

AGENDA	Thursday, June 29, 2017
Audit Committee Meeting	4 PM
Sioux Falls City Council	Carnegie Town Hall
	235 West 10th Street

1. Call To Order

2. Recognitions

A. Recognition of Service of Audit Committee Member, Jason Forbes

B. Introduction of New Audit Committee Member, Dean Buckneberg

C. Introduction of New Internal Auditor, Abby Vandelanotte

3. Approval of Minutes

A. Meeting of Monday, March 13, 2017

4. Reports and Updates

A. External Audit Results: City of Sioux Falls 2016 Financial Statements

5. Audit Report Review

A. Audit Report 17-04: Cash Handling - SFAHS

B. Audit Report 17-01: Ambulance Service Contract

6. Open Discussion

7. Adjournment

Date: 2017-06-29
SIRE Meeting ID: 2610
Meeting Type: Committee Meeting
Subtype: Audit Committee
YouTube:<https://youtu.be/2lzxRsiPq3M>
Agenda Item: Not Assigned
Item ID: 84337

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City of Sioux Falls.

MINUTES

Monday, March 13, 2017

Audit Committee Meeting

4:01 PM

Sioux Falls City Council

Carnegie Town Hall
235 West 10th Street



Members Present: Committee Member Jason Forbes, Committee Member Arnold Martens, Committee Chair Rex Roling (arr. 4:22 p.m.), Committee Member Greg Neitzert, Committee Member Rick Kiley, Committee Member Michelle Erpenbach

Members Absent: Committee Member Seth Peterson

Staff Present: Kim Schroeder, Internal Audit Manager; Ashley Stroschein and Jenn Tanno, Internal Auditors

1. Call To Order

Committee Member Rick Kiley called the meeting to order at 4:01 p.m.

2. Introduction of new Internal Auditor, Jenn Tanno

The committee welcomed Jenn Tanno on her first work day as an Internal Auditor.

3. Approval of Minutes

A. Meeting of Wednesday, January 11, 2017

A motion was made by Committee Member Michelle Erpenbach and seconded by Committee Member Greg Neitzert to approve the minutes of Wednesday, January 11, 2017.

Committee Member Kiley called for a voice vote and all members present voted yes.

Motion Passed.

4. Reports and Updates

A. Review Follow-up to Fuel Control Audit Report

Ashely Stroschein, Internal Auditor provided the audit background, objectives, results, and recommendations.

A motion was made by Committee Member Jason Forbes and seconded by Committee Member Michelle Erpenbach to accept the Follow-up to Fuel

Control Audit Report and submit it to the City Council.

Committee Member Kiley called for a voice vote and all members present voted yes.

Motion Passed.

B. Update on External Audit of City's 2016 Financial Statements

Kim Schroeder presented the following: federal compliance testing is complete and currently under review; the financial statement audit began in February and will be internally reviewed by Eide Bailly, LLP beginning this month; and City staff will be working on the CAFR which is due to Eide Bailly, LLP by March 31. The on-site work with Metro Communications and the audit with the Housing and Redevelopment Commission is on track. Eide Bailly expects to present to the Audit Committee in early Summer.

C. Review 2017 Annual Audit Plan

Kim Schroeder provided an overview of previous audit topics since 2010 and those proposed for 2017 to include preliminary objectives. Discussion about "gaps" in audit coverage and the proposed "public information requests" audit followed.

Committee Chair Rex Rolfing arrived at 4:22 p.m.

A motion was made by Committee Member Michelle Erpenbach and seconded by Committee Member Arnold Martens to remove "Public Information Requests" from the recommended 2017 Audit Plan.

Committee Member Kiley called for a voice vote and all members present voted yes.

Motion Passed.

A motion was made by Committee Member Rex Rolfing and seconded by Committee Member Michelle Erpenbach to submit the 2017 Annual Audit Plan, as amended.

Committee Member Kiley called for a voice vote and all members present voted yes.

Motion Passed.

5. Continuing Education / Training

An overview of planned continuing education and training was provided.

A. The Institute of Internal Auditors Sioux Falls Chapter Spring Seminar, Sioux

Falls

- B. The Institute of Internal Auditors 2017 Leadership Academy, Orlando Florida
- C. Association of Local Government Auditors 2017 Annual Conference in Atlanta, Georgia

6. Open Discussion

Clarification on the amended main motion from Item 4C was addressed at this time.

The next meeting of the Committee will be in May or June.

Kiley recognized this meeting as Schroeder's first in her capacity as Internal Audit Manager.

7. Adjournment

Committee Member Rick Kiley adjourned the meeting at 4:49 p.m.

Thomas M. Greco
City Clerk

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Experience the Eide Bailly Difference

**2016 Audit Committee Presentation
June 29, 2017**



Service Team



Audit Recap

- Performed in accordance with generally accepted auditing standards, *Government Auditing Standards*, and Title 2 U.S. Code of Federal Regulations (CFR)
 - Designed to obtain reasonable, not absolute, assurance about whether the financial statements are free of material misstatement



Audit Recap

- Financial Statements
 - Unmodified opinion
 - No required audit adjustments
 - No material weakness or significant deficiency internal control findings
 - Significant estimates



Audit Recap

- Federal Audit
 - Unmodified opinion
 - No material weakness or significant deficiency internal control findings
 - No material weakness or significant deficiency compliance findings



Experience the Eide Bailly Difference

Thank You



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Agenda Item: Not Assigned
Item ID: 84339

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Internal Audit Report 17-04
Sioux Falls Area Humane Society-Cash Handling
June 2017



City of Sioux Falls
Internal Audit Department
Carnegie Town Hall
235 W. 10th Street
Sioux Falls, SD 57117-7402
www.siouxfalls.org/council/internal-audit

SIoux FALLS AREA HUMANE SOCIETY CASH HANDLING INTERNAL AUDIT REPORT 17-04

INTRODUCTION

An Animal Sheltering Services Agreement exists between the City of Sioux Falls (City) and the Sioux Falls Area Humane Society (SFAHS). As part of this contract, the SFAHS is authorized to collect all animal license fees and impounding and boarding fees for animals under the City's authority and revert these collections back to the City. This audit was performed to analyze the cash handling controls at the SFAHS as requested by management of the Animal Control Unit.

BACKGROUND

The Sioux Falls Animal Control Unit provides public safety and pet safety by upholding the ordinances of the City. Animal Control responds to calls concerning pet licenses, barking dogs, stray cats or dogs, leash law violations, dog fights, animal bites, animal abuse and neglect, injured and deceased animals, and wildlife. The City has contracted with the SFAHS since 2009 to provide shelter services, veterinary care, and disposal of all animals brought in by the Animal Control Unit. The Sioux Falls Area Humane Society is an open admission facility that takes in abandoned, abused, homeless and unwanted animals.

The agreement provides that the SFAHS is to collect animal license fees, impounding fees, and boarding fees as set by the City Code of Ordinances. All fees that are collected by the SFAHS are to be reverted back to the City. Any animal held or impounded by the SFAHS shall be released to the owner upon payment of the daily boarding costs and impoundment fees listed below. The SFAHS accepts cash payments only.

BOARDING FEE

Daily Fee	\$8
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IMPOUNDMENT FEES

First violation	\$30
Second violation within a 12 month period	\$50
Third and subsequent violations within a 12 month period	\$75

Each owner or keeper of a dog or cat of the age of six months or older must license their animal with the City within 30 days of acquisition of the animal or within 30 days of the time the animal becomes six months old. The SFAHS charges a convenience fee of up to \$5 for each new or renewal license in order to defray the costs of providing the licensing service and record keeping expenses. The software system, PetPoint, is used by the SFAHS to track impounded animals, animal ownership information, animals released and returned to their owners, fees charged and collected, etc.

LICENSE FEE SCHEDULE

	<u>1 Year License</u>	<u>3 Year License</u>
Neutered or Spayed Dog or Cat	\$5	\$15
Unneutered or Unspayed Dog or Cat	\$25	\$75

The SFAHS has remitted the following collections to the City during the last three years.

Year	Boarding	Impounding	License	Total
2014	\$4,532	\$16,410	\$220	\$21,162
2015	\$3,696	\$16,785	\$250	\$20,731
2016	\$4,112	\$19,765	\$250	\$24,127

OBJECTIVES

The objectives of this audit were to:

1. Determine if cash handling policies and procedures are current, properly documented and being adhered to.
2. Determine if cash is collected, secured, transported, deposited, recorded, and reconciled in an adequate and accurate manner.
3. Determine if management oversight mitigates the risk of weak internal controls over cash receipts.

SCOPE AND METHODOLOGY

The scope of this audit focused on the review of cash handling controls at the Sioux Falls Area Humane Society. The testing of controls covered transactions for the twelve month period of April 1, 2016 to March 31, 2017. Our audit work included the following:

- Interviews with Animal Control and the SFAHS management and staff.
- Review of written policies and procedures over cash receipts and deposits.
- Observation of the beginning and end of day cash collection procedures and monthly deposit process.
- Detailed testing of a sample of impounding and boarding fee transactions.
- Review of license, impounding, and boarding fee deposits.
- Analytical review of the last three years of license, impounding, and boarding fee revenue data.

RESULTS

Policies and Procedures

We reviewed the cash handling policies and procedures from the SFAHS and Animal Control. We also performed an observation of the daily opening and closing process and the month end deposit process. We determined that policies and procedures are current and are properly followed by staff.

We also determined that policies and procedures are properly documented with the exception that they do not include any written guidance for the waiver of fees. The Animal Services Sheltering Agreement states that the SFAHS “has no authority to cancel any board or impoundment fee, unless approved by an Animal Control Supervisor.” Proper approval and support should be documented in order to justify the circumstances leading to the waiver of fees due to the City. **See audit recommendation 1 below.**

Cash Handling

Based on the observations performed, we determined that segregation of duties over the cash handling process is adequate. Our detailed testing and review of cash transactions and deposits revealed that the SFAHS is charging and collecting the proper amounts for impounding, boarding, and license fees. The amounts remitted to the City are proper, in accordance with the agreement, and accurately recorded in the City’s financial system.

However, we identified some internal control weaknesses that exist in regards to the cash handling process. **Audit recommendations 2 through 6** were included below to address each of the weaknesses noted.

- Deposits are not made in accordance with contract requirements.
- Cash receipts are not issued in sequential order.
- Physical security over cash is inadequate.
- Reconciliations are not consistently dated and initialed by the individual verifying the reconciliation.
- Voided receipts are not properly supported and approved by management.

Management Oversight

Based on our interviews and observations, management oversight exists, but does not mitigate the risk that internal controls over cash receipts are inadequate. However, our testing and analytical reviews have indicated no misappropriation of cash assets or fraud. We have identified the following opportunity for improvement to help mitigate the risks of the current cash handling process.

Opportunity for Improvement

City management should consider an alternative means to collect impounding, boarding, and license fees and implement these changes when the current contract expires on December 31, 2019. This could include the City collecting the cash payments instead of the SFAHS and also accepting credit card payments in order to eliminate the potential risk of fraud and misappropriation of cash assets. Additionally, this would help to eliminate some of the expense of overtime hours for the SFAHS.

RECOMMENDATIONS

We made the following recommendations to address the above referenced results.

City Animal Control Unit

- 1) Policies and procedures should include specific criteria for the waiver of fees. Fee waivers should be properly documented, approved, and retained on file.

Management's Response: We concur with the recommendation and will move forward to implement it.

Management Representative Responding: Richard Miller, Police Captain

Date of expected implementation: August 1, 2017

- 2) Deposits should be made in accordance with the Animal Sheltering Services Agreement.

Management's Response: We agree with the recommendation.

Management Representative Responding: Richard Miller, Police Captain

Date of expected implementation: July 1, 2017

Sioux Falls Area Humane Society

- 3) Cash receipts should be issued in sequential order.

Management's Response: Agree. However, software limitations prohibit sequential ordering of receipt numbers.

Management Representative Responding: Kori Baade, SFAHS Executive Director

Date of expected implementation: Not applicable.

- 4) Internal controls over the physical security of cash should be enhanced.

Management's Response: The SFAHS agrees to implement an appropriate system to better secure the limited amount of cash on hand.

Management Representative Responding: Kori Baade, SFAHS Executive Director

Date of expected implementation: July 1, 2017

- 5) All reconciliations should be dated and initialed to demonstrate they were completed, reviewed, and approved. Any reconciling items, shortages, or overages should be investigated, resolved, and documentation should be retained.

Management's Response: Agree. We will initial and date going forward.

Management Representative Responding: Kori Baade, SFAHS Executive Director

Date of expected implementation: Already implemented.

- 6) Voided receipts should be properly supported, approved by management, and retained on file. The individual voiding a receipt should properly document the reason for the void and management should date and initial the receipt to demonstrate their approval.

Management's Response: Agree. Voided transactions will be documented in PetPoint, reviewed by management, and documentation will be maintained. Copies will kept of all voided transactions.

Management Representative Responding: Kori Baade, SFAHS Executive Director

Date of expected implementation: Already implemented.

CONCLUSION

Based on our review, we believe there are opportunities for improvement to address the weaknesses noted in regards to the cash handling process. The implementation of the above recommendations will strengthen controls around cash and reduce the risk of fraud and misappropriation.

We would like to thank the management and staff of the Animal Control Unit and the Sioux Falls Area Humane Society for their cooperation and assistance during this audit.

AUTHORIZATION

The Sioux Falls City Council approved this audit by resolution in April 2017 as part of the 2017 Annual Audit Program. The Internal Audit Division operates under the authority of an Internal Audit Charter adopted by City Council resolution 11-13.

AUDIT STANDARDS

This audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors.

STATEMENT OF INDEPENDENCE

Internal Audit is administratively and operationally independent of the programs and departments it audits, both in appearance and in fact. The Internal Audit Manager is accountable to an Audit Committee appointed by the City Council per section 32.022 of the Code of Ordinances of Sioux Falls, SD.

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

Ashley VanDeBerg
Internal Auditor

Jenn Tanno
Internal Auditor

Date: 2017-06-29
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The following document(s) are public records obtained from the
City of Sioux Falls.

**Internal Audit Report 17-01
Ambulance Service Contract
April 2017**



City of Sioux Falls
Internal Audit Department
Carnegie Town Hall
235 W. 10th Street
Sioux Falls, SD 57117-7402
www.siouxfalls.org/council/internal-audit

AMBULANCE SERVICE CONTRACT INTERNAL AUDIT REPORT 17-01

INTRODUCTION

The City of Sioux Falls, including the Sioux Falls Regional Emergency Medical Services Authority (REMSA), and Paramedics Plus, LLC entered into a Surface Ambulance Transport Services Franchise Agreement with an effective date of May 21, 2015. This agreement grants Paramedics Plus an exclusive franchise to provide all surface ambulance transport services that originate and end within the city limits of Sioux Falls. This audit focuses on contract compliance with response time requirements and mutual aid services.

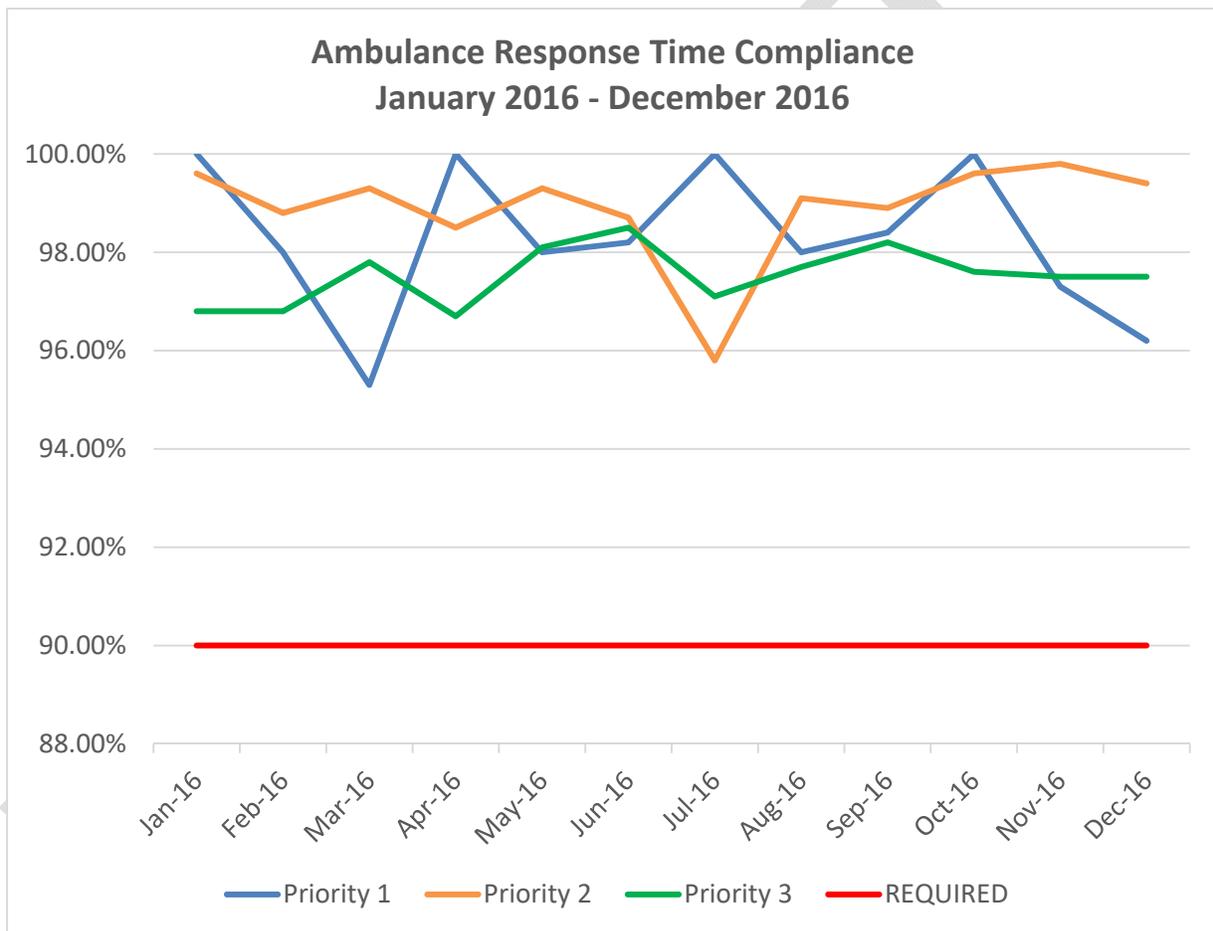
BACKGROUND

During 2014, the City/REMSA issued a Request for Proposal (RFP) for a new ambulance service provider to operate within the City. As a result of this RFP, Paramedics Plus was chosen as the contractor to provide this service. The agreement between the City/REMSA and Paramedics Plus is a performance based contract in which Paramedics Plus must perform its services in full compliance with response time requirements and mutual aid requirements. The agreement provides that it is the City/REMSA's responsibility to monitor the performance and compliance with the performance based specifications applicable to Paramedics Plus. REMSA was established in 1992 by the City to provide guidance on matters relating to emergency medical services (EMS) and to conduct quality assurance activities for the EMS system.

The ambulance contract outlines five priorities with which Paramedics Plus must comply by meeting specified response times. Calls are classified as Emergency or Non-Emergency and by Priority based on presumptive prioritization in accordance with the Emergency Medical Dispatching protocols as approved by REMSA. Emergency calls are classified as Priority 1, 2, or 3. Calls for non-emergency transportation that originate within the City are classified as Priority 4 if scheduled in advance and Priority 5 if unscheduled. The table below summarizes the response time compliance requirements.

Priority Level	Description	Compliance	Maximum Time (in minutes and integer seconds)
1	Life Threatening Emergency	90%	≤ 8:59
2	Non-Life Threatening Emergency	90%	≤ 11:59
3	Non-Emergency Response	90%	≤ 15:59
4	Scheduled Non-Emergency Transport	90%	+/- 30:00
5	Unscheduled Non-Emergency Transport	90%	≤ 90:00

All 911 calls are answered by Metro Communications (Metro), which is the City’s designated Public Safety Answering Point (PSAP) and communications facility for emergency and non-emergency requests for services. Once Metro obtains the patient’s location, callback number, and patient problem type, the call is dispatched to Paramedics Plus. This is the point at which the ambulance response time clock begins. The ambulance response time clock ends when the ambulance crew arrives on scene. Response time compliance is to be maintained on 90% of calls and calculated on a monthly basis using the *fractile response time measurement*.¹ Failure to perform will result in financial penalties and may cause the replacement of Paramedics Plus. The chart below illustrates that Paramedics Plus has been compliant with response time requirements for January 2016 to December 2016.



¹ This methodology places each response within the minute it is achieved and stacks the minutes in ascending order to establish a fractile response-time distribution. The point at which the fractile response time crosses the 90th percentile measures the point of the service’s response-time reliability.

The contract also describes the types of services that are exempt from the response time compliance requirements; for example, requests for services originating outside the City, a declared multi-casualty incident or disaster, or those determined to be of good cause for an exception. Good cause for an exception may include circumstances such as inaccurate dispatch information received from Metro, disrupted voice or data radio transmission, mobile data terminal failure, material change in dispatch location, inability to locate scene due to non-existent address, severe weather conditions, unavoidable delays caused by parked trains, or periods of unusual system overload.² Other circumstances that occur within the ambulance's reasonable control will not be grounds for an exception to be granted. All exceptions must be documented in writing, received by the Contract Administrator, and approved or denied by the Contract Administrator.

Paramedics Plus is required by contract to document all times necessary to determine if they are compliant with the response time requirements. On a monthly basis, they must report their results to the City/REMSA. Paramedics Plus uses the software tool PULSE (patent pending for Performance Utilization Late-call System Evaluation) along with the server and interface to Metro's New World computer-aided dispatch (CAD) system to track and review calls. The City/REMSA are also provided with an interface to access CAD and PULSE in order for them to independently extract response time data and validate response time performance and contract compliance.

In the event it is determined that the nearest paramedic-staffed ambulance may be located in an adjacent jurisdiction or there is a call surge and internal capacity does not meet the demand for ambulances, mutual aid may be dispatched in the interest of getting the quickest ambulance to the patient. REMSA approves the use of closer ambulances contingent upon Paramedics Plus executing a satisfactory mutual aid agreement with the ambulance agencies responding from neighboring jurisdictions. The contract also provides that Paramedics Plus must respond in a mutual aid capacity to other service areas outside the City in accordance with mutual aid agreements or if so directed by the Contract Administrator. Paramedics Plus must document the number and nature of mutual aid responses it makes as well as the number and nature of mutual aid responses made by other agencies to calls originating within the City.

OBJECTIVES

The objectives of this audit were to:

1. Determine how the City Health Department ensures response time compliance requirements of the Paramedics Plus contract are met.
2. Determine if proper mutual aid procedures are in place.

² Unusual system overload is defined as 200 percent of the average demand for the day of the week and hour of day. The average demand for each day and hour is calculated on an annual basis using the prior calendar year's actual run volume.

SCOPE AND METHODOLOGY

The scope of this audit included a review of the City Health Department's response time compliance procedures and reports from January 1, 2016 to December 31, 2016 and a review of mutual aid procedures in place during this timeframe. Our audit work included the following:

- Review of ambulance contract between the City and Paramedics Plus.
- Interviews with the City Health Department management and department staff.
- Observation of the City Health Departments daily review process of prior day calls and the daily PULSE call.
- Detailed testing of calls exceeding the response time requirements for a sample of days to verify they are properly reviewed and exemptions are properly approved and documented.
- Verification of a sample of monthly response time compliance reports from the City Health Department and from Paramedics Plus to ensure they are completed and presented to REMSA monthly.
- Review of the REMSA Board monthly meeting minutes.

RESULTS

Response Time Compliance

We found that the City Health Department has various procedures in place to determine if Paramedics Plus is in compliance with response time requirements of the contract. All prior day calls exceeding the response time requirements are reviewed and documented by the City's Emergency Medical Quality Assurance Coordinator (EMQAC) the following morning. These calls are reviewed to determine if they are truly late based on contract requirements or if an exemption exists. The results are documented in detail and the EMQAC performs a secondary review to ensure the initial conclusions are accurate. The final document is then emailed to various management personnel at Paramedics Plus, Metro, Sioux Falls Fire Department, Sioux Falls Health Department, and the Communications Center in Texas for their review during the daily PULSE call. During this conference call, all parties in attendance review the late calls or any questionable calls to verify they are all in agreement with the EMQAC's conclusions. At month end, the EMQAC prepares a monthly compliance report which is reconciled to the monthly compliance report prepared by Paramedics Plus. These reports are then presented at the monthly REMSA Board meeting.

We reviewed all calls exceeding the response time requirements for a sample of 38 days during 2016 and noted they are properly documented, reviewed, and approved. We also verified that City Health Department and Paramedics Plus presented their response time compliance reports to REMSA during each month in 2016.

Mutual Aid

We determined that there are proper mutual aid procedures in place and that Paramedics Plus meets their contract requirements by having mutual aid agreements with other Minnehaha County services. Paramedics Plus has a signed mutual aid agreement with Dell Rapids Ambulance and Humboldt Fire and Ambulance Service. The agreement provides that in the event the need arises, Paramedics Plus may call upon either service to provide additional emergency services to areas serviced by Paramedics Plus.

CONCLUSION

In conclusion, our audit provides assurance that the City Health Department has various procedures in place to ensure Paramedics plus is compliant with the contract requirements for response times and mutual aid services. Further, we noted that there is a positive working relationship between the City Health Department staff and Paramedics Plus. Those interviewed appear to be exceptionally knowledgeable and dedicated to their profession. We would like to thank the management and staff of the City Health Department and Paramedics Plus for their cooperation and assistance during this audit.

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Ashley VanDeBerg
Internal Auditor

DRAFT