

AGENDA Monday, March 9, 2009		
Informational Sioux Falls City Council		
4:00 p.m. at Carnegie		
Town Hall		
235 West 10th Street		

1. Call To Order
2. City Council Staff Report
  - A. Updates from Debra A. Owen, City Clerk
3. Council Members Beninga and Staggers arrived at this time.
4. Mayor Munson
5. Audit Committee
6. Fiscal Committee
7. Land Use Committee
8. Public Services Committee
9. City Council Open Discussion
10. Presentations
  - A. Internal Audit Report on Disbursements by Rich Oksol, Lead Internal Auditor

B. Internal Audit Report on Donated Money by Rich Oksol, Lead Internal Auditor

Document: Donated Money Audit

C. 2010 Budget Calendar by Council Member Gerald Beninga

D. City Employee Pay Raises by Bill O'Toole, Director of Human Resources

11. Executive Session

A. Personnel Matter

12. Adjournment

Date: 2009-03-09  
SIRE Meeting ID: 942  
Meeting Type: Informational Meeting

YouTube:<https://youtu.be/OVbTgyPrv08>  
Agenda Item: Not Assigned  
Item ID: 40431

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

# **DISBURSEMENTS AUDIT**

## **INTERNAL AUDIT REPORT 08-13**

### **INTRODUCTION**

The Sioux Falls City Council approved this audit as part of the 2008 Annual Audit Program. This is the first of what will be an annual audit of citywide disbursements.

### **OBJECTIVES**

We audited a sample of disbursements in the areas of salary/wage payments, retirement benefit payments, general disbursements, and miscellaneous disbursements to determine if these payments were:

1. For authorized and proper purposes
2. In compliance with laws, rules, policies, and procedures
3. Supported by proper documentation and
4. Properly recorded within the City's financial records

### **SCOPE AND METHODOLOGY**

Our review included disbursements made during the period of December 2007 through September 2008. We examined original documents, interviewed staff, performed analytical procedures, and made field observations where necessary. We reviewed records in the City's computerized financial system. We used both judgmental sampling and random sampling techniques to select disbursements for audit examination.

### **RESULTS**

**Generally, disbursements were for authorized and proper purposes, in compliance with laws, rules, policies, and procedures, supported by proper documentation and properly recorded within the City's financial records.**

For audit purposes, we classified citywide disbursements into these categories:

- Payroll
- Pension
- General
- Miscellaneous

### **PAYROLL**

Payroll disbursements are payments to individual employees of the City for services performed. The City of Sioux Falls employs about 1,100 full-time employees and hundreds of temporary or seasonal employees. Our audit sample included both full-time and temporary employees. Audit procedures included reviewing personnel files to determine that the employees in our sample of payroll disbursements were bona fide employees of the City. Based on documents in the personnel file, we verified that proper payroll deductions were made for insurance and taxes. We verified that proper payroll amounts were recorded in the City's financial ledgers. We reviewed the payments to determine that employees were paid according to the authorized pay grade/step.

Employee time sheets were reviewed and compared to the hours paid. Based on our audit work, we concluded that payroll disbursements (1) were made to employees that existed and were employed by the City during the payroll period, (2) made in the proper amounts, (3) supported by proper documentation, and (4) properly recorded in the financial records.

### PENSION

Pension payments are payments to retired employees and their designated beneficiaries. Approximately 575 retirees and beneficiaries receive pension payments from the City's two pension funds: Employees' Retirement (covering police and general employees) and the Firefighters' Pension. Our audit sample included payments to retirees and beneficiaries from both pension funds. We reviewed pension file documentation and determined that the payments were made to individuals authorized to receive retirement benefits. Pension regulations do not allow retirees to receive a cost of living adjustment (COLA) in the first 36 months of receiving a pension benefit. We did audit testing to determine that the COLAs are properly applied. We reviewed payments and determined that deductions for insurance were authorized, that payments were made in the proper amounts, and those beneficiaries receiving payments were authorized by the City retiree to receive payments.

### GENERAL DISBURSEMENTS

General disbursements include payments not included in another category and typically paid by the City with the following documents processed: requisition, purchase order, invoice, pay request, or other documentation, and receiving report/voucher. Examples of general disbursements include:

- Payments for equipment, supplies, and inventory
- Contractual payments
- Payments of risk management claims

Overall, we concluded that general disbursements were (1) for authorized and proper purposes, (2) in compliance with laws, rules, policies, and procedures, (3) supported by proper documentation, and (4) properly recorded in the financial records.

In addition to audit testing of a random sample of general disbursements, we performed additional testing of a sample of supplies and materials contracts. We determined that the amount bid by the vendor for various supplies and materials was the amount paid by the City to the vendor. We further determined that bid advertising was done in accordance with law and policy, the bid openings were performed properly, and the lowest responsible bidder received the bid award.

### MISCELLANEOUS

We examined payments for natural gas and electrical energy bills. These disbursements are not processed by a requisition, purchase order, and receiving report/voucher. The Finance Department receives the utility bills for all City departments. Finance staff reviews the bills and processes them for payment. This increases efficiency and avoids late payment charges. We examined a sample of MidAmerican and Xcel Energy bills.

We compared utility rates approved by the Public Utility Commission (PUC) with the billed rates. We physically located the utility meters at various City owned facilities and compared the meter ID numbers to the meter numbers on the invoices. We located all meters and found that they matched the meter numbers on the invoices. All meters examined were installed at City-owned facilities. Rates charged on the invoices matched the PUC approved rates.

### **CONCLUSION**

City staff processes a tremendous number of transactions each month. The City's business activities are complex and wide-ranging. We commend City staff and management for their efforts to ensure that disbursements are proper.

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The following document(s) are public records obtained from the  
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# **DONATED MONEY AUDIT**

## **INTERNAL AUDIT REPORT 08-14**

### **INTRODUCTION**

The City Council authorized this audit as a part of the 2008 Annual Audit Program. This is the first internal audit of donated money.

### **BACKGROUND**

The City of Sioux Falls receives monetary donations in several City departments. Each department that receives donated money has different policies and procedures for accepting the donation. The Library and Parks and Recreation Departments receive the majority of the donations. The donations received range from small donations of \$5 to \$20 all the way up to large donations that can be thousands of dollars. Based on our observations, the majority of the donations are unsolicited. The City receives donations for a wide range of purposes. The City attempts to use donations for the purposes desired by the donors. However, City staff does not always receive such direction. When this happens, City staff determines what they use the donation for.

### **OBJECTIVES**

The objectives of this audit were to determine if:

1. The City recorded donated money accurately and in a timely fashion.
2. The City used donated money for the purpose the donor intended.

### **SCOPE AND METHODOLOGY**

The audit focused on donated money received from January through October 2008. We did not include money given in conjunction with construction projects, such as the donation for the Dawley Red Oak project. Money given for construction projects appears to be more a cost sharing arrangement rather than a true donation.

Our methodology involved gaining an understanding of the process and associated risks and controls. We documented our understanding through narratives. We then gathered evidence to determine if the controls were effective. We interviewed staff and management, reviewed financial records, and tested transactions. We reviewed all donations given in the selected audit period to the Library and Parks and Recreation Departments.

### **RESULTS INCLUDING RECOMMENDATIONS**

**We determined that for both audit objectives, some controls exist to provide reasonable assurance that donated money is properly controlled.** We did have audit recommendations for Parks and Recreation. These recommendations present opportunities for improvement.



### OBJECTIVE ONE: ACCURATE AND TIMELY RECORDING

We reviewed a majority of the donations received by the Library and Parks and Recreation Departments. Library staff entered all donations accurately, in a timely fashion, and according to departmental policy. The Parks and Recreation Department does not have a formal written policy or procedures for receiving and entering donations into the accounting system. The Parks and Recreation Department has gifting agreements in place for some of the larger donations received. It appears that the City did record these donations accurately, but we were not able to determine if the City entered the donations into the accounting system in a timely fashion, because the City agreed to the donations several weeks and/or months prior to the donor actually making the donation. The other donations did not have documentation available from either the donor or the Parks and Recreation staff member who received the donation to test whether the Parks and Recreation staff entered the donations in a timely fashion.

### OBJECTIVE TWO: DONATED MONEY USED FOR PURPOSE DONATED

We reviewed the donations given to the Library and Parks and Recreation Departments to make sure the City used the donations as the donors requested. The Library used all of the donations as the donors requested. The Parks and Recreation Department has gifting agreements in place for some of the larger donations received. These agreements spell out the intended purpose of the donations. In the case of these donations, it appears the City used the donations as the donors desired.

The majority of the donations received by Parks and Recreation that did not have gifting agreements did not have documentation available for review from either the donor or the staff member who received the donation. This information would have allowed us to determine that the City used the donations as the donor desired. However, the staff member who enters the donations receives verbal instructions from the donor or another staff member who received the donation as to its purpose. This staff member enters this information onto spreadsheets which this staff member maintains. These spreadsheets track who the donations were from and what they were for. They also spell out how the City spent the money. Based on this information, it appears the City spent the donations for the desired purposes in all cases.

Parks and Recreation staff stated that they regard the tracking and monitoring of donated money very seriously. They assured Internal Audit staff that the money was being tracked, accounted for properly, and spent as the donors desired. It is our observation that this is very much the case.

### OPPORTUNITIES FOR IMPROVEMENT

1. We recommend that Parks and Recreation management develop a formal policy on how and who is allowed to accept donated money. This policy would address the steps that staff members who receive such funds should take so that the money is entered into the accounting system in a timely and accurate fashion.

**Response: Finance has requested that a citywide policy be developed to address donations to the City regardless of department.**

2. We recommend that management develop a form and make it available to those staff members allowed to accept donated money. This form would include such information as the person/entity making the donation, the name of the staff member receiving the donation, the amount of the donation, what the donation is for, where staff received it, and date received.

**Response: The citywide policy recommended by Finance will have some form of documentation required as part of the gift acceptance.**

### **AUDIT CONCLUSION**

Although there is no clear audit trail of documentation for Parks and Recreation donations, it is our conclusion that the City received, entered, tracked, and used donated money appropriately. We do believe that it is in the best interest of all departments in the City to develop clear and concise policies and procedures for the collection, entry, tracking, and spending of all monetary donations. This not only protects the City from lose or risk of undue legal exposure, but it also provides direction for the City employees that handle monetary funds.

**Response: As a department that receives significant private contributions on an annual basis, using donated funds for anything other than its intended purpose without prior authorization by the donor would be a big mistake on our part. It would violate the trust of current and future donors and destroy our credibility for handling money gifted to the department.**

**There have been times where funding remained from a gift once the original purpose of the gift had been fulfilled. In each case we have made contact with the donor on their desire for the use of the funds remaining and obtained their authorization prior to expending.**

**Please also realize that we have established a close working relationship with Candy Hanson, President/CEO of the Sioux Falls Area Community Foundation who regularly serves as a conduit for gifts to the parks and recreation department.**

**We appreciate the opportunity to review this audit report.**