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Thursday,	
August 2,	
2012	
Audit Committee	
Meeting	4:00 PM
Carnegie	
Sioux Falls City Council	
Town Hall	
235 West	
10th	
Street	

AGENDA

1. Call To Order
2. Review and approve minutes from last committee meeting dated June 7, 2012
3. Review Audit Report: 12-06 Quality of Life Bonds
4. Internal Auditor Vacancy
5. Status of Various Audit Projects
6. Changes To Internal Audit Charter
7. Open Discussion
8. Adjournment

Date: 2012-08-02  
SIRE Meeting ID: 1771  
Meeting Type: Committee Meeting  
Subtype: Audit Committee  
YouTube:[https://youtu.be/hwy\\_WwbYQeg](https://youtu.be/hwy_WwbYQeg)  
Agenda Item: Not Assigned  
Item ID: 64161

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

These minutes are considered DRAFT until approved at the next committee meeting.

# MINUTES

Thursday, June 7, 2012

**Audit Committee Meeting**  
**Sioux Falls City Council**

4:00 PM  
Carnegie Town Hall  
235 West 10<sup>th</sup> Street



**Members Present:** Council Member Sue Aguilar, Council Member James Entenman, Council Member Greg Jamison, Council Member Rex Roling, Audit Committee Member Jason Forbes, Lead Internal Auditor Rich Oksol, Internal Auditor Tim Buseman

**Members Absent:** Audit Committee Member Anne Opegard

**Staff Present:** Lorie Hogstad, City Clerk; Jim David, Legislative/Operations Manager; David Bixler, Budget Analyst

**Guests:** A.J. Swanson, Attorney for Wayne Township; Pat Doyle, Wayne Township Supervisor

## 1. Call To Order

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

## 2. Review and approve minutes from last meeting dated April 5, 2012

A motion was made by Council Member Sue Aguilar and seconded by Council Member Rex Roling to approve the minutes dated April 5, 2012.

Jamison called for a voice vote on that motion and all members voted yes.

**Motion Passed.**

## 3. Review Audit Report: 12-05 Overtime

Buseman reviewed the report, detailed responses, recommendations, and management responses. He clarified that the audit covered the overtime for Sioux Falls Fire Rescue only which reflected SFFR assisting with the flooding issues at Dakota Dunes in 2011. Some of the overtime was reimbursed to the City by FEMA.

Entenman asked if any reference was made to flex time or the accumulation of time off benefits. Buseman stated that the overtime procedures were specifically reviewed. Oksol stated that Fire Chief Jim Sideras requested the audit.

Discussion followed.

Entenman stated he will talk to Bill O'Toole, Human Resources Director, at the Director's Meeting on Friday whether paying the \$2 million in overtime or making new hires would be more cost effective to the City.

A motion was made by Council Member Sue Aguilar and seconded by Council Member James Entenman to accept the Audit Report: 12-05 Overtime.

Jamison called for a voice vote on that motion and all members voted yes.

**Motion Passed.**

**4. Review Audit Report: 12-07 Wayne Township Agreement for Fire/Rescue Services**

Oksol stated this audit was a special request that came from Council Member Dean Karsky. In 2005 the City entered into an agreement with Wayne Township to provide fire services. A formula was worked out for the annual charge, particularly the property tax portion of the Fire Department budget. Various complications arose from this which Oksol identified during his presentation. Credit was given for the fire tax levy, but not for the fire insurance premium tax.

A.J. Swanson, attorney representing the Wayne Township Board, stated that by law every township has to contract with a certified fire department. Wayne Township is the only township that contracts with Sioux Falls Fire Rescue. Wayne Township representatives will be meeting with the City Attorney's Office to develop a new formula for determining the rate.

Entenman asked if the suggested compromise came from the Internal Audit Department. Oksol stated that was the case and going forward a clearly defined agreement should be in place.

A motion was made by Council Member James Entenman and seconded by Council Member Sue Aguilar to accept Audit Report: 12-07 Wayne Township Agreement for Fire/Rescue Services.

Jamison called for a voice vote on that motion and all members voted yes.

**Motion Passed.**

**5. Update on Filling Internal Auditor Vacancy**

Oksol stated that Danette Schumacher has been hired. She will begin on June 18, 2012. He stated that Schumacher is a Certified Internal Auditor. The committee members welcomed Danette.

**6. Open Position on Audit Committee**

Joe Marsh stepped down from the Audit Committee in February which has created a vacancy on this committee.

**7. Cost Estimates on Making Fraud, Waste and Abuse Hotline Available to the Public**

Oksol stated the Fraud Hotline costs are \$1,750.00 per year and is currently only available to City employees which was the original decision made in 2007. Oksol stated if the line were to be opened up to citizens, the cost would be \$10,000.00 a year. This would include 300 telephone reports with an average of \$32.00 per report and would include 250 web reports with an average of \$5.00 per web report. Currently, there is an average of two to three calls per year from employees. Cost recovery versus the cost of the additional service was discussed.

Entenman did not see the necessity to spend the \$10,000.00 at this time. The consensus of the committee was to leave the Fraud Hotline as is.

**8. Open Discussion**

Oksol stated that the next committee meeting is scheduled for Thursday, August 2, 2012, at 4:00 p.m.

Oksol has been assisting the new Auditor for the City of Rapid City. Oksol plans to be meeting with the City Directors as a group and individually regarding the fraud risk assessment and also in preparation of the 2013 audit plan. Oksol stated he appreciated the permission to attend the National Audit Conference in Arizona. Oksol stated there is one resolution and one ordinance that establish this committee and office which needs to be updated and he will work with Jim David, Legislative/ Operations Manager, on these amendments to be brought to the committee at the next meeting.

**9. Adjournment**

A motion was made by Council Member Sue Aguilar and seconded by Council Member James Entenman to adjourn at 4:43 p.m.

Jamison called for a voice vote on that motion and all members voted yes.

**Motion Passed.**

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Lorie Hogstad, CMC  
City Clerk

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Item ID: 64166

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# Quality of Life Bonds July 2012



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

## **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.

## **BACKGROUND**

The City Council of the City of Sioux Falls approved two bond issues, one in 2007 and one in 2009 to fund various cultural and recreational projects. These bond issues are referred to as Quality of Life (QOL) bonds. Ordinance 41-07 authorized the issuance of sales tax revenue bonds to pay the costs of the following projects:

- Expansion and renovation of the main library.
- Acquisition, construction and equipping of a sports complex at Harmodon Park.
- Acquisition, construction and equipping of an aquatic facility at Nelson Park.

This ordinance was adopted on 03/05/2007. The total authorized cost of the bonds was \$35 million.

Ordinance 47-09 was adopted on 05/18/2009 and authorized \$18.5 million in bonds to fund these projects:

- Acquisition, construction and equipping of a westside branch library.
- Improvements in the River Greenway in downtown Sioux Falls.
- Construction and equipping of a youth sports complex near Benson Road and Westport Avenue.
- Improvements and equipment for the Great Plains Zoo.

## **OBJECTIVES**

The overall objective was to assess the effectiveness of the administration of the two Quality of Life bond issues. Specifically, we sought to determine the following:

1. Were projects identified in ordinance initiated and completed?
2. Were bond proceeds used for the authorized projects and only for authorized projects and other authorized costs?
3. Are the bond issues being paid back on schedule and from the authorized source?
4. Did the Drake Springs pool project funded by Quality of Life 1 stay within the voter approved limits of the May 2007 municipal election?

## **RESULTS**

### **Objective one: projects initiated and completed**

All projects identified in the two bond issues have been initiated. One is considered complete, two are substantially completed. The other four projects are in various stages of progress.

Specifically, the status of the seven projects as of June 2012 is as follows:

- Drake Springs aquatic facility – complete.
- Main library expansion and renovation – substantially completed.



- Harmodon Park – under design<sup>1</sup>.
- Westside branch library – under design.
- River Greenway improvements – in construction.
- Zoo master plan improvements – in construction.
- Junior football complex – substantially completed.

**Objective two: bond proceeds used for identified projects and other authorized costs**

We determined that bond proceeds were used for authorized projects and only for authorized projects and other authorized costs. We sampled transactions in the culture/recreation bond fund where the activity for the Quality of Life bonds is recorded. All transactions sampled were for identified projects in the Quality of Life bond issues. We reconciled uses of bond proceeds with debt repayment schedules, source documents and general ledger accounts for the culture/recreation bond construction fund.

Project construction costs for the bond issues are as follows:

Drake Springs pool project Capital Improvement Program number 187064  
**\$4,699,301 total to date;** QOL bond

Main library renovation and expansion CIP 004028

\$12,498,252 QOL bond  
880,552 2<sup>nd</sup> penny sales/use tax funds  
15,481 library fines  
**\$13,394,285 total to date**

Harmodon Park CIP 038064

\$3,901,567 QOL bond  
6,148,976 2<sup>nd</sup> penny sales/use tax funds  
**\$10,050,543 total to date**

Westside branch library CIP 008028

**\$262,531 total to date;** QOL bond

River Greenway improvements CIP 189064

\$4,997,737 QOL bond  
225,790 2<sup>nd</sup> penny sales/use tax funds  
170,603 Big Sioux River Environmental fund  
**\$5,394,130 total to date**

Junior football complex CIP 202064

**\$4,203,778 total to date;** QOL bond

Note: This project, when completed, will include donations from South Dakota Junior Football.

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<sup>1</sup> “Under design” refers to the current phase; however, most of the project has been completed.

Zoo master plan improvements CIP 193064

\$1,694,231 2<sup>nd</sup> penny sales/use tax funds

1,399,252 QOL bond

**\$3,093,482 total to date**

The breakdown of bond sources and uses for the two issues is as follows:

**Series 2007B bonds (QOL 1)**

Par amount of bonds	\$25,570,000
Reoffering premium	495,912
Gross	\$26,065,912

**Total Sources \$26,065,912**

Underwriter's discount	\$145,377
Bond insurance premium	123,300
Costs of issuance	77,000
Deposit to Debt Service Reserve Fund	2,047,463
Deposit to Capitalized Interest Fund	1,019,778
Deposit to Project Construction Fund	22,652,994

**Total Uses \$26,065,912**

**Series 2009A bonds (QOL 2)**

Par amount of bonds	\$20,265,000
Reoffering premium	216,452
Gross	\$20,481,452

**Total Sources \$20,481,452**

Underwriter's discount	275,717
Costs of issuance	87,500
Deposit to Debt Service Reserve Fund	1,620,606
Deposit to Capitalized Interest Fund	1,047,549
Deposit to Project Construction Fund	17,450,080

**Total Uses \$20,481,452**

**Objective three: bond issues on schedule with repayment schedule**

We concluded that the City is on track with the repayment schedule for these two bond issues. Funds for the debt service are coming from the authorized source (the second penny sales/use tax.)

**Objective four: Drake Springs project stayed within the voter approved limits**

In a municipal election on May 15, 2007, Sioux Falls voters approved an outdoor pool project at Drake Springs Park. The cost of this project was not to exceed to \$4.7 million according to the ballot language. This project was funded by the Quality of Life bond issue 1. We determined that this project did not exceed the voter-approved limit of \$4.7 million. The paid-to-date figure for this project was **\$4,699,301** which included the following costs:

**Swift Construction** \$4,231,734 original construction contract plus net change orders of \$26,609

**Water Edge Aquatic Design** \$381,000 design/engineering/contract administration

**Geotech Engineering** \$24,711 soil testing

**Miscellaneous vendors** \$35,247 sod, fencing and other similar expenses

**CONCLUSION**

Internal controls are operating effectively to administer the two Quality of Life bond issues. We appreciate the cooperation of Finance department management during the course of our audit work.

**SCOPE AND METHODOLOGY**

The scope of this audit is the two Quality of Life bond issues authorized by ordinances 41-07 and 47-09. We reviewed documents, sampled transactions, examined accounting records and interviewed management.

**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 ordinance 120-05.

**DISTRIBUTION OF REPORT**

This report is intended for the information and use of the City of Sioux Falls 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**

Lead Internal Auditor Rich Oksol, CPA, CGAP

Date: 2012-08-02  
SIRE Meeting ID: 1771  
Meeting Type: Committee Meeting  
Subtype: Audit Committee  
YouTube:[https://youtu.be/hwy\\_WwbYQeg](https://youtu.be/hwy_WwbYQeg)  
Agenda Item: Not Assigned  
Item ID: 64168

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## **AUDIT COMMITTEE MEETING OF 08/02/2012**

### **STATUS OF VARIOUS AUDIT PROJECTS**

#### **Reports completed this year**

Follow-up on Status of Audit Recommendations

POET Landfill Gas Contract

City Fees

Contract Monitoring

Overtime

Wayne Township Agreement for Fire/Rescue Services

Quality of Life Bonds (reviewed at this meeting)

#### **In progress**

Purchasing/procurement

Light Department

Fraud Risk Assessment

#### **On 2012 annual audit plan, not started yet**

Siouxland Libraries

Water Department

Utility Billing office (cash handling)

River Greenway

Ryan White Title III Grant

Events Center

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## AUDIT COMMITTEE MEETING OF 08/02/2012

### DISCUSSION OF CHANGES TO CURRENT INTERNAL AUDIT CHARTER

- Eliminate references to City Clerk being the supervisor of internal auditors in the internal audit charter (so as to be in conformity with new organization chart)
- Change title of Lead Internal Auditor to City Auditor (see attached document on Chief Audit Executive titles for municipalities with 1 – 5 auditors in North America)
- Include procedure/process for requests for audit services (special projects)
- Establish that internal audit staff report to the City Auditor
- Establish that the title of the internal audit function will be City Auditor's Office (to avoid confusion with the Internal Revenue Service)
- On page 3 change the following: currently: *Assist in the investigation of significant suspected fraudulent activities within the City of Sioux Falls and notify the Audit Committee of the results. The Audit Committee will review and report such suspected activities to the Mayor and City Council* **change to** *Assist in the investigation of suspected fraudulent activities in accordance with the Fraud Control Policy adopted by the City of Sioux Falls.*

**These are discussion points for the Committee to consider**

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**CHIEF AUDIT EXECUTIVE TITLES  
FROM 2012 ALGA MEMBER DIRECTORY  
MUNICIPAL AUDIT ORGANIZATIONS ONE TO FIVE AUDITORS**

<u>Municipality</u>	<u>Chief Audit Executive Title</u>	<u>No. of auditors</u>	<u>CAE reports to</u>
Torrance, California	Audit Manager	3	CFO/Finance
Anaheim, California	Audit Manager	5	Executive Officer
Waterloo, Ontario, Canada	Auditor	2	Executive Officer
Welland, Ontario, Canada	Auditor	1	Other
Hartford, Connecticut	Chief Auditor	5	Audit Committee
Albany, New York	Chief City Auditor	3	Elected Auditor
Windsor, Ontario, Canada	City Auditor	3	Audit Committee
Springfield, Massachusetts	City Auditor	2	Audit Committee
McAllen, Texas	City Auditor	2	Audit Committee
Bremerton, Washington	City Auditor	1	Audit Committee
Mesa, Arizona	City Auditor	4	Council
Palo Alto, California	City Auditor	4	Council
Sacramento, California	City Auditor	3	Council
Stockton, California	City Auditor	4	Council
Cape Coral, Florida	City Auditor	3	Council
Fort Lauderdale, Florida	City Auditor	4	Council
Gainesville, Florida	City Auditor	4	Council
Lawrence, Kansas	City Auditor	1	Council
Gresham, Oregon	City Auditor	1	Council
Denton, Texas	City Auditor	2	Council
Chesapeake, Virginia	City Auditor	5	Council
Arlington, Texas	City Auditor	5	Council
Garland, Texas	City Auditor	5	Council
Glendale, Arizona	City Auditor	2	Executive Officer
Wilmington, Delaware	City Auditor	3	Executive Officer
Las Cruces, New Mexico	City Auditor	2	Executive Officer
College Station, Texas	City Internal Auditor	2	Audit Committee
Ocala, Florida	City Internal Auditor	1	Council
Orlando, Florida	Director	4	Other
Hamilton, Ontario, Canada	Director of Audit Services	5	Executive Officer
Durham, North Carolina	Director, Audit Services	4	Audit Committee
Fort Wayne, Indiana	Director, Internal Audit	3	Audit Committee
Anchorage, Alaska	Director, Internal Audit	3	Audit Committee
Minneapolis, Minnesota	Director, Internal Audit	3	Audit Committee
Lubbock, Texas	Director, Internal Audit	1	Executive Officer
Plano, Texas	Director, Internal Audit	2	Executive Officer
Newport News, Virginia	Director, Internal Audit	5	Executive Officer
Tampa, Florida	Director, Internal Audit	5	Executive Officer
Dothan, Alabama	Internal Analyst	1	Other
Clarksville, Tennessee	Internal Audit Manager	2	Audit Committee
Vancouver, British Columbia	Internal Audit Manager	5	Audit Committee

Santa Monica, California	Internal Audit Manager	2	CFO/Finance
Raleigh, North Carolina	Internal Audit Manager	3	CFO/Finance
Riverside, California	Internal Audit Manager	2	Executive Officer
Rochester, New York	Internal Audit Manager	5	Executive Officer
Hampton, Virginia	Internal Audit Manager	2	Other
West Palm Beach, Florida	Internal Auditor	3	Audit Committee
Lewisville, Texas	Internal Auditor	1	CFO/Finance
Danville, Virginia	Internal Auditor	1	CFO/Finance
Kalamazoo, Michigan	Internal Auditor	1	Council
Conroe, Texas	Internal Auditor	1	Council
Jacksonville Beach, Florida	Internal Auditor	1	Executive Officer
Eules, Texas	Internal Auditor	1	Executive Officer
Laredo, Texas	Internal Auditor	3	Executive Officer
Midland, Texas	Internal Auditor	1	Executive Officer
Tyler, Texas	Internal Auditor	1	Executive Officer
Tacoma, Washington	Internal Auditor	1	Executive Officer
Bowling Green, Kentucky	Internal Auditor	1	Executive Officer
Reno, Nevada	Senior Mgmt Analyst	1	Executive Officer