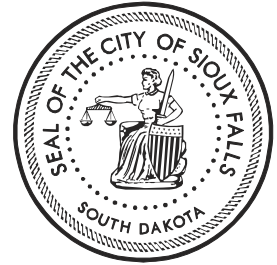


MINUTES

Wednesday, November 8, 2006



Audit Committee

7:00 p.m. – 7:55 p.m.
Carnegie Town Hall
235 West Tenth Street

Members Present: Bob Jamison, Kevin Kavanaugh, Anne Opegard, Paul Reiter, and Brad Whitsell.

Staff Present: City Clerk, Debra A. Owen; Lead Internal Auditor, Rich Oksol; and Assistant City Clerk, Tamara M. Jorgensen.

1. Welcome and Call To Order

- Lead Internal Auditor Rich Oksol called the meeting to order.

2. Taping of "Inside Town Hall" on Friday, November 17th, 2006.

- Discussion was held regarding the taping of an "Inside Town Hall" segment related to the Internal Audit Committee and their responsibilities. The group is receptive to participating in this endeavor but has requested a time and date change to accommodate their other employment responsibilities.
- A change of date and time will be scheduled with Media Services and communicated to the Audit Committee at a later date.

3. Hiring of Second Internal Auditor

- It takes an average of two to three months to recruit, advertise, review applications, select and interview candidates for a position with the City of Sioux Falls. Because of this timeframe, discussion was held regarding advertising the position for the second Internal Auditor in December, with target dates in mid-February for hiring and training purposes.
- Programs will be in place by mid-February enabling this person to start working as soon as possible on audit related projects.

4. Discuss Lead Auditor meeting with Directors to introduce Internal Audit process and address concerns.

- Rich Oksol proposed an idea for a mass meeting with the City Directors at the end of the year (or early in January 2007) for the purpose of explaining the Internal Audit process and goals. A power point program will be designed to illustrate the proactive, supportive approach necessary for a successful audit alliance. The presentation could be held on two separate days and run no longer than an hour in length. Questions and discussion will be encouraged from participants.
 - Meetings with individual Directors will follow the mass meeting.
 - Rich Oksol discussed examples from other cities where this process was used and resulted in a successful audit coalition for the departments involved.
 - A copy of the most recent Organizational Chart will be distributed to the Audit Committee.
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5. Discuss Lead Auditor meeting with External Auditor Partner-In-Charge.

- Rich Oksol will be scheduling time with Ty Inglis, CPA and partner with Eide Bailly, LLP. The purpose of the meetings is to determine what items will be reviewed by Eide Bailly next year with the plan being to maximize coverage while avoiding duplication. Mr. Inglis may be invited to the next Audit Committee Meeting. Clarification on risk assessments will also be discussed with Mr. Inglis.

6. Annual Audit Plan

- The following items were discussed regarding an Annual Audit Plan and related information:
 - ▶ Good communication will be utilized to ensure that Directors know in advance of meetings and items that will be discussed. Unannounced audits should occur for cash counts or any possible situation where fraud or situational events occur.
 - ▶ A project plan will be determined implementing a ranking system of low-medium-high to determine what items need immediate response.
 - ▶ Risk assessments will take a great deal of time. It was decided that at least 10-15% time left open and available for special projects requested by the Audit Committee, the City Council or the Administration.
 - ▶ Discussion was held about city procedures that may need to be reviewed for opportunities of improvement.
 - ▶ Discussion was held regarding the chain of command between the Audit Committee, the Lead Internal Auditor position, the City Council and the Administrative branch of City government.
 - ▶ A review of the Legislative Audit Report is needed to determine what suggested changes have been implemented.
 - ▶ Discussion was held regarding what the disaster recovery plan is for the City of Sioux Falls, how often it is tested, and the results of the testing.
 - ▶ Does the city have a definitive fraud policy and ethics policy in place? How is it monitored or reviewed? Do we need to have a system that will allow people to report fraud in a safe, anonymous fashion? What would be the best system to use?
 - ▶ After audit findings are approved by the committee and reviewed by both the Mayor and the City Council, audit findings can then be made available to the public.

7. Open Discussion

- Discussion was held regarding the outside entities that request funds from the City of Sioux Falls. A brief update was given on the range of funds requested, the types and sizes of the organizations and whether or not contracts are involved.
- Discussion was held regarding whether or not reviews should be scheduled for contracts and contractors. A need may exist for another internal auditor in the future to focus primarily on contractors and large dollar projects.

8. Adjournment at 7:55 p.m.