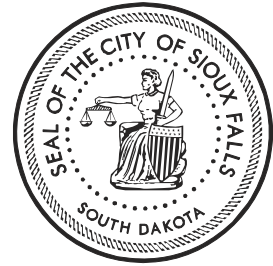


Minutes

Tuesday, August 18, 2009

**Audit Committee Meeting
Sioux Falls City Council**

4:27 p.m. at Carnegie Town Hall
235 West Tenth Street



Members Present: Pat Costello, Greg Jamison, Brad Whitsell, Joe Marsh, and Anne Opegard

Staff Present: City Clerk Debra A. Owen; Assistant City Clerk Denise D. Tucker; Lead Internal Auditor Rich Oksol; Internal Auditor Tim Buseman

Guests: Director of Human Resources Bill O'Toole; Human Resources Manager Angie Uthe; Fire Chief Donn Hill; Director of Finance Eugene Rowenhorst; Assistant Director of Finance Tom Huber; Wastewater Superintendent Trent Lubbers; and Director of Public Works Mark Cotter

1. Call To Order
Committee Chair Whitsell called the meeting to order at 4:27 p.m.
2. Review and approve minutes from last committee meeting 05/19/09
A motion was made by Jamison and seconded by Marsh to approve said minutes. Whitsell called for a voice vote on that motion and all members voted yes. **Motion Passed.**
3. Review audit reports: 09-03 Employee's Retirement/Firefighters' Pension; 09-06 Special Assessments; 09-08 Water Reclamation
Rich Oksol stated that he conducted the Employee's Retirement/Firefighters' Pension audit. He said the City has a "well managed system." Oksol discussed Appendix A of the audit, which featured the Annual Actuarial Valuation Reports, City of Sioux Falls Comprehensive Annual Financial Report. The data shows that the Employee's Retirement Revenues were affected by the markets and lost \$71,138,091. Oksol said the retirement fund was well funded over the years. He said, the Board of Trustees invests for the long term and the funds are "overall in good shape even with a bad year." Recommendations were discussed along with Bill O'Toole's response. Whitsell inquired if the pension funds are being audited. Oksol said Eide Bailly conducts those audits. Whitsell and Opegard asked for minor changes to the report. A motion was made by Marsh and seconded by Costello and Opegard to approve the Employee's Retirement/Firefighters' Pension

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Audit with the requested changes. Whitsell called for a voice vote on that motion and all members voted yes. **Motion Passed.**

Oksol mentioned that Tim Buseman performed both the Special Assessments Audit and Water Reclamation Audit. Oksol said they thought the Special Assessments Audit was a good audit to do since it is an important process that the City goes through. He said they did not have a lot of agreement with management on the recommendations. The audit focused on eight construction contract projects. Oksol said Chad Huwe, City Engineer, indicated that they would be doing fewer of these (assessments) in the future. They want to get away from doing this; it's a complicated process. Buseman said while working on the audit, there was a court case in Pierre on special assessments. He spoke about the case and his concerns for the City of Sioux Falls, regarding special assessments. Buseman said the City Attorney is following the Pierre case. In regards to the Special Assessments, Oksol said a key to internal control is spreadsheets. Oppegard asked if there is somebody on City staff that could use macros to develop spreadsheets or create templates to tighten up structure. Oksol said most departments build (spreadsheets) as needed. Mark Cotter, Director of Public Works, said due to the intricacies of how different each project is it makes it hard for templates. He said one of the things unique to Sioux Falls is that the City does not reassess for reconstruction. A motion was made by Jamison and seconded by Costello to approve the Special Assessments Audit. Whitsell called for a voice vote on that motion and all members voted yes. **Motion Passed.**

Oksol led the discussion of the Water Reclamation Audit. He said the Committee of Sponsoring Organizations (COSO) model was used for this audit. This was the first audit to use the structured interview technique. Oksol said they started with a questionnaire and interviewed four mid managers and then one employee from each division. Oksol said this is a technique that they won't use on every audit. He said Water Reclamation is a well managed division. Oksol said, "This was probably the smoothest audit we've done." Whitsell noted that most of the recommendations pertained to inventory control. Trent Lubbers, Wastewater Superintendent, said the audit process was fair and they recognize some of the issues. Whitsell told Buseman the audit was "well done." Oppegard asked about the televising of storm sewer lines. Lubbers explained the process. A motion was made by Costello and seconded by Marsh to approve the Water Reclamation Audit. Whitsell called for a voice vote on that motion and all members voted yes. **Motion Passed.**

4. Discussion of any potential liability issues for Audit Committee members

Oksol handed out a packet with answers to a question he put on the Association of Local Government Auditors listserv, pertaining to liability of audit committee members. Discussion followed. Whitsell asked if Oksol has spoken to the City Attorney or Risk Management. Oksol said no. Debra Owen said Oksol had asked her to check into the matter a little. Owen spoke with the Municipal League and

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Hagen Benefits (the City's insurance) and said that the policy would cover volunteer but the details (scope/duty/coverage) would be better addressed by Risk Management and recommended the committee speak with Regan Smith. Costello asked Oksol to include the City Attorney in his inquiry.

5. Open discussion

Oksol was asked about the next Audit Committee Meeting. He said he is working on the Audit plan for next year and he hopes to have a preliminary plan ready in October. Oksol stated he will send out reminders of the next meeting.

6. Adjournment

A motion was made by Oppegard and seconded by Jamison to adjourn the meeting at 4:58 p.m. Whitsell called for a voice vote on that motion and all members voted yes. **Motion Passed.**

Denise D. Tucker, CMC
Assistant City Clerk