controls to monitor

the compliance of the management agreement. Based upon the audit design and tests, unusual activity was not identified and there is no reason to believe Great Bear is out of compliance with the management agreement. The recommendations provided in the report, which are based on industry best practices, will provide additional controls designed to protect cash and cash disbursements and mitigate the risk of errors or fraud.

Discussion followed about the responsibility for management of certain funds and check signing.

B. Audit Report 18-06: Fraud Risk Assessment by Rich Oksol, Internal Auditor

Presentation: Approximately 5 minutes followed by discussion

Rich Oksol, Internal Auditor, provided an overview of the audit's purpose, background, objectives, and results. The report identified City assets, situations, or processes with moderate or high inherent risk; key controls and control activities; and, leading anti-fraud practices. The report concluded that the City is robust in developing, implementing, and monitoring anti-fraud controls and activities. Current activities and continual monitoring and improvement can help protect City assets and limit damage as fraud schemes are identified.

Discussion followed about fraud activities investigated at the landfill in the early 2000's; how long it takes to conduct a Fraud Risk Assessment; and, cash handling practices.

C. Audit Report 18-05: Citywide Risk Assessment by Rich Oksol, Internal Auditor

Presentation: Approximately 5 minutes followed by discussion

Oksol noted that the scope of the assessment included all eleven Major Organizational Units (MOUs) of the City. Audit staff interviewed management of all MOUs using a standard questionnaire; reviewed risk assessments done in prior years by Internal Audit; and, updated information based upon interviews with management and internal audit work performed in the past four years. Common risks currently facing municipalities in the United States was also researched to determine if the City is also facing these risks. The report concluded that the City has taken great strides toward centralizing and formalizing the identification and management of citywide risks. Based upon the results of audit

work the past 10 years and this year's risk assessment, Audit concludes that management has identified and been successful in addressing citywide risks. Implementation of the recommendations identified in the report will assist in efforts going forward.

Discussion followed about the scope and methodology of the report.

D. Audit Report 18-04: Financial Condition Analysis by Rich Oksol, Internal Auditor

Presentation: Approximately 5 minutes followed by discussion

Oksol spoke about short term liquidity, changes in total net position, debt expenditure per capita, and the number of employees per 1,000 citizens. The report concluded that The financial condition of the City of Sioux Falls is strong based upon the following: 1) No identified warning trends for the period

2013 through 2017; 2) the City is in a financial position to weather economic downturns and emergency situations based upon the net position ratio, the percentage of unreserved fund balance maintained in the general fund, and the City's short-term liquidity; and, 3) the City outperforms the average of the benchmark cities for all the financial indicators used in the analysis.

Discussion followed about the years included in the report; 2018 was not included.

#### E. Audit Ordinance Update by Council Member Greg Neitzert

Presentation: Approximately 20 minutes followed by discussion

Council Member Greg Neitzert discussed the purpose and need for the ordinance, key features of the ordinance, how the proposed ordinance was developed, and next steps in the process to eventually advertise to hire a new Internal Audit Manager. The proposed ordinance best defines the role of Audit and establishes an unambiguous organizational structure; both of these components work in concert to best define expectations, scope of work, and operating principles of Audit in relation to the Council, the administration, and the public. Key features of the proposed ordinance include a clear statement of purpose, provides the Council with appointment of outside members and staff, enumerates the responsibilities of the Audit Committee, and formally establishes an Office of Internal Audit.

Discussion followed about the hiring process, selection of outside members, a comparison of changes from the current organization, how staff are managed, and selection of the Audit Committee Chair.

#### 6. Public Comment

Scott Ehrisman spoke about Metro Communications and recommended that the organization be placed under the purview of the City with the County paying the City for their share of services; he also recommended that 5G fees can be used to help pay the cost of Metro Communications services. Ehrisman also spoke about the City's Audit function and recommended an ordinance requiring directors to live in City limits.

#### 7. Adjournment

Council Chair Christine M. Erickson adjourned the meeting at 6:19 p.m.

Thomas M. Greco, City Clerk