

AGENDA	Tuesday, January 7, 2014	
Informational Meeting	4:00 PM at Carnegie Town Hall	
Sioux Falls City Council	235 West Tenth Street	

1. Call To Order

2. City Council Open Discussion

3. Presentations

A. Presentation of Two Internal Audit Reports: 13-08 Overtime and 13-09  
Investment Policy by Rich Oksol, Internal Audit Manager

4. Adjournment

The City Council may include such other business as may come before this body.

Date: 2014-01-07  
SIRE Meeting ID: 2035  
Meeting Type: Informational Meeting

YouTube:<https://youtu.be/8o-ChzOITLY>  
Agenda Item: Not Assigned  
Item ID: 69933

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

**Internal Audit Report 13-08**  
**Overtime**  
**September 2013**



City of Sioux Falls  
Internal Audit Department  
Carnegie Town Hall  
235 W. 10<sup>th</sup> Street  
Sioux Falls, SD 57117-7402  
[www.siouxfalls.org/council/internal-audit](http://www.siouxfalls.org/council/internal-audit)

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

### **INTRODUCTION**

The City of Sioux Falls (City) has policies and procedures designed to control the awarding of overtime pay for hours worked by employees beyond their regularly scheduled hours. These policies and procedures are in place to ensure that the City complies with the Fair Labor Standards Act (FLSA.) The City enters into labor agreements with its unions and each agreement specifically addresses overtime, summarized as follows:

#### **MEA/AFSCME Local 519 (General Employees)**

- Employees shall be paid overtime at a rate of 1 ½ times the employee's regular base hourly rate for all authorized hours actually worked in excess of 40 hours per 7 day workweek as well as specific hours that are considered Guaranteed Overtime.
- Employees will not be permitted to use paid leave benefits to accumulate hours worked in excess of 40 hours in a workweek or in excess of the regularly scheduled number of hours in a workday.

#### **Police Officers and Sergeants Lodge #1 L.C.**

- Employees shall be paid overtime at a rate of 1 ½ times the employee's regular base hourly rate for all authorized hours actually worked in excess of 40 hours per 7 day workweek as well as specific hours that are considered Guaranteed Overtime.
- Overtime shall first be offered to senior employees within each respective bureau or section, except when contrary to established department, bureau, or section policy based on special abilities, physical fitness, time element, or special training needs.
- No employee will be permitted to exceed a regular workday beyond the established number of daily work hours through the use of vacation or personal leave when on scheduled overtime.

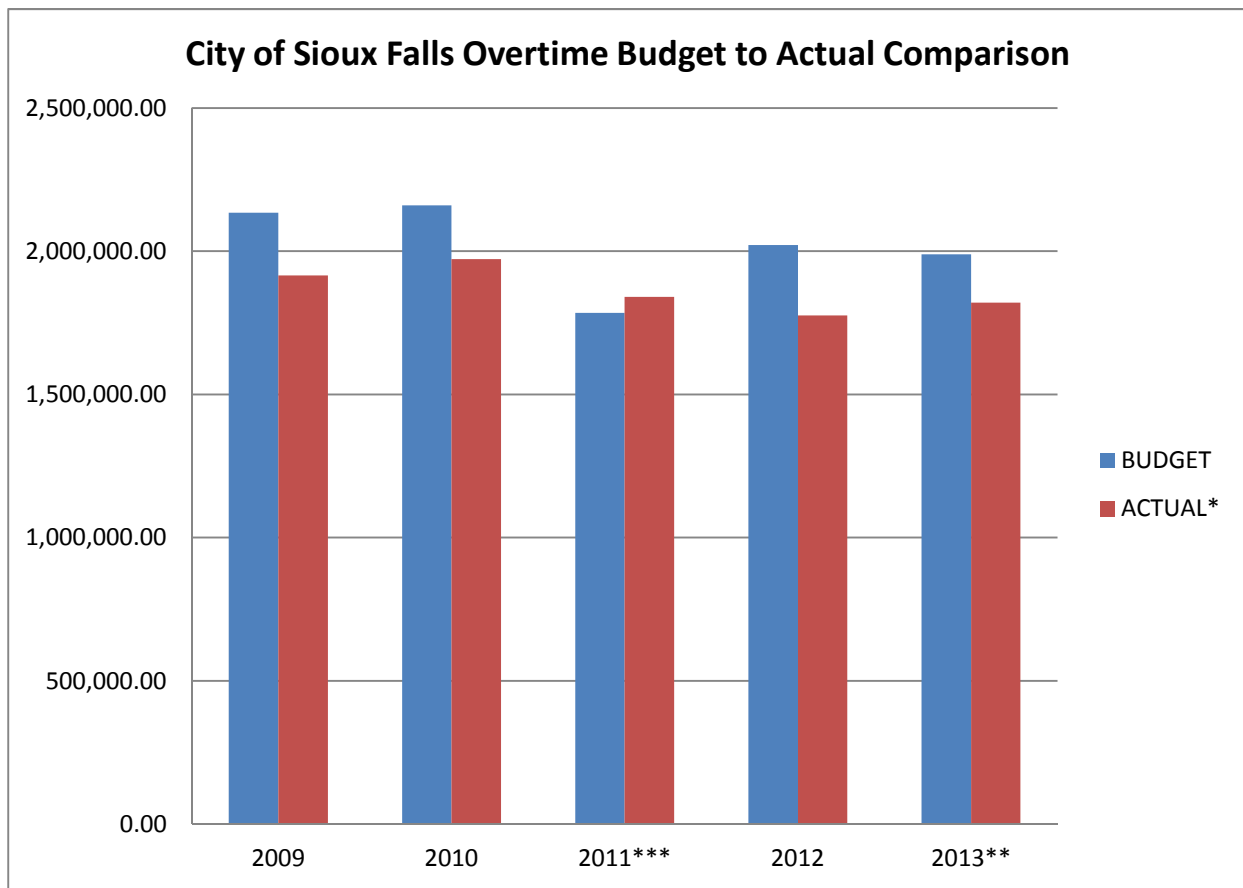
#### **Local #814 International Association of Firefighters**

- Employees shall be paid overtime at a rate of 1 ½ times the employee's regular base hourly rate for all authorized hours actually worked in excess of 40 hours per week or 204 hours per 27 days as well as specific hours that are considered Guaranteed Overtime.
- 40 Hour employees will not be permitted to use paid leave benefits to accumulate hours worked in excess of 40 for purposes of earning additional overtime.
- Extra duty will be first offered to employees on the sign-up list in the rank affected, starting with the person with the least amount of total extra duty hours.

**BACKGROUND**

The City of Sioux Falls allows employees to earn overtime for hours worked beyond a normal 40 hours per week for most hourly City employees. Additionally employees are guaranteed overtime pay for specific types of hours worked whether these hours exceed 40 hours or not. Guaranteed overtime includes hours such as emergency call-in or standby, court time, mandatory meetings, or holidays worked.

As of September 30, the City paid \$1,820,770 in overtime to eligible City employees in 2013. Of this amount approximately \$400,000 was due to Operation Timber Strike which took place as the result of the 2013 April ice storm and approximately \$380,000 due to saturation patrols performed by the Police Department. The City continues to look for ways to decrease the amount of overtime worked by employees with an overall goal for overtime not to exceed 3% organization wide.

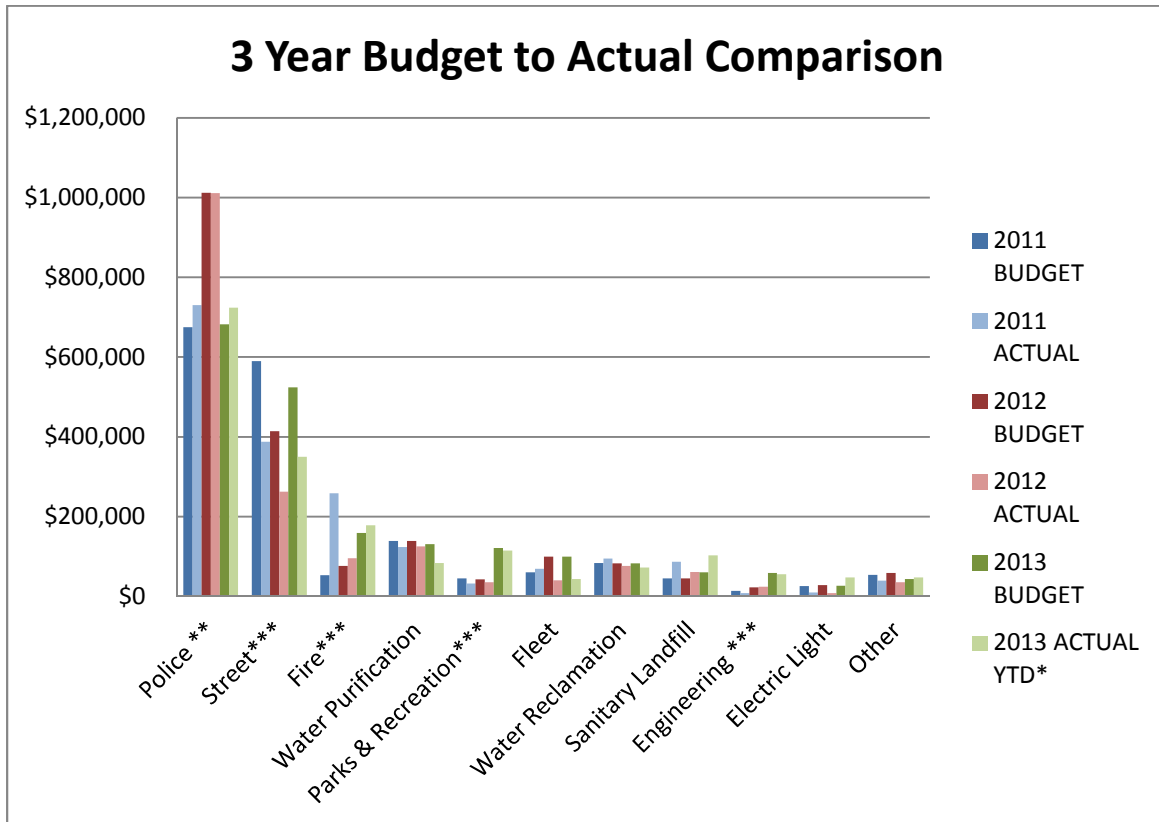


\*2013 Actual represents YTD through 9/30/13.

\*\*2013 Actual overtime was increased due to Operation Timber Strike and Police saturation patrols.

\*\*\*Over budget due to unanticipated overtime for Fire personnel deployed to Dakota Dunes for Flood Relief.

The City of Sioux Falls has over 1,140 full-time employees and therefore effective management of overtime is vital. Overtime should be driven by workload and analyzed on a regular basis. Individual departments within the City are responsible for budgeting and managing their use of overtime effectively. The graphs below show the three-year history of budgeted and actual dollars spent on overtime by the top ten departments.



\*2013 Actual represents YTD through 9/30/13.

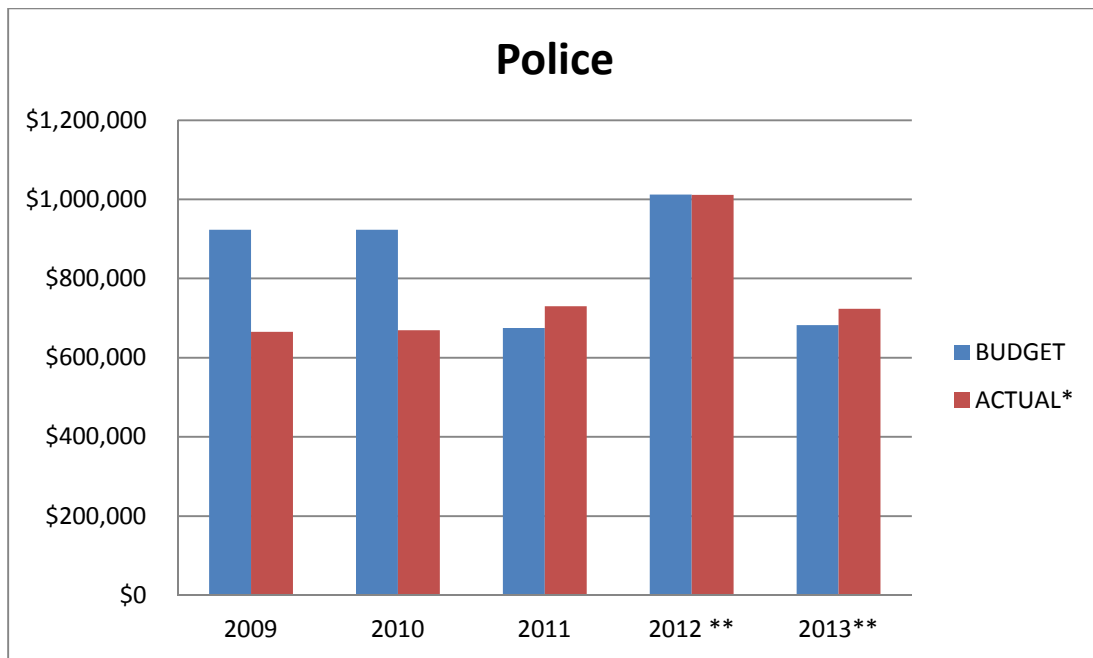
\*\*Received a supplemental appropriation in 2012 for saturation patrols.

\*\*\*Received supplemental appropriation in 2013 due to Operation Timber Strike.

2011 overtime for Fire was high due to Flood Relief in Dakota Dunes.

Due to the nature of their work the Police and Public Works Departments are consistently the highest users of overtime and therefore were the focus of our audit work.

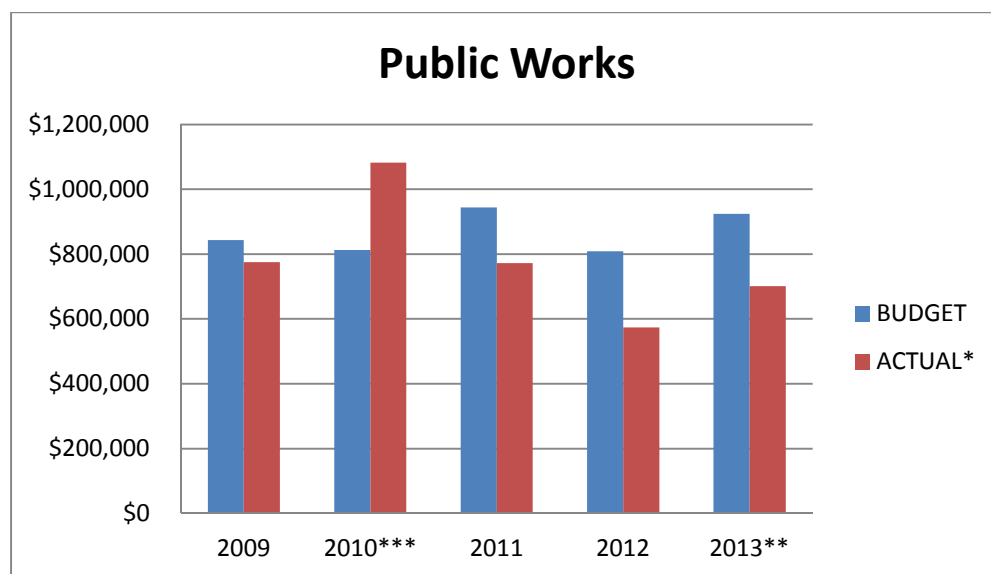
The Police Department has taken steps to reduce their overtime over the last five years from a budget of approximately \$900,000 to \$675,000; however, due to a grant from the Office of Highway Safety the budget was increased by approximately \$337,000 in 2012 and is anticipated to increase by approximately \$380,000 in 2013. The 2013 budget amount shown below does not include this increase. This grant provided for overtime of an additional 4,900 hours in 2012 and almost 7,000 hours in 2013 worked on saturation patrols.



\* 2013 Actual represents YTD through 9/30/13.

\*\* 2012 & 2013 overtime were greatly increased due to overtime worked on saturation patrols as the City of Sioux Falls received a highway safety grant for this project.

The majority of overtime expense in the Public Works Department is caused by emergencies such as snow events, flooding, sewer backups, and water main breaks. The Public Works Department has taken steps to reduce overtime in the way that they schedule employees; however, overtime is viewed as necessary as it enhances public safety and convenience. As a result of efforts with Operation Timber Strike, additional overtime of approximately \$110,000 was incurred in 2013 and a supplemental appropriation was approved by the City Council.



\* 2013 Actual represents YTD through 9/30/13.

\*\* 2013 Actual overtime was greatly increased due to Operation Timber Strike.

\*\*\*2010 overtime for Street was increased due to significant snowfall late December through mid-January.

We have included additional graphs for overtime trending in Appendix A.

## **OBJECTIVES**

We audited overtime of city employees focusing on the Police Department and Public Works Department to determine the following:

1. When and how employees earn overtime.
2. Obtain an understanding of the management controls of overtime.
3. Review the process used for approving and recording overtime.
4. Evaluate actual vs. budgeted overtime for all departments for the last five years.

## **SCOPE AND METHODOLOGY**

The scope of this audit included a review of the City's overtime procedures. We reviewed a sample of Police and Public Works Departments overtime hours worked from July 2012 thru June 2013. We also reviewed the overtime of top earners from January through September 2013. We examined original documents, performed analytical procedures, and held meetings with staff and management. We also reviewed records in the City's computerized financial system. Finally, we reviewed audit reports from other government entities and media articles related to governmental-entity overtime.

## **RESULTS**

We found that internal controls are functioning as designed and all overtime entries tested were approved timely by the appropriate supervisory level staff. Our testing of overtime approvals noted that the Police Department currently allows hourly Sergeants to approve their own overtime. This does not allow for ideal segregation of duties, see our recommendation below.

We compared the actual overtime to the budgeted overtime for 2013 year to date and the previous four years for all departments. We noted that overtime for the City as a whole was under budget for four of the five years reviewed. The only exception was 2011 when the City was over budget by approximately \$55,000 or 3% of the budgeted overtime. This was primarily due to Fire Personnel incurring approximately \$170,000 in overtime wages to help with the flooding in Dakota Dunes from June through August 2011.

All requests for explanations of employee overtime were responded to timely and explanations were easily substantiated with events or activities going on within the city. We noted no signs of misuse during our testing of overtime.



## **RECOMMENDATIONS**

We made the following recommendation that address the above results which we feel will improve the segregation of duties within the Police Department.

We recommend that the Police Department modify their policies and procedures to require additional approval on hourly Sergeants overtime requests.

*Management's Response:*

*Administrative programming changes have been made in our staffing software (Telestaff) that will no longer allow Sergeants to approve their own overtime.*

## **CONCLUSION**

The City of Sioux Falls has proper policies and procedures in place to dictate when and how employees are allowed to earn overtime. Management controls are implemented at the department level and overtime is also reviewed on an entity wide basis. Management has made significant efforts to reduce budgets for overtime and monitor expenses so that budgets are adhered to. We commend City staff and management for their efforts to effectively manage overtime.

## **AUTHORIZATION**

The Sioux Falls City Council approved this audit by resolution in December 2012 as part of the 2013 Annual Audit Program. The Internal Audit division operates under the authority of an Internal Audit Charter adopted by City Council resolution 11-13.

## **STATEMENT OF INDEPENDENCE**

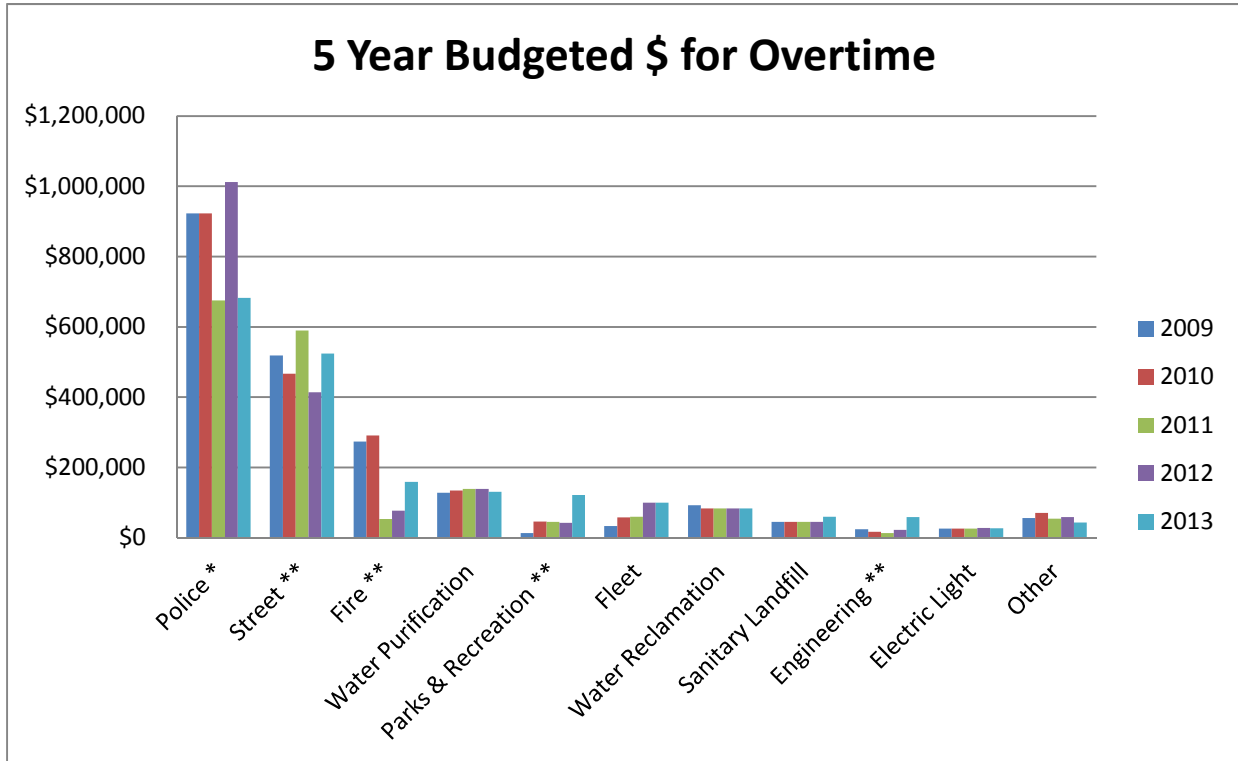
Internal Audit is administratively and operationally independent of the programs and departments it audits, both in appearance and in fact. The Internal Audit Manager is accountable to an Audit Committee appointed by the City Council per section 32.022 of the Code of Ordinances of Sioux Falls, SD.

## **DISTRIBUTION OF REPORT**

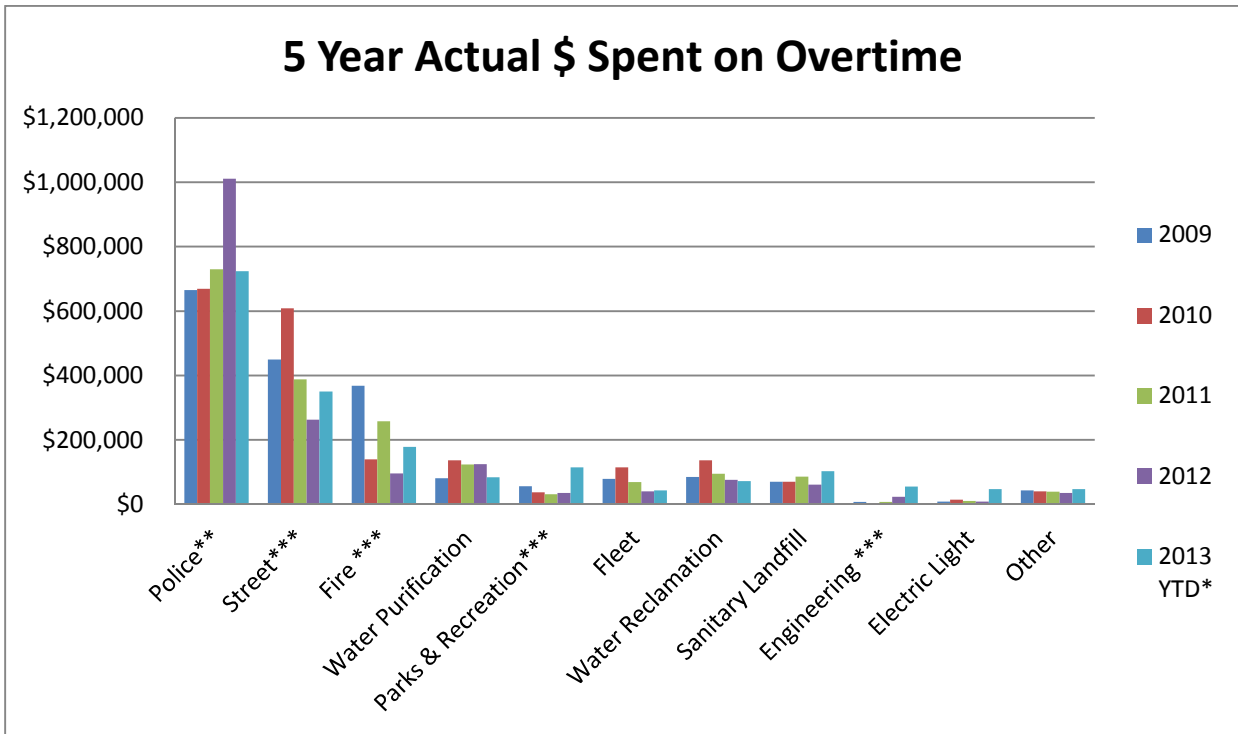
This report is intended for the information and use of the Mayor and City Council, management, and others within the City of Sioux Falls. However, the report is a matter of public record and its distribution is not limited.

## **PERFORMED BY**

Kimberly Schroeder  
Internal Auditor



\* Received a supplemental appropriation in 2012 for saturation patrols.  
 \*\* Received supplemental appropriation in 2013 due to Operation Timber Strike.  
 Street received a supplemental appropriation of \$225,000 in 2011 for Snow Removal Operations.



\* 2013 Actual represents YTD through 9/30/12.  
 \*\*2012 & 2013 overtime were increased due to overtime worked on saturation patrols.  
 \*\*\* 2013 overtime was increased due to Operation Timber Strike.  
 2011 overtime for Fire was increased due to Flood Relief in Dakota Dunes.  
 2010 overtime for Street was increased due to significant snowfall late December through mid-January.

## 5 Year Overtime as a % of Regular Wages

DEPARTMENT	2009	2010	2011	2012	2013 YTD*	2013 YTD*	2013 YTD*
	OT %	OT %	OT %	OT %	Regular Wages	Overtime Wages	OT %
STREET	12.78%	17.05%	12.89%	8.79%	2,564,625	354,509	13.82%
SANITARY LANDFILL	6.00%	5.47%	6.81%	4.79%	999,171	104,887	10.50%
ELECTRIC LIGHT	2.16%	3.85%	2.75%	2.51%	505,339	48,879	9.67%
FLEET REVOLVING	8.66%	12.89%	7.86%	4.38%	683,775	44,113	6.45%
POLICE	4.49%	4.42%	4.77%	6.48%	12,204,701	741,890	6.08%
WATER RECLAMATION	3.15%	5.05%	3.73%	2.85%	2,107,489	75,377	3.58%
WATER	2.27%	4.09%	3.53%	3.50%	2,747,077	88,855	3.23%
FACILITIES MANAGEMENT	2.53%	3.15%	4.28%	4.40%	336,435	10,390	3.09%
PARK/RECREATION	0.95%	0.67%	0.55%	0.61%	4,961,718	115,494	2.33%
FIRE DEPARTMENT	3.19%	1.18%	2.12%	0.78%	9,053,050	191,042	2.11%
OTHER	0.21%	0.15%	0.16%	0.19%	17,333,715	96,346	0.56%
	<b>2.96%</b>	<b>3.01%</b>	<b>2.78%</b>	<b>2.60%</b>	<b>53,497,097</b>	<b>1,871,782</b>	<b>3.50%</b>

\* 2013 represents YTD through 9/30/13

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The following document(s) are public records obtained from the  
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**Internal Audit Report 13-09**  
**Investment Policy Audit**  
**October 2013**



City of Sioux Falls  
Internal Audit Department  
Carnegie Town Hall  
235 W. 10<sup>th</sup> Street  
Sioux Falls, SD 57117-7402  
[www.siouxfalls.org/council/internal-audit](http://www.siouxfalls.org/council/internal-audit)

## **INVESTMENT POLICY AUDIT INTERNAL AUDIT REPORT 13-09**

### **INTRODUCTION AND BACKGROUND**

The City of Sioux Falls (City) Investment Policy was created to govern the investment of idle public funds. The policy applies to the investment of short-term operating funds within a Pooled Cash Fund. This Fund consolidates the balances of all funds to maximize investment earnings and meet the liquidity requirements of the City at a competitive investment return. The primary objective is to provide security of principal. The policy must conform with all applicable laws and procedures governing the investment of public funds. The amount of funds invested as of June 30, 2013 was \$27 million in local banks as timed deposits and \$111 million in Government Securities.

The Investment Advisory Board (Board), consisting of five citizen members, was created to advise the Mayor on the City Investment Policy. The Finance Department is assigned to provide staff input and support to the Board. The Board meets quarterly and makes reports as directed by the Mayor.

### **OBJECTIVES**

We reviewed the current City of Sioux Falls Investment Policy, current State of South Dakota Codified Law, a sample of investment purchases, redemptions and monthly mark-to-market transactions, and internal controls to verify the following objectives:

1. The current Investment Policy is in compliance with the State of South Dakota Codified Law and statutes.
2. The current Investment Policy is being followed.
3. Current investments are initiated, redeemed and recorded properly.
4. Proper internal controls exist in regards to the investment practices.

### **SCOPE AND METHODOLOGY**

The scope of this audit included a review of the City of Sioux Falls Investment process from January 2012 through August 2013. We reviewed a sample of seven investment purchases, six investment redemptions, and six monthly mark-to-market entries. We compared the current Investment Policy to the State of South Dakota Codified Law. We examined original documents and held meetings with the Finance staff. We reviewed records in the City's computerized financial system.

### **RESULTS**

Our review of the current Investment Policy and processes found the following:

1. The current Investment Policy is in compliance with the State of South Dakota Codified Law except there are some references to repealed or transferred statutes.

2. The current Investment Policy is being followed except there are not written procedures as indicated in the policy.
3. The current investment processes, including purchases, redemptions and mark-to-market transactions are properly initiated, redeemed and recorded.
4. There are proper internal controls that exist in regards to the investment practices.

## **RECOMMENDATIONS**

We made the following recommendations that address the above referenced results regarding the Investment Policy:

- 1) The City of Sioux Falls Investment Policy should be reviewed and updated to reflect the current State of South Dakota Codified Law, specifically references to the repealed and transferred State statutes 51-10-9 and 52-5-20 in Section 9 of the Investment Policy.

*Management's Response: The Mayor's appointed Investment Advisory Board has been reviewing several policy updates. With the completion of this audit, the policy updates will be finalized and submitted to the City Council for approval in the near future.*

- 2) The City's Finance Officer should establish written procedures as indicated in the Investment Policy. Per the policy, the written procedures should include reference to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, collateral depository agreements, and banking services contracts. Best practice is to have written procedures for all types of processing so that the process can be performed by someone other than the main person responsible for the activity.

*Management's Response: Upon completion of the investment policy update and the implementation of the new financial software, the Finance Department will complete written procedures as necessary.*

## **CONCLUSION**

In conclusion, it appears that the Current Investment Policy should be reviewed and updated to reflect the current State of South Dakota Codified Law and written policies and procedures should be established. The current Investment processes are performed properly and internal controls are adequate. We want to thank the Finance department for their cooperation and assistance during the audit.

## **AUTHORIZATION**

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## **PERFORMED BY**

Danette Schumacher  
Internal Auditor