

MINUTES **Tuesday, September 21, 2010**

Audit Committee Meeting 4:00 PM at Carnegie Town
Sioux Falls City Council Hall
235 West Tenth Street



Members Present: Council Member Greg Jamison, Council Member Jim Entenman, Brad Whitsell, and Joe Marsh.

Members Absent: Anne Opegard.

Staff Present: Debra A. Owen, City Clerk/Chief of Council Operations, and Tamara Jorgensen, CMC/Assistant City Clerk.

Guests: Jeff Weber, Tim Buseman, Ray Lynki, Pat Devaney and Beth Wischmeyer.

1. **Call To Order**

Chairman Whitsell called the meeting to order at 4:00 p.m.

2. **Review and approve minutes from last committee meeting 07/13/10**

A motion was made by Entenman and seconded by Marsh to approve the minutes. Whitsell called for a voice vote. All members present voted yes. **Motion Passed.**

3. **Review audit report: 10-07 Park Concessions Audit; Papa John's**

4. **Review audit report: 10-08 Park Concessions Audit; Crystal Ice**

Items 3 and 4 were reviewed and discussed with Internal Auditor Jeff Weber. Insurance areas were determined to be inadequate in attaining the required insurance limits and the necessary professional liability. Weber stated that these insurance issues are not limited to these two audits, the audit department has seen these same issues with contracted vendors and managed City facilities. The Audit department feels that the responsibility for overseeing insurance compliance issues should rest within one central department vs. expecting each individual city department to oversee their own contracts.

A motion was made by Jamison and approved by Marsh to approve both of these audits. Whitsell called for a voice vote and all members present voted yes. **Motion Passed.**

5. Discussion of insurance requirements and issues Internal Audit is noticing citywide

Discussion was held regarding contract audits and the insurance requirements. The City should be responsible for overseeing the insurance requirements are followed and maintained. Risk Management was mentioned as being the department best suited for this responsibility. Individual directors should not be held responsible for this function and there should not be an additional department or staffing set up for this purpose.

Weber reviewed the Internal Audit - Vendor Insurance Recommendations which highlighted a listing of steps that should be used by city departments when reviewing insurance policies.

Executive Order 98-10 covering insurance requirements was last updated in 1998 and should be reviewed for possible updates.

Whitsell asked if the committee would approve of Oksol meeting with Risk Management about assuming this responsibility and reporting back to the committee. Oksol stated that Risk Management has been involved in other meetings with Parks and Recreation regarding this topic.

6. Review audit report: 10-06 CAFR Review

The audit report was reviewed and discussed. CAFR, the Comprehensive Annual Financial Report, is reviewed annually to determine how the City rates (financial standing) stands in comparison with similar sized cities.

A motion was made by Jamison and seconded by Entenman to approve the audit report. Whitsell called for a voice vote. All members present voted yes. **Motion Passed.**

7. Proposed audit response and audit follow-up protocol

The audit committee has received inquiries about the audit response and follow up protocol for monitoring audits. A draft document was distributed, reviewed and discussed. The timeline of the report and follow up was discussed as well as the timeline for resolving past audit findings.

A motion was made by Marsh and seconded by Jamison to approve this document. All members present voted yes. **Motion passed.**

8. **Contract/agreement monitoring**

A document was distributed containing a listing of the contracts/agreements involving city facilities managed and operated by third parties that should be monitored. After discussion, the Arena will be added to this listing. Internal Audit would monitor the items and make periodic reports to the City Council on a semiannual basis. This process was recommended by the Fiscal Committee.

9. **Update on audit committee composition changes**

Owen reviewed proposed revisions for the Audit Committee ordinance that was approved by the Fiscal Committee. Owen stated the revision to the ordinance was prompted by a 2005 Legislative Audit Report to the city council and recommendations from GFOA's best practices. Discussion was held regarding the need to ensure that all entities understand that the Audit Committee is to be independent of the administration.

10. **Open discussion**

Oksol stated that he was going to present the Annual Audit Plan to the City Directors including a questionnaire. The City Council will also be presented with the same information.

Oksol presented the engagement letter to Whitsell to sign from Eide Bailly regarding the upcoming annual audit. This is the second year of a three year contract. Owen asked if audit protocols were going to be discussed in advance with the external auditor before the actual audit and Oksol said yes.

Discussion was held regarding the approved budget analyst position. This position will be independent and outside of the Internal Auditor's office but this individual could ask (and receive information from) the Internal Auditor office if needed.

11. **Executive session (if necessary)**

There was none.

12. **Adjournment**

A motion was made by Jamison and seconded by Entenman to adjourn the meeting at 4:47 p.m. All members present voted yes. **Motion Passed.**

Tamara Jorgensen, CMC

Assistant City Clerk