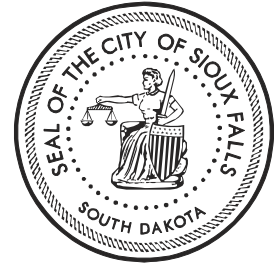


# MINUTES

Thursday, October 16, 2008



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## Audit Committee

4:16 p.m. at Carnegie Town Hall  
235 West Tenth Street

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Members Present: Pat Costello, Greg Jamison, Anne Oppegard, and Brad Whitsell

Members Absent: None

Staff Present: City Clerk Debra A. Owen and Assistant City Clerk Tamara M. Jorgensen

Guests: Director of Public Works Mark Cotter and Fire Chief Donn Hill.

1. Call To Order

Committee Chair Whitsell called the meeting to order at 4:16 p.m.

2. Review and approve minutes from Meeting on 08/27/08

A motion was made by Oppegard and seconded by Costello to approve the minutes. A voice vote was taken and all members present voted yes. **Motion carried.**

3. Memo from Mayor's office: IRS audit of 941 quarterly payroll tax return

Discussion was held regarding a recent memorandum received from the Mayor's Office and sent to the City Council and to Internal Audit regarding an audit by the Internal Revenue Service scheduled for the first week of November. The Audit will review Quarterly Payroll Tax returns. At this time, Internal Audit has not received any requests for assistance and will advise the Audit Committee if any requests are received. 941 Audits performed by the Internal Revenue Service are considered routine and random.

4. Fraud hotline update

Oksol gave an update on the first fraud hotline report. The issue and restitution have been handled by the Human Resource Department and the item has been closed.

Discussion was held regarding the distribution of the letter to City employees regarding the availability of the fraud hotline and its uses. It was noted that future correspondence of this type should be copied to the Mayor's office in advance so Administration is aware of the distribution and information.

5. Cash shortage update

Discussion was held regarding a cash shortage of \$190.00 that was discovered in June, 2008. This was a bank error and has now been resolved.

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6. Councilor Stagers: special project request

Council Member Stagers was asked to give the Audit Committee a brief description of his special project request. Stagers indicated that he would like the Audit Committee to conduct research and supply him with a breakdown of the amount(s) of money the City of Sioux Falls is spending on consultants for 2006 – 2008. The information should be separated by a breakdown of consultants based on their profession. When asked, Stagers stated that he has not requested this information from the Finance Department and that he does not need the purpose of the consultation, just the dollar amount. The Audit Committee will discuss his request later in this meeting and will get back to Stagers with an answer.

7. Audit report: accounts payable

The Audit Report for Accounts Payable had been previously distributed to the members. Discussion was held regarding the following four Audit Findings: 1) the master vendor file needs to be cleaned up; 2) there is no supervisory review of changes to the master vendor file; 3) there is no supervisory review and approval of adding new vendors to the master vendor file; 4) the City does not use positive pay with the accounts payable bank account.

Oksol indicated that an amendment to the minutes needs to be made at the top of page 2. Reference to page 4 needs to be changed to page 5.

A motion was made by Jamison and seconded by Oppegard to recommend approval of the Accounts Payable Audit Report, with the amendment noted above. A voice vote was taken and all members present voted yes. **Motion carried.**

8. Audit report: water distribution

Discussion was held regarding the audit performed on the process of Water Distribution. The audit started in April, 2008 and ended in August, 2008. This complex audit included review of the procedures to handle fire hydrants that are known as 'private hydrants' because they are not city owned and can be found in gated communities, college campuses and mobile home parks. They total 900 or 13% of all the hydrants in the city. As they are not owned by the city, Fire Rescue will be bringing forward a new city ordinance with terminology which will guarantee that the people responsible for the maintenance of the hydrants are taken care of.

Under 'noteworthy actions' the following information was added to the report:

"The City of Sioux Falls has recently received national attention for the quality of its tap water. The water in Sioux Falls is considered among the best in the United States ranking behind only two other cities, Des Moines, Iowa and Austin, Texas. University of Cincinnati researchers compiled the information on municipal water systems in a publication called "United States Drinking Water Quality Study Report". The study looked at water clarity, levels of bacteria, levels of lead, and levels of haloacetic acids, a byproduct of water disinfection.

We also noted that the water system's unaccounted for water (UAW) is well below the industry standard. Other municipal water system managers have inquired as to how Sioux Falls is able to achieve this level. See pages three and four of this report for more details.

We observed the efficiency and effectiveness of the utility maintenance crews in performing their maintenance and repair duties. The maintenance crews are highly experienced and skilled. They quickly and expertly repair water main breaks. These repairs often have to be done under less than ideal weather conditions and at all times of the day or night. Another large responsibility of the Utility Maintenance division is to promptly respond to the "South Dakota One Call" program. To ensure public safety, the program mandates that the worker identify and mark water, sewer, storm sewer, and sump lines in a timely manner."

## Audit Committee Minutes

October 16, 2008

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The following recommendations were made to amend the minutes by: 1) On page 1, removing "Additional information about Lewis and Clark may be viewed at [www.lcrws.org](http://www.lcrws.org)." from the 5<sup>th</sup> paragraph; 2) Page 3, under Emergency Response, include tracked responses on future reports where possible; 3) Page 5, 3<sup>rd</sup> paragraph, include the italicized words in the 3<sup>rd</sup> sentence: "Fire Rescue and Utility Maintenance *does not have* GIS coordinates...."; 4) Page 5, define what the letters GIS mean; 5) Page 5, reference which recommendation number corresponds with the item.

Cotter stated that the goal for Public Works is to flush every public and private hydrant at least once annually. Hydrants inside the beltway are flushed in the spring and outside the beltway are flushed in the fall. This process has been working well operationally and this schedule will continue at this time.

A motion was made by Costello and seconded by Jamison to recommend approval of the Water Distribution Audit Report, with amendments. A voice vote was taken and all members present voted yes. **Motion carried.**

Mr. Cotter and Chief Hill left the meeting at this time.

### 9. Audit report: property tax

This report was conducted with the assistance of both Lincoln County and Minnehaha County. It was noted by the Auditors that Lincoln County does not reference computers for accessing information, records are retrieved 'manually'. Copied below are the recommendations:

1. The current applications for all three Reduced Tax Programs do not address the County's responsibilities as to the conditions outlined in each application. The County is further tasked with completing an assessment that the changes in the property value meet or exceed the full and true value that is required by each of the three programs. The Assistant Director of Planning and Building Services and the Internal Audit staff agree that the three reduced taxation programs be revised to state the following, "Only properties that have been stated as eligible by the City of Sioux Falls Assistant Director of Planning and Building Services and then approved by the appropriate County Director of Equalization will be certified as eligible for reduced taxation".
2. The current program applications require that an acknowledgement is sent to the applicant within 30 days stating whether the facility is eligible. Again, the Internal Audit staff and the Assistant Director of Planning and Building Services agree that the three reduced taxation programs be further revised to state the following, "The Assistant Director of Planning and Building Services shall send an acknowledgement to the applicant within 30 days stating that the application has been received and is under review prior to being forwarded to the County Director of Equalization for further consideration".

The following recommendations were made to amend the minutes by: 1) On page 2, removing "and three" from the last sentence under Audit Objective 2.

A motion was made by Opegard and seconded by Costello to recommend approval of the Property Tax Audit Report, with the amendment. A voice vote was taken and all members present voted yes. **Motion carried.**

Items 7,8, and 9 will be discussed at future City Council Informational Meetings.

## 10. Discussion of filling vacant seat on Audit Committee

Recommendations were made for the following two candidates to fill the vacant seat on the Audit Committee: Mr. Joe Marsh from U.S. Bank and Mr. Bert Olson from First National Bank. Discussion was held regarding the background of the candidates, whether or not there would be any conflicts of interest with the city and the process that needs to be followed with the City Council prior to becoming a member of the committee. After discussion, it was determined that Mr. Marsh will be approached first to see if he has an interest in joining the committee.

## 11. Open Discussion

- A. Discussion was held regarding the Audit Plan for 2009. Oksol stated that he had sent out an email to the City Council Members and the City Directors requesting ideas or suggestions for the 2009 Audits. He will bring forward the suggestions at the next Audit Committee Meeting in November so it may be included in a City Council Meeting in December.
- B. Opegard asked Stagers if he had requested the report from the department and he indicated that he did not, that he had hoped for a more timely, accurate report by requesting the information via the Audit Committee. The notes will need to be adjusted to remove the verbiage which indicates Stagers had not received cooperation on this item.

Mr. Stagers left the meeting at this time.

## 12. Executive session

A motion was made by Costello and seconded by Jamison to go into Executive Session at 4:50 p.m. for the purpose of discussing a personnel item. A voice vote was taken and all members present voted yes. **Motion carried.**

At this time the personnel item was discussed in Executive Session.

A motion was made by Jamison and seconded by Costello to go out of Executive Session at 4:54 p.m. A voice vote was taken and all members present voted yes. **Motion carried.**

## 13. Open Discussion (cont.)

- C. Discussion was held regarding the request for the Special Request audit by Council Members Stagers. The Audit Committee recommended that Mr. Stagers approach the Finance Department on his own and request the information first. If they don't comply, more information will be needed in order for the Audit Committee to reconsider the request.
- D. Discussion was held regarding whether or not the Finance Department was going to move forward with acquiring software to implement a new accounting system.

## 14. Adjournment

A motion was made by Opegard and seconded by Costello to adjourn the meeting at 5:05 p.m. A voice vote was taken and all members present voted yes. **Motion Carried.**

Tamara M. Jorgensen  
Assistant City Clerk