

MINUTES

Audit Committee Meeting

Monday, December 3, 2018 at 4:00 PM

Carnegie Town Hall

235 West 10th St., Sioux Falls, South Dakota 57104

1. Call To Order

Committee Chair Greg Neitzert called the meeting to order at 4 p.m.

Present: Committee Member Dean Buckneberg, Committee Member Tony Goettsch, Committee Member Rose Grant, Committee Member Rick Kiley, Committee Chair Greg Neitzert, Committee Member Curt Soehl, Committee Member Theresa Stehly

2. Approval of Minutes

A. Meeting of Monday, September 24, 2018

A motion was made by Committee Member Kiley and seconded by Committee Member Soehl to approve the minutes.

Roll call vote to approve. 7 Yes: Buckneberg, Goettsch, Grant, Kiley, Neitzert, Soehl, Stehly; 0 No: (None). Motion Passed.

3. Reports and Updates

A. Update on External Audit of City's 2018 Financial Statements by Keith Severson, Partner, Eide Bailly, LLP

Severson provided an overview of the service team, audit objectives, audit approach, recent or new professional standards, and the risk assessment.

Discussion followed about: Federal programs which are audited; length of the Eide Bailly Contract; types of audits performed, generally, by Eide Bailly; requirements for financial audits; fraud training; and the timeline for the external audit.

B. Overview of Proposed Changes to Audit Ordinance and Policies

Neitzert provided an overview of ongoing activities related to a revision of the current Audit Ordinance (Chapter 32: Audit Committee.) He explained that proposed revisions will include greater clarity of the role of the audit committee, appointment of members, formal establishment of an Office of Internal Audit, appointment of staff, and staff responsibilities. Neitzert also noted that the proposed changes will require changes to current City Council policies and procedures and repeal of the current "Audit Charter" as the content of the Charter will be codified in ordinance.

Audit Staffing Update

(1) Status of Rich Oksol - Part Time Auditor

C.

(2) Status of the Pay for Performance Resolution for City Council Staff

(3) Update on Hiring of Internal Audit Manager and Internal Auditor

Neitzert stated that Rich Oksol, part-time auditor, will be scaling back hours after the new year with and will finish in May, 2019. During the remainder of his time, he'll focus on organizational responsibilities to include staff mentoring. Neitzert further noted that the City Council will be considering a resolution to adjust the pay of Audit staff based on the recent compensation and benefits study; the proposed changes are market-based and will attract strong candidates. Lastly, Neitzert explained that the hiring process for a new Internal Audit Manager will begin following passage of the proposed Audit ordinance. Accordingly, it is expected that a new Internal Audit Manager may be identified and appointed sometime in March, 2019.

Discussion followed about the importance of clearly identifying Audit responsibilities in the proposed ordinance and ensuring that a new Internal Audit Manager is hired as soon as possible.

D. IIA New Internal Auditor Training (Abby Vandelanotte)

Chair Neitzert stated that Vandelanotte attended training in early October and emphasized its value.

4. Audit Report Review

A. Audit Report 18-01: Great Bear Recreation Park Audit Report

Abby Vandelanotte, Internal Auditor, presented the report which is made an attachment to these minutes.

Discussion followed about: the check-signing and review process; cash receipts; injury reporting; and, maintenance of equipment.

A motion was made by Committee Member Soehl and seconded by Committee Member Kiley to accept the report and submit it to the Mayor and City Council.

Voice vote to accept the report and submit it to the Mayor and City Council.  
Motion Passed.

B. Audit Report 18-06: Fraud Risk Assessment

Rich Oksol, Part-Time Internal Auditor, the report which is made an attachment to these minutes.

Discussion followed about: who performs the death audit; ethics training; how often this type of report is completed; and, the importance of having an Internal Audit Manager to assess risk and conduct internal audits.

A motion was made by Committee Member Buckneberg and seconded by Committee Member Kiley to accept the report and submit it to the Mayor and City Council.

Voice vote to accept the report and submit it to the Mayor and City Council.  
Motion Passed.

C. Audit Report 18-05: Citywide Risk Assessment

Rich Oksol, Part-Time Internal Auditor, the report which is made an attachment to these minutes.

There was no discussion.

A motion was made by Committee Member Goettsch and seconded by Committee Member Grant to accept the report and submit it to the Mayor and City Council.

Voice vote to accept the report and submit it to the Mayor and City Council.  
Motion Passed.

#### D. Audit Report 18-04: Financial Condition Analysis

Rich Oksol, Part-Time Internal Auditor, the report which is made an attachment to these minutes.

Discussion followed about bond ratings.

A motion was made by Committee Member Kiley and seconded by Committee Member Soehl to accept the report and submit it to the Mayor and City Council.

Voice vote to accept the report and submit it to the Mayor and City Council.  
Motion Passed.

#### Update on Audits Currently in Progress

#### E. (1) Great Plains Zoo and Delbridge Museum

##### (2) Purchasing Card Program

Neitzert noted that the Purchasing Card Program audit is in progress and will carry over into next year; the Great Plains Zoo and Delbridge Museum audit is in progress and will be completed this month. Five audits have been completed; three will be moved to the 2019 plan; and three were withdrawn or will be moved to a future year.

#### F. Status of the 2018 Audit Plan

A motion was made by Committee Member Grant and seconded by Committee Member Goettsch to recommend the 2019 Audit Plan to the City Council for Approval.

Voice vote to accept the report and submit it to the Mayor and City Council.  
Motion Passed.

#### G. Review 2019 Audit Plan and Recommendation of Approval to City Council

Neitzert provided an overview of the 2019 plan. The plan includes the following audits: 1) Payroll - Employee Deductions; 2) Landfill - Licensing; 3) Damage Recovery and Billing Process; 4) SMG agreement to manage the Denny Sanford Premier Center, Sioux Falls Arena, Sioux Falls Convention Center, Sioux Falls Stadium, and Orpheum Theater; 5) Ovations Food Service (dba Spectra Food Service and Hospitality) to provide food & beverage services at the above facilities; and, 6) Purchasing Card Program.

#### 5. Open Discussion

There was none.

6. Public Comment

7. Adjournment

Chair Neitzert adjourned the meeting at 5:57 p.m.

Thomas M. Greco, City Clerk