

MINUTES

Monday, April 23, 2018

Audit Committee Meeting 4 PM

Carnegie Town Hall

Sioux Falls City Council 235 West 10th Street

Members Present: Committee Member Arnold Martens, Committee Chair Rex Rolwing, Committee Member Greg Neitzert, Committee Member Rose Grant

Members Absent: Committee Member Rick Kiley, Committee Member Michelle Erpenbach, Committee Member Dean Buckneberg

1. Call To Order

Committee Chair Rex Rolwing called the meeting to order at 4 p.m.

2. Approval of Minutes

A. Meeting of Thursday, January 25, 2018, at 4 p.m.

A motion was made by Committee Member Arnold Martens and seconded by Committee Member Greg Neitzert to approve the minutes.

Vote to approve: Roll Call: Yeses, Arnold Martens, Rex Rolwing, Greg Neitzert, Rose Grant, 4. Noes, 0.

Motion Passed.

3. Reports and Updates

A. External Audit Results: City of Sioux Falls 2017 Financial Statements

Brian Stavenger, Eide Bailly Engagement Partner, introduced the service team and provided the results of the audit. The audit is performed in accordance with generally accepted auditing standards, Government Auditing Standards, and Title 2 U.S. Code of Federal Regulations (CFR.) The audit is designed to obtain reasonable, not absolute assurance about whether financial statements are free of material misstatement. Stavenger explained the unmodified opinion, the two restatements, one finding due to restatements, and significant estimates. Restatement #1 is intended to record the assets held for management agreements beginning in 2017 and moving forward. Stavenger further explained the restated values for: General Fund for the Municipal Golf Courses; Entertainment Tax Fund for the Event Complex, and Transit Fund for Transit. Restatement #2 is a reclassification of the offset to notes receivable and rehabilitation loans in the Community Development Fund. The former method was "deferred revenue" and the new method is "Restricted Fund Balance." For the Federal Audit the following resulted: an unmodified opinion; no material weaknesses or significant deficiency internal control findings; and, no material weakness or significant deficiency compliance findings.

Discussion followed about: clarification of Restatement #1, who made the decision for Restatement #1, total amount of cash in the fund, and involvement of the State Auditor's Office.

B. Audit Report 17-08: Motor Vehicle Fee Revenue

Ashley VanDeBerg, Internal Auditor, provided an introduction, background,

objectives, and scope and methodology of the audit. Audit results covered: 1) changes in legislation; 2) budget impact; 3) distribution of motor vehicle funds; 4) recording and reporting; and, 5) internal controls. VanDeBerg reviewed each of the results in detail. The audit recommends: 1) In preparation of the 2019 budget, management take into consideration the analysis performed by Internal Audit over motor vehicle license revenue and how changes to legislation will affect the amount the City will receive in the future; and 2) That management update the procedure document that is used by staff to assist in the recording of motor vehicle fee revenue to ensure revenues are recorded and reported properly. This document should be reviewed regularly for updates and accuracy. It's also recommended that staff be properly trained to ensure year-end accrual entries are completed accurately.

Discussion about department impacts from the shortfall, statutes governing spending of these fees, and impacts to the 2018 budget followed.

A motion was made by Committee Member Arnold Martens and seconded by Committee Member Rose Grant to accept the Audit Report.

Vote to accept: Roll Call: Yeses, Arnold Martens, Rex Roling, Greg Neitzert, Rose Grant, 4. Noes, 0.

Motion Passed.

#### C. Update on 2018 Audit Plan

Kim Schroeder, Internal Audit Manager, communicated that one item is being removed from the 2018 Audit Plan--Bank Franchise Tax Revenue. The item was removed because during preliminary planning for the audit, it was found that recent changes in State Law explain why certain funds are now being received. There is no longer a need for the audit.

#### D. Update on RFP for auditing services

Roling noted that Eide Bailly was selected as the City's auditor for the years 2018 through 2020. A new contract will go before the City Council on Wednesday, May 2, 2018, for consideration.

#### 4. Travel / Continuing Education Requests

##### A. Kim Schroeder, Ashley VanDeBerg, and Abby Vandelanotte, 2018 Annual ALGA Conference

A motion was made by Committee Member Greg Neitzert and seconded by Committee Member Arnold Martens to approve the requested travel.

Vote to approve: Roll Call: Yeses, Arnold Martens, Rex Roling, Greg Neitzert, Rose Grant, 4. Noes, 0.

Motion Passed.

#### 5. Open Discussion

Neitzert recognized the service of Committee Members Michelle Erpenbach and Rex Roling, who have each served multiple years on the committee.

Schroeder will serve as a peer review auditor to a city to be determined in Colorado later this fall. There is no cost to the City for travel; Schroeder is seeking concurrence from the committee to provide the peer review.

A motion was made by Committee Member Rose Grant and seconded by Committee Member Arnold Martens to approve the peer review.

Vote to approve: Roll Call: Yeses, Arnold Martens, Rex Rolwing, Greg Neitzert, Rose Grant, 4. Noes, 0.

Motion Passed.

Rolwing recognized Tracy Turbak, Finance Director, for his service to the City. Turbak will be retiring.

#### 6. Adjournment

A motion was made by Committee Member Arnold Martens and seconded by Committee Member Rose Grant to adjourn at 4:47 p.m.

Vote to adjourn: Roll Call: Yeses, Arnold Martens, Rex Rolwing, Greg Neitzert, Rose Grant, 4. Noes, 0.

Motion Passed.

Thomas M. Greco

City Clerk