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4:00 PM

Audit Committee Meeting

Carnegie Town Hall

Sioux Falls City Council

235 West 10th Street

Members Present: Sue Aguilar, Jim Entenman, Greg Jamison, Rex Rolwing, Anne Opegard, and Joe Marsh

Members Absent: Jason Forbes

Staff Present: Rich Oksol, Lead Internal Auditor; Tim Buseman, Internal Auditor; and Tamara Jorgensen, CMC, Assistant City Clerk

Guests: Dean Buckneberg, Dwight McElhaney, Al Roettger, Mike Cooper, Galynn Huber, Jeff Flaten, Dean Borchardt, Greg Neitzert and David Bixler

1. Call To Order

Committee Chair Jamison called the meeting to order at 4:00 p.m.

2. Review and approve minutes from the meeting dated September 27, 2011

A motion was made by Jim Entenman and seconded by Sue Aguilar to approve the minutes dated September 27, 2011. Jamison called for a voice vote and all members present voted yes. Motion Passed.

3. Review Audit Report: 11-11 School-Based Health Clinic

Oksol reviewed the report, detailed responses, recommendations and management responses. Jill Franken, Director of the Health Department, gave an update on payments received. Discussion followed.

A motion was made by Jim Entenman and seconded by Rex Rolwing to accept this audit report and recommend it for presentation to the City Council. Jamison called for a voice vote and all members present voted yes. Motion Passed.

4. Review Audit Report: 11-09 Fuel

Buseman reviewed the report, detailed responses, recommendations and management responses. Galynn Huber discussed upcoming changes that will update the fuel system procedures. Discussion followed.

A motion was made by Sue Aguilar and seconded by Jim Entenman to accept this audit report and recommend it for presentation to the City Council. Jamison called for a voice vote and all members present voted yes. Motion Passed.

5. Review Audit Report: 11-12 Neighborhood Redevelopment

Oksol reviewed the report, detailed responses, recommendations and management responses. Discussion followed.

A motion was made by Jim Entenman and seconded by Sue Aguilar to

accept this audit report and recommend it for presentation to the City Council. Jamison called for a voice vote and all members present voted yes. Motion Passed.

An Open Discussion item concerning Eide Bailly was heard at this time. See Open Discussion for details.

6. Update on Fraud Policy

Oksol gave an update on a first draft of a Fraud Policy, which has been discussed with Bill O'Toole, Director of Human Resources, and with David Pfeifle, City Attorney. Members of the Audit Committee requested a copy of the draft Fraud Policy to review.

The Fiscal Committee is scheduled to review the Fraud Policy at their meeting on Monday, December 5, 2011.

7. 2012 Annual Audit Plan

Oksol reviewed the draft 2012 Audit Plan with the committee. Once reviewed and approved by this committee, the plan is presented to the full City Council and needs to be adopted by a resolution. Oksol indicated this item may be reviewed on a City Council meeting at the end of December or the first meeting in January. Oksol stated that he has received seven requests from city directors to perform audits.

Jamison asked if there was enough room in the plan for the City Council or the Audit Committee to add any additional audits if needed. Oksol stated that other item(s) may need to be removed from the plan for this to occur. These changes will be brought before the committee before implementation.

Regarding contract/agreement audits, Entenman asked if Oksol was going to follow through on monitoring past audits where compliance issues were found, (example: insurance coverage), etc. Oksol stated that he would. Entenman also stated that he would like to know when any additional audits are being requested. Jamison indicated that this protocol will be reviewed again when the resolution is brought before the City Council.

The Internal Audit Charter may be reviewed again in 2012.

A motion was made by Sue Aguilar and seconded by Jim Entenman to accept this plan and recommend it for presentation to the City Council. Jamison called for a voice vote and all members present voted yes. Motion Passed.

8. Update on Filling Vacant Internal Auditor Position

Oksol stated that the vacant Internal Auditor position will be advertised in the Argus Leader on Sunday, November 27, 2011. The position will also be posted on the city's website at www.siouxfalls.org. The posting will last for two weeks, closing on December 9, 2011. Oksol has also notified the Sioux Falls Chapter of the Institute of Internal Auditors, and the Association of Local Government Auditors of the vacancy.

Oksol requested authorization from the committee that he would be the hiring authority for this position. The committee was asked if anyone would like to be involved in the interviews. The committee members stated that they did not need to be involved in the hiring process for this position. The committee members stated that Oksol and Human Resources can work together to find the best candidate. Oksol stated that he felt the position would be filled by

the end of January.

9. Open Discussion

Dean Buckneberg, Eide Bailly, spoke regarding the scheduled external audit of the City of Sioux Falls. Buckneberg stated the Eide Bailly group that conducts this audit would report to the Audit Committee. In preparation for the audit, Buckneberg asked the committee to communicate with them if they have any specific areas of concern, if they want anything specific reviewed regarding fraud or non-compliance issues or if they want any other items reviewed. Buckneberg mentioned that another area that they can review is financial assistance that the City receives from the State in the form of grant agreements.

Pre-audit work will begin the week of November 28, 2011, with the external auditors being onsite for a week or so. Yearend audit work will begin around January 30, 2012, with the auditors being onsite until February 10, 2012. The external auditors are looking at delivering a report at the end of March or the first part of April.

Buckneberg stated that this is the first step to keeping communications open and encouraged the committee to contact him with any concerns or requests as soon as possible so it can be included in the pre work planning. After discussion, Jamison recommended that the suggestions be sent to either to him or Oksol and the information would be forwarded to Buckneberg.

Entenman asked if there was anything specific that the committee should be made aware of or should watch for. Buckneberg stated there were specific grants in the past that had some small, non-compliance issues but that he could not recall anything significant at this point.

After discussion, the committee determined that the next update from Eide Bailly could be received in March after the external audit is completed. If something major happens before that time, the committee will be made aware of it as soon as possible. Buckneberg stated that he would be in contact with Jamison because their contract requires that he keep in direct contact in case something comes up that needs to be addressed.

Jamison requested that the Audit Department provide a yearend report illustrating whether or not management has followed through on recommended improvements. The status report should include the type of improvement requested and the steps that have been taken to comply with the request. The report should also provide data for unresolved improvements. After discussion, the recommendation was made that this report be changed to a quarterly summary update versus an annual update.

Oksol stated he would be working with Tamara in the City Clerk's Office to set up a schedule for the 2012 Audit Committee Meetings. The tentative schedule will be distributed in December for the committee's review and approval.

10. Executive Session

A. Pursuant to Personnel Issue Under SDCL 1-25-2(1)

A motion was made by Jim Entenman and seconded by Sue Aguilar to go into Executive Session at 5:05 p.m. for the purpose of discussing a personnel issue under SDCL 1-25-2(1). Jamison called for a voice vote and all members present voted yes. Motion Passed.

A motion was made by Aguilar and seconded by Rolwing to go out of Executive Session at 5:17 p.m. Jamison called for a voice vote and all members present voted yes. Motion Passed.

11. Adjournment

A motion was made by Oppedard and seconded by Entenman to adjourn at 5:18 p.m. Jamison called for a voice vote and all members present voted yes. Motion Passed.

Tamara Jorgensen,
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Assistant City Clerk