

AGENDA	Tuesday, May 15, 2012	
Informational Meeting	4:00 PM at Carnegie Town Hall	
Sioux Falls City Council	235 West Tenth Street	

1. Call To Order

2. Staff Report

A. Lorie Hogstad, City Clerk

3. Public Services Committee

A. Report on meeting held Tuesday, May 8, 2012

4. City Council Open Discussion

5. Presentations

A. Internal Audit Reports: POET Landfill Gas Contract 12-02, City Fees 12-03, and Contract Monitoring 12-04 by Rich Oksol, Lead Internal Auditor

B. Management RFP Update by Mike Cooper, Director of Planning and Building Services

6. Adjournment

The City Council may include such other business as may come before this body.

Date: 2012-05-15  
SIRE Meeting ID: 1718  
Meeting Type: Informational Meeting

YouTube:<https://youtu.be/acLcKwFv4z4>  
Agenda Item: Not Assigned  
Item ID: 63079

The following document(s) are public records obtained from the  
City of Sioux Falls.

# City-Wide Fees Audit April 2012



Internal Audit  
City of Sioux Falls, SD

## **CITY-WIDE FEES AUDIT INTERNAL AUDIT REPORT 12-03**

### **INTRODUCTION AND AUTHORIZATION**

The Sioux Falls City Council approved this audit by resolution in December 2011 as part of the 2012 Annual Audit Program. The Internal Audit division operates under the authority of an Internal Audit Charter adopted by City Council resolution 104-06. This is the first fees audit.

### **OBJECTIVES**

We reviewed City of Sioux Falls (City) ordinances and a sample of fee deposits to determine the following:

1. What fees are in City ordinance,
2. Were the fees collected in accordance with ordinance and recorded correctly in the accounting general ledger,
3. When were the fees last reviewed and adjusted,
4. Does the City either as a whole or individual departments have a policy on how fees are set and then reviewed and adjusted,
5. Were best practices followed when setting and reviewing fees.

### **SCOPE AND METHODOLOGY**

The scope of this audit included a review of all City fees that are included in ordinance. We also reviewed a sample of fee deposits from September 2011 thru March 2012. We examined original documents, performed analytical procedures, and held meetings with different departments that collect fees. We also reviewed records in the City's computerized financial system. We reviewed audit reports and fee policies from other government entities. Finally, we received guidance for our audit and recommendations from the 1996 GFOA (Government Finance Officers Association) best practices publication "Establishing Government Charges and Fees (1996) (Budget)".

### **RESULTS**

Our review of City-wide fees found that most fees charged by the City are collected accurately and are established within ordinance. We also found that the majority of the fees in ordinance are reviewed on a regular basis and updated when warranted. However, we found the City does not have a comprehensive fee policy either at the department level or City-wide level. We have made a recommendation for this along with additional recommendations that will hopefully make all City fees more transparent to the public.

### **RECOMMENDATIONS**

We made the following recommendations that address areas we feel will improve the handling and transparency of City fees:

- 1) We recommend that a City-wide fee policy be created that covers the City's philosophy on fees as well as the procedures for implementation, review, and adjustment of City fees. The philosophy portion of the policy would discuss what the City's expectation would be for all fees. This portion of the policy would probably have to be stated in sections by department

or by the type of service provided. We would anticipate that the philosophy section would outline how much of a services' expenses would be expected to be recuperated through collection of fees.

The other portions of the policy could detail what would warrant the creation of a new fee, how often a fee should be reviewed, and what would contribute to the adjustment of a fee. We envision that a policy would spell out the steps in the procedure for each of the areas of the policy listed above.

- 2) We recommend that all the fees listed in ordinance be consolidated under "Chapter 15 ½ - Fees". Currently, the fees are spread out throughout ordinance. This makes it difficult for the public to easily locate a fee they might be looking for. We would not expect for this to happen immediately with one large ordinance revision, but would anticipate this happening over a few years as fees are reviewed and updated.
- 3) We recommend that all fees approved in ordinance be listed on the City's website in one section under the heading "Fees" or something similar. Currently, only certain fees are listed on the City website and can be difficult to locate. We further recommend that any City-wide fee policy adopted by the City be published on the City website so that the citizens of Sioux Falls can get a better understanding as to the philosophies and procedures used in the City's management of fees. We believe this would improve the transparency of City fees.

## **CONCLUSION**

City ordinance lists hundreds of fees City departments are allowed to collect for services offered to the citizens of Sioux Falls. All departments that handle fees appear to be doing an effective and efficient job. We commend City staff and management for their efforts to ensure City fees are accurate.

## **STATEMENT OF INDEPENDENCE**

Internal Audit is administratively and operationally independent of the programs and departments it audits, both in appearance and in fact. The Lead Internal Auditor is accountable to an Audit Committee appointed by the City Council per City ordinance 120-05.

## **DISTRIBUTION OF REPORT**

This report is intended for the information and use of the Mayor and City Council, management, and others within the City of Sioux Falls. However, the report is a matter of public record and its distribution is not limited.

## **PERFORMED BY**

Internal Auditor Timothy Buseman performed this audit.

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# Contract/Agreement Monitoring March 2012



**Internal Audit  
City of Sioux Falls, South Dakota**

## **CONTRACT/AGREEMENT MONITORING INTERNAL AUDIT REPORT 12-04**

### **INTRODUCTION**

Over the past 25 years the City of Sioux Falls has made the decision to enter into more management contract and agreements with third parties to manage City-owned facilities rather than using City staff. For example, in the late 1980's, the City turned management of the Sioux Falls Arena over to Ogden Allied rather than continuing to use City employees for that purpose. Likewise, management of the municipal golf courses was awarded to Dakota Golf Management in the 1990's.

### **PURPOSE**

We have performed contract compliance audits on most of the management contracts and agreements of City-owned facilities. In these audits we have recommended increased monitoring of these contracts and agreements by the administration. This report is an attempt to give the City Council more information on these contracts and agreements in a single report.

This is the second report briefly summarizing information on these agreements. We have focused our efforts on the largest contracts and agreements:

- Washington Pavilion
- Great Plains Zoo & Museum
- Sioux Falls Arena/Orpheum Theater
- Sioux Falls Convention Center
- Transit system (Sioux Area Metro)
- Municipal golf courses

Information on all the City-owned facilities operated by contractors is provided on page three of this report. It is expected that these reports will be done twice a year. As the information needs of the City Council change, the report format and report frequency may be adjusted.

The administration has responded to our audit recommendations and made changes to the contract/agreement liaisons and monitors. The administration has developed tools such as matrixes and checklists to identify key contract requirements and responsibilities. We noted that this is improving the monitoring by the administration of these important contracts and agreements.



## CITY-OWNED FACILITIES OPERATED BY CONTRACTORS

<u>FACILITY</u>	<u>CONTRACTOR</u>	<u>2012 Budget (City)</u>
Washington Pavilion	Washington Pavilion Mgmt.	\$ 2,480,845
Great Plains Zoo & Museum	Zoological Society of SF	\$ 1,531,168
Sioux Falls Arena/Orpheum Theater	SMG	\$ 917,923
Sioux Falls Convention Center	Global Spectrum	\$ 1,661,179
Transit system (Sioux Area Metro)	First Transit	\$ 9,545,866
Great Bear Recreation Park (City does not receive any revenue nor pay any management fee)	Great Bear Recreation Park Inc.	\$ none
Municipal golf courses (3) (City receives a percentage of gross revenue)	Dakota Golf Management	\$ none
Horse Barn Arts Center	Sioux Empire Arts Council	\$ 31,000
Falls Park Visitor Center	Convention Visitor Bureau	\$ see note
Minnehaha Ice & Rec Center	SFS Management Services	\$ 29,500
Falls Overlook Café (City receives 10% of net profit)	Utopia LLC	\$ none

**NOTE:**

City received \$ 259,000 in golf courses revenue in 2011.

Funding for the Sioux Falls Convention Visitor Bureau (Falls Park Visitor Center operator) is provided by the Convention & Visitors Bureau Business Improvement District (BID) created by City ordinance on 11/15/2010. The Bureau also receives all the proceeds of the lodging tax. Total anticipated revenue from these two sources is \$2 million in 2012.

City expects to receive \$ 3,904,698 from Federal and State sources for the operation of the transit system. The general fund contribution is budgeted in 2012 at \$ 4,662,332.

For the Great Bear facility, the City provides for repairs in excess of \$100 for property not covered by a third-party maintenance contract and maintains and repairs all buildings, structures and equipment belonging to the City.

### **SIOUX AREA METRO TRANSIT SYSTEM**

**Vendor/management company:** First Transit  
**Contract/agreement:** C2009-0035  
**Period covered:** 01/01/2010 thru 12/31/2014  
**City liaison:** Mike Cooper  
**City monitor:** Debra Gaikowski  
**Date of last City Council briefing on this contract:** 11/07/2011 and 12/19/2011  
**Date of last Internal Audit report:** 2011  
**Required reports have been received by City:** Yes  
**Insurance requirements met:** Yes  
**2011 management fee:** \$142,552 **2012 management fee:** \$147,541  
**2011 expenses for year ended 12/31/2011:** \$7,256,938, 96% of budget  
**2011 total revenues for year ended 12/31/2011:** \$7,382,446 (includes general fund operating transfer of \$4,125,000)  
**2011 net change in fund balance:** \$125,508  
**2012 budget:** \$9,545,866 (includes general fund contribution of \$4,662,332)

### **KUEHN, PRAIRIE GREEN AND ELMWOOD GOLF COURSES**

**Vendor/management company:** Dakota Golf Management  
**Contract/agreement:** A2008-0003  
**Period covered:** 01/01/2008 thru 12/31/2015 (option was exercised to extend four years)  
**City liaison:** Don Kearney  
**Date of last City Council briefing on this contract:** 12/08/2008  
**Date of last Internal Audit report:** 2008  
**Required reports have been received by City:** Yes  
**Insurance requirements met:** Yes  
**Revenue received for year ended 12/31/2011:** \$259,235  
**Revenue received for year ended 12/31/2010:** \$271,131  
**Note:** Revenue from the golf courses is deposited into the Culture/Recreation bond fund to provide a source for debt service of golf course capital improvements.  
The following projects are bonded: CIP project 199064 Prairie Green course improvements, \$1,720,100 and project 200064 Kuehn golf course club house, \$217,600.

### **GREAT PLAINS ZOO AND DELBRIDGE MUSEUM**

**Vendor/management company:** Zoological Society of Sioux Falls  
**Contract/agreement:** A2012-0006  
**Period covered:** 01/01/2012 thru 12/31/2016  
**City liaison:** Don Kearney  
**Date of last City Council briefing on this contract:** Internal Audit presentation on 11/21/2011  
**Date of last Internal Audit report:** 2010  
**Required reports have been received:** Yes  
**Insurance requirements met:** Yes  
**2011 management fee:** \$1,334,048  
**2012 management fee:** \$1,334,048  
**2011 expenditures for year ended 12/31/11:** \$1,494,321, 98% of budget  
**2012 budget (includes management fee):** \$1,531,168

### **WASHINGTON PAVILION**

**Vendor/management company:** Washington Pavilion Management  
**Contract/agreement:** A2006-0071  
**Period covered:** 01/01/2006 thru 12/31/2011 (with option for additional five –year renewal)  
**City liaison:** Darrin Smith  
**Date of last City Council briefing on this contract:** 05/09/2011 (briefing scheduled for 04/16/12)  
**Date of last Internal Audit report:** 2007  
**Required reports have been received:** Yes  
**Insurance requirements met:** Yes  
**2011 management fee:** \$1,368,157 **2012 management fee:** \$1,388,679  
**2011 City operating budget for this facility (includes mgmt. fee):** \$1,493,602  
**2012 operating budget (includes mgmt. fee):** \$1,668,095  
**2011 capital budget:** \$813,643  
**2012 capital budget:** \$812,750 (includes transfers and carry forwards)  
**2011 expenditures for year ended 12/31/2011:** \$1,762,072, 76% of budget  
**Note:** Agreement was extended on 12/07/2011 until a new management contract is agreed upon by both parties.

### **SIOUX FALLS ARENA/ORPHEUM THEATER**

**Vendor/management company:** SMG  
**Contract/agreement:** C2009-0021  
**Period covered:** 01/29/2010 thru 12/31/2012  
**City liaison:** Mike Cooper  
**City monitor:** Russ Sorenson  
**Date of last City Council briefing on this contract:** 09/26/2011  
**Date of last Internal Audit report:** 2011  
**Required reports have been received:** Yes  
**Insurance requirements met:** Yes  
**2011 management fee:** \$50,000  
**2012 management fee:** \$50,000  
**2011 operating budget (includes management fee):** \$548,131  
**2012 operating budget (includes management fee):** \$824,861  
**2011 capital budget:** \$1,169,265 (includes new scoreboard at \$550,000)  
**2012 capital budget:** \$93,062  
**2011 expenditures for year ended 12/31/2011:** \$1,137,538, 66% of budget

**SIOUX FALLS CONVENTION CENTER**

**Vendor/management company:** Global Spectrum

**Contract/agreement:** A2007-0137

**Period covered:** 09/14/2007 thru 12/31/2012

**City liaison:** Mike Cooper

**Date of last City Council briefing on this contract:** 07/06/2010

**Date of last Internal Audit report:** 2009 (follow-up to 2008 report)

**Required reports have been received:** Yes

**Insurance requirements met:** Yes.

**2011 Operating budget:** \$831,134

**2012 Operating budget:** \$1,215,774

**2011 Capital budget:** \$576,500 (includes carry forwards from 2010 of \$376,500)

**2012 Capital budget:** \$445,405 (includes carry forwards from 2011 of \$123,529)

**2011 expenditures for year ended 12/31/2011:** \$1,058,973, 75% of budget

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# POET Landfill Gas Contract March 2012



**Internal Audit  
City of Sioux Falls, South Dakota**

## **POET LANDFILL GAS CONTRACT INTERNAL AUDIT REPORT 12-02**

### **INTRODUCTION AND AUTHORIZATION**

The Sioux Falls City Council approved this audit by resolution in December 2011 as part of the 2012 Annual Audit Plan. The Internal Audit division operates under the authority of an Internal Audit Charter adopted by City Council resolution 104-06. This is the first audit of the POET landfill gas contract.

### **BACKGROUND**

The City of Sioux Falls entered into a ten-year agreement with POET Biorefining on April 11, 2008. The agreement calls for the City to provide POET with landfill gas. Landfill gas is a by-product of the decomposition of solid waste brought to the Sioux Falls Regional Sanitary Landfill. POET uses the gas as fuel to produce ethanol. The gas travels along an 11-mile, 12-inch diameter pipeline from the landfill to the ethanol plant near Chancellor, South Dakota.

Prior to the agreement to provide landfill gas, which is composed primarily of methane, the gas was flared (burned) off at the landfill. For periods when the pipeline is down the landfill still flares the gas.

The first delivery of gas occurred in February 2009. The Sioux Falls Regional Sanitary Landfill received an award for excellence in 2009 from the Solid Waste Association of North America for its landfill gas program. Greenhouse gas emissions are being reduced through the use of landfill gas and the landfill has benefitted from increased revenue through the sale of this gas to POET. In 2011 sales of this gas amounted to about \$1.8 million, or about 17% of the total landfill revenue.

### **OBJECTIVES**

1. Determine if the City is in compliance with article V of the agreement related to landfill gas standards.
2. Determine if both parties are in compliance with article III of the agreement related to the sale and purchase of landfill gas and if the sale of gas is accurately reflected in the City's financial system.

### **SCOPE AND METHODOLOGY**

We reviewed activity on this agreement for 2010 and 2011. We interviewed public works management and a representative from POET. We visited the landfill and observed the landfill gas pumping facility. We examined documents including gas analysis reports from an independent laboratory and reviewed records in the City's computerized financial system.

### **RESULTS**

**Both POET and the City of Sioux Falls are in compliance with the terms of this agreement related to landfill gas standards and the sale and purchase of gas.** Furthermore, the POET

representative said that POET is pleased with the quality and amount of the gas provided and that communication with management at the Sioux Falls Regional Sanitary Landfill is excellent. Landfill gas quality is being tested at a minimum of every six months per the agreement and results shared with POET per article V of the agreement. The quality standards specified in the agreement are being met or exceeded.

We reviewed a sample of monthly billings to POET for landfill gas provided to the Chancellor plant. The buyer is being correctly invoiced for the quantity of gas pumped and delivered and at the agreed upon price of \$4.00 per unit. The amount invoiced is being paid timely by POET and received into the appropriate general ledger accounts in the City's financial system.

### **STATEMENT OF INDEPENDENCE**

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### **PERFORMED BY**

Lead Internal Auditor Rich Oksol, CPA, CGAP performed this audit.