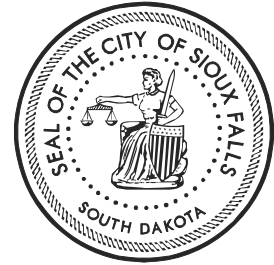


MINUTES

Thursday, November 1, 2007



**Audit Committee
City of Sioux Falls**

4:30 p.m. at Carnegie Town Hall
235 West Tenth Street

Members Present: Kevin Kavanaugh, Anne Oppegard, Pat Costello, Brad Whitsell
Members Absent: Paul Reiter
Staff Present: Lead Internal Auditor, Rich Oksol; City Clerk, Debra Owen, City Clerk; Assistant City Clerk, Tamara M. Jorgensen
Guests Present: City Finance Director, Eugene Rowenhorst and Director of Public Works, Mark Cotter.

1. Welcome and Call to Order

- Committee Chair Whitsell called the meeting to order at 4:30 p.m.

2. Approval of July 31, 2007 minutes

- A motion was made by Costello and seconded by Oppegard to approve the minutes as written. A voice vote was taken and all members voted yes. Motion carries.
- A motion was made by Costello and seconded by Oppegard to reverse Item 6 (Executive Session) and Item 7 (Open Discussion). A voice vote was taken and all members voted yes. Motion carries.

3. Review and discussion of audit reports: citywide cash handling; construction contracts administration

- Preliminary report drafts had been sent in advance to the Audit Committee for their review.
- The procedure: write the report, meet with the Department Director, a written response is requested, out regarding these items.
- The Audit Committee is not an enforcement agency; the committee is designed to audit, advise and make recommendations for improvement. The current procedure is:
 - To conduct an audit of the department;
 - Write a report;
 - Meet with the Department Director and review the information;
 - Request a written management response;
 - Review the written response.
- It is management's prerogative to choose whether or not to implement the recommendations. Management assumes all risks in not using or implementing the audit suggestions. Directors are welcome to attend Audit meetings to discuss the audit findings and recommendations.
- Discussion was held regarding city departments that handle cash in larger amounts, the existing procedure for handling the cash and the recommendations made for improving the security procedures in these areas. Mr. Costello recommended allowing citizens to use credit cards for processing payments with city departments.
- Mr. Rowenhorst stated he thought the cash audits went fine. Some procedures are going to be changed that have not been reviewed for awhile. Discussion was held regarding what specific reports would be made available to the public; security related reports would be made available to the City Council but not to the general public.

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- Director of Public Works, Mark Cotter joined the meeting at 4:45 p.m. to participate in this discussion. Introductions were made to members of the Committee.
 - The Audit Committee stated they were pleased with the audit report completed for Public Works and stated they had reviewed Mr. Cotter's responses. Mr. Cotter stated that, since this was the first audit conducted for Public Works that he felt it was a good experience for the department. He stated that he appreciated the opportunity to offer feedback (whether in agreement or not) and that he was available to the committee at this time to answer any questions. Discussion was held regarding the change-over processes in comparison with other cities.
 - Oksol stated that Mr. Cotter and his staff were exceptional to work with and provided access to information and documents. The staff of the Public Works department are very professional and cognoscente of the procedures risks and processes to be used.
 - Oksol further stated that he would like to review training opportunities for the Internal Auditor to attend in reference to performing construction audits. The Public Works department would also benefit by having employees attend the same training and they discussed having a consultant come to Sioux Falls to perform the training. The costs could be shared between the departments for the mutual training seminar.
 - The process used by the Public Works department for reviewing contracts was discussed.
 - A motion was made by Costello and seconded by Kavanaugh to approve the audit reports for citywide cash handling and construction contracts administration. A voice vote was taken and all members voted yes. Motion carries.
4. Discussion of a media plan: how we handle requests for information from reporters
- After a report has been reviewed, approved and made public by the Audit Committee, media representatives may approach any member with questions or inquiries. Information remains confidential until the three mentioned steps are followed. Oksol will draft a procedural document outlining this policy to benefit of future Audit Committee members.
5. RFP on fraud hotline update
- A total of six Requests for Proposal have been received. Copies were available for distribution to the committee. It was determined that a separate committee would be set up (to include a member from the Purchasing Department and the Audit Committee) to review the proposals and make a recommendation to the Audit Committee. Discussion was held regarding the costs and services provided by each of the proposals. A conversation was held regarding the amount of time necessary for the printing, distribution and set up for the audit hotline. This hotline is not designed to replace existing procedures for handling perceived problems. This hotline is being set up as a reporting tool to be used if any employee working for the city believes they may have witnessed or have discovered something illegal, fraudulent or unethical.
6. Open Discussion
- Discussion was held regarding the 3rd Audit position vacancy. Paperwork was distributed to the audit committee for the hiring process to begin. The hiring timeline, office space and equipment were discussed for this new position.
 - Audit Plan: Discussion was held about what the 2008 audit plan should entail and how to determine what areas are to be audited. This information will be discussed again at a future audit meeting.
 - Special Audit: Discussion was held regarding a recently requested special audit. The Audit Committee will need to determine if special audits will be performed at the request of entities that contract with the City of Sioux Falls.

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7. Executive Session - Lead auditor's evaluation

- A motion was made by Kavanaugh and seconded by Oppegard to go into Executive Session at 5:00 p.m. for the purpose of discussing the yearly evaluation of the Lead Auditor. A voice vote was taken and all members voted yes. Motion carries.
- A motion was made and seconded to go out of Executive Session at 5:30 p.m. A voice vote was taken and all members voted yes. Motion carries.

8. Adjournment at 5:30 p.m.

- A motion was made and seconded to adjourn at 5:30 p.m. Whitsell called for a voice vote and all members voted yes.

Tamara M. Jorgensen
Assistant City Clerk