

MINUTES

Thursday, October 4, 2012

4:00 PM

Audit Committee Meeting

Carnegie Town Hall

Sioux Falls City Council

235 West 10th Street

Members Present: Council Member Sue Aguilar, Council Member James Entenman, Council Member Greg Jamison, Council Member Rex Rolwing, Audit Committee Member Anne Oppegard, and Audit Committee Member Jason Forbes

Members Absent: None

Staff Present: Tamara Jorgensen, CMC, Assistant City Clerk ; Rich Oksol, Lead Internal Auditor; Danette Schumacher, Internal Auditor; Kim Schroeder, Internal Auditor; Jim David, Legislative/Operations Manager; and David Bixler, Budget Analyst

1. Call To Order

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

2. Review and approve minutes from last committee meeting dated August 2, 2012

A motion was made by Council Member Rex Rolwing and seconded by Council Member Sue Aguilar to approve the minutes dated August 2, 2012.

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

3. Introduce New Staff Member, Kim Schroeder

Kim Schroeder, Internal Auditor, was introduced and gave a short update on her background.

4. Review Audit Report:12-08 Light and Power

Rich Oksol reviewed the report, the audit objectives, detailed responses, recommendations and management responses.

Discussion was held with specific attention given to the procedures for handling supply and material inventory. The Audit Committee would like to review this item again at the December 6, 2012, meeting. Oksol will make arrangements for members from the Public Works and Finance Department to attend.

5. Review Audit Report: 12-09 Purchasing/Procurement

Danette Schumacher reviewed the report, the audit objectives, detailed responses, recommendations and management responses. Discussion followed.

A motion was made by Council Member Rex Rolwing and seconded by Council Member Sue Aguilar to accept this audit report.

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

## 6. Continuous Auditing Ideas

Oksol reviewed a listing of proposed continuous auditing ideas:

- \* Purchase orders over \$2,500 (should have an agreement or contract number or have

a sole source justification of file). This is the threshold established by Purchasing for their review as well.

- \* Top overtime earners.

- \* End-of-year expense accounts way over budget.

- \* End-of-year revenue accounts way below expectations.

- \* Complaints (customer) - try to get a summary of complaints if departments keep a

log. Looking for patterns of suspicious activities.

- \* Employees who use little, if any, vacation (some fraud schemes require an employee to always be at work, no days off).

- \* Vendors in accounts payable that have no apparent physical address (vendor with

only a post office box).

- \* "Top Ten" most important reconciliations city-wide: "What gets watched gets done"

concept. These are things that should already be happening-department needs to

send a copy of the reconciliation to Internal Audit each month (quarter, etc.) This should not be a big deal if it is already being done.

Examples might be: the monthly reconciliation of the City's primary bank account; unclaimed property list to the State Treasurer's office compared to entry in the bank reconciliation and general ledger; reconciliation of IRS Form

941 to taxes withheld; sales tax collected from customers reconciled to amount

submitted to State Department of Revenue; reconciliation in City health insurance

of premiums collected: City's share, employee share (detect exceptions before they get out of hand).

Jamison requested input from the members of the Audit Committee who work in the public sector. Jason Forbes recommended that auditors look for the least likely place to hide information stating that people committing fraud are very careful about how they hide information.

## 7. Changes To Internal Audit Charter

Oksol distributed and reviewed the following proposed changes to the Internal Audit Charter:

Accountability: Remove "..with a secondary reporting responsibility to their supervisor the City Clerk."

Independence: Remove "The City Clerk is their direct supervisor in all other matters."

Responsibility: Remove: "..and City Clerk.." from two separate sections and remove "..and notify the Audit Committee of the results. The Audit Committee will review and report such suspected activities to the Mayor and City Council"; and add: "Supervise the work of the internal audit personnel and prepare their annual performance evaluations."

Final Page: Update the names on the signature page.

Oksol asked if proposed amendments can be approved by the Audit Committee or if they need to go before the full Council.

Oksol discussed proposed changes to his job title. He distributed a handout which gave examples of titles used by other cities for the same position. Oksol stated that any proposed changes to the job title will need to be discussed with Human Resources.

Sue Aguilar stated they received an email from Bill O'Toole, the Director of Human Resources regarding the title change. She stated that O'Toole wanted to know if job duties had been changed. If so, then the position description needed to be reviewed. O'Toole recommended they use sound industry benchmark job titles to make good market pay comparisons. Aguilar stated the proposed changes should be brought to the Human Resources Department by the Chair. Aguilar reminded the committee that ordinance changes would be needed as the current title is showing in city ordinances. Jamison stated that he will contact O'Toole in Human Resources to discuss the title change. This would be reviewed at the December 6, 2012 meeting and then forwarded to the City Council for review or action. An ordinance and a resolution will be needed to implement the proposed title change.

Jamison asked if there are follow-up reports done on items that required additional research/review by the Audit staff. Oksol stated that the Internal Audit staff has a procedure in place for this.

Rex Rolwing asked if there was a procedure in place for auditing the Lead Internal Auditor. Oksol stated that the members could request a Peer Review Audit which is conducted by the Association of Local Government Auditors. Anne Oppedard recommended that they look at the Peer Review Audit process and see how this is handled with other offices. She would like to see if a schedule could be set up to have Peer Review Audits done. Discussion was held about the timeline of the Peer Review Schedule; Forbes stated his office is audited every three years. Rolwing would like an update on what the potential costs and process would be to have a Peer Review Audit completed. Entenman asked for a brief overview of what the Peer Review Auditors will be reviewing and he would also like to know the costs.

## 8. Open Discussion

The next Audit Committee Meeting is scheduled for Thursday, December 6, 2012, at 4:00 p.m.

Jamison asked if the Committee wanted to include a section on the agenda for Public Input at these meetings. Aguilar stated that it would be appropriate to have input after Oksol's initial presentations on audits. She noted that presentations at Informational Meetings do not allow public input. Discussion was held on where public input would be allowed on the agenda or in the meetings. Jamison asked Oksol to check on other Audit Committees to see if they allow public input at their meetings.

## 9. Adjournment

Committee Chair Jamison adjourned the meeting at 5:06 p.m.

Tamara Jorgensen, CMC

Assistant

City Clerk