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| AGENDA | Monday, March 2, 2009 | | |
| Informational Sioux Falls City Council | | | |
| | | | |
| | 4:00 p.m. at Carnegie | | |
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| Town Hall | | | |
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| | 235 West 10th Street | | |

1. Call To Order
2. City Council Staff Report
 - A. Updates from Debra A. Owen, City Clerk
3. Mayor Munson
4. Audit Committee
5. Fiscal Committee
6. Land Use Committee
7. Public Services Committee
8. City Council Open Discussion
9. Presentations
 - A. 2009 Sculpture Walk Program Presentation by Jim Clark, Director Sculpture Walk; and Russ Sorenson, Urban Planner
 - B. Audit Reports: Budget Adjustments/Transfers of Appropriations and Surplus Auction by Rich Oksol, Lead Internal Auditor

Surplus Property Auction 08-12

C. 2010 Budget Calendar by Eugene Rowenhorst, Director of Finance

10. Executive Session

A. Personnel matter

11. Adjournment

Date: 2009-03-02
SIRE Meeting ID: 943
Meeting Type: Informational Meeting

YouTube:<https://youtu.be/p3YINjXQlQI>
Agenda Item: Not Assigned
Item ID: 40451

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

BUDGET ADJUSTMENTS/TRANSFERS OF APPROPRIATIONS

INTERNAL AUDIT REPORT 08-08

INTRODUCTION

The City Council authorized this audit as part of the 2008 Annual Audit Program. This is the first internal audit of budget adjustments/transfers of appropriations.

BACKGROUND

The City of Sioux Falls annual budget consists of appropriations and budgets. The primary difference between appropriations and budgets is appropriations cannot be over expended. All funds in the annual budget are appropriated with the exception of proprietary and trust funds. Water and Sanitary Landfill are two examples of proprietary funds. Employees' Retirement is an example of a trust fund. The General fund and the Sales/Use Tax fund are examples of funds that must be appropriated.

Proprietary funds base their budgets on the demand for services. A direct relationship exists between level of service provided and revenue generated. For appropriated funds, there is not a direct relationship between level of service and revenue received.

Proprietary funds receive their revenue primarily from user fees. Appropriated funds receive revenue from taxations and fees. Trust fund revenue generated determines the amount of budget expended.

Appropriated funds like the General fund must not over expend their appropriations. Proprietary funds and trust funds use a budget as a planning and management tool. They are not required to be appropriated; however, they cannot deficit spend without approval of the Finance Director and Mayor.

The City Council sets the annual budget each year by ordinance. During the year the Mayor may transfer appropriations between divisions or cost centers within a major organizational unit. The Mayor notifies the Council when this is done. Only the City Council may transfer appropriations between major organizational units. This is done by resolution. The annual budget may receive supplemental appropriations during the year by means of a supplemental appropriations ordinance passed by the City Council. The Mayor presents this ordinance to the Council with a certification of funding. The following items are not appropriated, nor considered for budget performance:

- Bad debts.
- Depreciation.
- Residual equity transfers.
- Changes in accrual for vacation and sick leave pay.

OBJECTIVES

The audit objectives were to determine if:

1. Budget adjustments and transfers of appropriations were done accurately, timely, and in accordance with the City Charter and Executive orders.
2. Elected officials are receiving timely and accurate notification of budget adjustments and transfers of appropriations.

SCOPE AND METHODOLOGY

The audit scope focused on adjustments and transfers of appropriations from January 2007 through April 2008. We reviewed the provisions of the City Charter pertaining to financial matters (section 5.07) and executive order 06-79 dealing with appropriations and budget. We interviewed Finance management and staff involved with the City budget. We reviewed all budget adjustments and transfers of appropriations during the audit period. We reviewed monthly financial reports presented to the City Council and ordinances and resolutions related to budget adjustments.

RESULTS

Audit Objective 1

We traced all supplemental appropriations identified in the City's financial records to the authorizing appropriation ordinances. We calculated the elapsed time from Council action to the date of adjustment in the financial system. We also examined all budget adjustments authorized by the Mayor during the audit period. We determined that budget adjustments and transfers of appropriations were done accurately, timely, and in accordance with the City Charter and Executive orders.

Audit Objective 2

We reviewed the file containing the Mayor's notification to the City Council of budget adjustments and transfers of appropriations. We selected a sample of 20 memos in this file, 16 in 2007 and 4 in 2008. We verified that the notifications were consistent with the adjustments and transfers in both the financial system and the monthly financial report to the Council. We also compared the date of the Mayor's notifying memo to the date of the budget adjustment posted in the financial system. We concluded that elected officials are receiving timely and accurate notification of budget adjustments and transfers of appropriations.

Date: 2009-03-02
SIRE Meeting ID: 943
Meeting Type: Informational Meeting

YouTube:<https://youtu.be/p3YINjXQlQI>
Agenda Item: Not Assigned
Item ID: 40452

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City of Sioux Falls.

SURPLUS PROPERTY AUCTION

INTERNAL AUDIT REPORT 08-12

INTRODUCTION

The Sioux Falls City Council approved this audit as part of the 2008 Annual Audit Program. The stated purpose of this audit in the Annual Program was to evaluate internal controls over the City's annual surplus auction sale.

BACKGROUND

When a department decides that equipment or property is obsolete, broken beyond reasonable repair, unserviceable, or no longer needed by the department, such equipment may be designated, with the Mayor's approval, for disposal at the City's annual surplus property auction. Traditionally, the City holds the sale in September or October. For the convenience of the public, the City holds the sale on a Saturday. The City hires a professional auctioneer to run the sale. Other departments have the opportunity to review the list of assets before it becomes public to determine if there is property or equipment that they can use. Under state law, the City may donate equipment or property to other political subdivisions and bypass the auction process. For example, in 2008 the Mayor and Chief of Police, with the approval of the City Council, donated surplus squad cars to Elk Point, Timber Lake, and Eagle Butte. The City takes items not sold at auction to the City's sanitary landfill. The City received \$188,532 in net proceeds from the 2008 auction sale. The City has been using an on-line auction service for specialized surplus equipment. See the details on this in the Noteworthy Actions section of this report.

OBJECTIVES

The objectives were to determine if:

1. Adequate internal controls existed over the management and disposition of surplus property at the City's surplus property auction.
2. The City complied with the Mayor's executive order and South Dakota law concerning surplus property sales.

SCOPE AND METHODOLOGY

The audit focused on the 2008 auction. We interviewed Finance staff, performed a risk and control analysis, and observed the auction site on the day of the sale. We reviewed South Dakota codified law and the Mayor's executive order concerning surplus property. We reviewed financial records, minutes of City Council meetings, and records of auction results. We visited the auction site the day before the sale to observe the receipt and set up of items for sale.

NOTEWORTHY ACTIONS

In recent years, the City has been successful in selling surplus heavy equipment through on-line auctions, specifically IronPlanet.com. The City used IronPlanet's services for an on-line auction on May 1, 2008. The City received net proceeds of \$36,030 for two street sweepers sold to a buyer from Canada. Seven bidders competed for these sweepers and

22 bids were received for one sweeper and 23 for the other machine. Using on-line auction services like IronPlanet.com results in more profitable sales of specialized equipment. The City reaches a global audience of buyers.

RESULTS

We determined that adequate internal controls exist over the management and disposition of surplus property at the City's surplus property auction. We determined that the City complies with the Mayor's executive order and South Dakota law concerning surplus property sales.

OBJECTIVE ONE: INTERNAL CONTROLS OVER MANAGEMENT AND DISPOSITION OF SURPLUS PROPERTY

We concluded that internal controls were adequately designed and functioning properly to provide reasonable assurance that the surplus items are properly tracked and safeguarded. Internal controls are functioning to ensure that winning bids are correctly recorded and the City receives the correct sales proceeds. Finance staff updates fixed asset records on a timely basis for capital assets sold at auction. Finance staff correctly allocates the sales proceeds to the various City funds.

OBJECTIVE TWO: COMPLIANCE WITH POLICY AND LAW

We reviewed the Mayor's Executive Order 06-22 (Surplus Property Disposition) and South Dakota Codified Law 6-13-4 and 6-13-6 that governs the sale of surplus property. We determined through our audit work that the City complied with the executive order and state law. The City properly advertises sales. City staff is using proper methods for disposal of surplus property.

During our closing conference with Finance, we discussed a variety of minor issues and suggestions related to the auction sale. However, our observations were not internal control deficiencies. Finance staff has a practice of reviewing each auction sale at its conclusion with the idea of making improvements at next year's sale. We commend them for this.

We appreciate the courtesy and cooperation of City staff and management shown to us during the course of our audit work.