

2010 Audit Plan

City of Sioux Falls

Presented by

Internal Audit

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Endorsed by

The Audit Committee of the City Council

Operational Audits

Operational audits involve an analysis of a department or division's operations. They may include appraisals of the internal control structure, conformity with laws and policies, reliability of financial reporting, and effectiveness and efficiency in meeting organizational goals. Audit reports indicate how well activities are performed, make recommendations for improvements, and offer other conclusions drawn from audit work.

Sanitary Landfill

The Sioux Falls Regional Sanitary Landfill's mission is to provide environmentally and fiscally sound solid waste management and disposal services to their customers. The Landfill fund is an enterprise fund of the City of Sioux Falls that accounts for the activities of the regional landfill. The Landfill fund's 2010 budget is in excess of \$10 million.

Workers' Compensation

The Workers' Compensation fund is an internal service fund of the City. The purpose of the fund is to provide compensation benefits to City employees for injury or illness arising out of and in the course of employment with the City of Sioux Falls as defined by state law, City ordinance, and labor contracts. The Workers' Compensation fund's 2010 budget is \$759,339.

Contracts/Agreements Audits

Contract and agreement audits are performed primarily to determine compliance with contractual terms and agreements. We may also determine if City funds are spent in a responsible manner and that, in the case of non-profit corporations, adequate governance structures are in place.

Great Plains Zoo & Delbridge Museum

The City of Sioux Falls has an agreement with the Zoological Society of Sioux Falls to manage the Great Plains Zoo & Delbridge Museum. The zoo and museum are City-owned assets.

Multi Cultural Center

The City of Sioux Falls has an agreement with the Multi Cultural Center of Sioux Falls. The agreement is for the Center to provide a) general services to the Native American, immigrant, and refugee population of the city and b) to provide a driver's education program for the immigrant and refugee population.

Construction Contracts

These audits will be of specific construction contracts to determine that all work was properly performed and documented, the City was charged the contract price for all work performed, completion dates were met, the contract was properly let, change orders were properly executed, and pay requests were properly approved. We will attempt to audit all construction contracts let in 2010 for \$1 million and over. We may audit a small number of contracts below that threshold as available audit time permits.

Sherman & Harmodon Softball Food & Beverage Concessions

The City of Sioux Falls has a contract with Crystal Ice to operate concession services at various softball fields. The City receives a percentage of revenue from the vendor.

Aquatic Centers/Community Centers Food & Beverage Concessions

The City of Sioux Falls has a contract with Papa John's to operate concession services at the City's aquatic centers and special Park/Recreation events. The City receives a percentage of revenue from the vendor.

Revenue/Cash Handling/Cash Receipts Audits

Each year Internal Audit selects City divisions or major organizational units for an audit of revenue, cash handling and cash receipts. This year we will audit **Police**. We will audit internal controls over the collection of revenue, the handling of cash, and cash receipts. These audits will determine whether departmental written procedures are being followed by staff, cash is safeguarded, proper fees are being charged, and good business practices are being observed.

Special Area Audits

Wire Transfers/ACH/Electronic Transfers of Funds

The City increasingly is using electronic transfers of funds for greater efficiencies. We will review the internal controls to determine if they are properly designed and functioning properly to mitigate risks associated with these transfers.

American Recovery and Reinvestment Act (Federal stimulus money)

The City may receive over \$8 million in federal stimulus money for various projects and programs. We will review the procedures in place to ensure proper use of funds received and proper reporting of funds received under the ARRA.

Facility License Reversion

The City of Sioux Falls receives money back from the State of South Dakota for the inspections done by City Environmental Health Specialists (inspectors). This money comes from the licenses issued by the State for facilities that serve food. This would be a review of the reversion process to determine if the City is receiving the proper amount from the State.

Capital Improvement Program (CIP)

The City of Sioux Falls prepares a five-year capital program to aid in longer-term financial planning of capital assets such as infrastructure and equipment. The capital program includes the Capital Improvement Program (CIP) and Other Capital Expenditures Program (OCEP). We will review the Capital Improvement Program to determine compliance with the CIP budget/program, adequacy of policies/procedures used in governing capital projects, efficient and proper use of resources, and may address concerns from audit scope questionnaires.

Arterial Street Program

The arterial street program is a funding partnership between the City of Sioux Falls and developers to fund new roads. The City's portion comes from the .08 cents of the second penny sales/use tax, a tax increase approved by the City Council in 2008. We will review compliance with the legislative intent of the program and procedures to ensure proper accounting of funds.

Recurring Audits/Projects

2009 Comprehensive Annual Financial Report (CAFR) Review

The CAFR contains the audited financial statements of the City of Sioux Falls. A tremendous amount of information is contained in the CAFR. However, the CAFR is over 100 pages long and readers may find this document difficult to read and understand. Internal Audit will review and analyze the 2009 CAFR and present information to the City Council on financial trends and comparisons of financial information in the CAFR with benchmark cities in the upper Midwest. For this report, we will use methodology developed by the International City/County Management Association (ICMA) publication, *Evaluating Financial Condition: A Handbook for Local Government*. The City Council will be alerted to financial trends and conditions, both favorable and unfavorable.

Citywide Disbursements

Each year Internal Audit audits a sample of disbursements in various areas such as salary & wages, general disbursements, and miscellaneous payments to determine that these disbursements were proper, authorized, supported, correctly recorded, and in compliance with laws, rules, policies, and procedures.

Technical Assistance to Committees, Council members, departments

This time is in our annual plan in order to respond to requests for information or help in specific areas not requiring an audit. The assistance does not result in a formal report, must not impair the independence of Internal Audit, nor require more than a few hours of time. Requests for assistance that will result in a formal report or require more than a few hours of time should be approved by the Audit Committee through the special project/quick response audit process.

Follow-up on Status of Audit Recommendations

We follow up with management on the status of implementation of audit recommendations made in previous years. The City Council will be provided a report each year on the status of audit recommendations.

Fraud Hotline

A fraud hotline became available to City employees in 2008 for employees to report concerns about illegal, fraudulent, or unethical activities. Employees may report their concerns anonymously. The hotline is provided by a third-party provider who uses highly-trained operators to receive and screen reports. Internal Audit investigates any allegations of fraud. Other calls are directed to the appropriate City department for investigation. Internal Audit monitors the disposition of these investigations.

Special Project/Quick Response Audits

Approximately 10% of our available hours are unassigned hours and have been set aside to perform special projects, “quick response” audits, investigations, and other work requested by elected officials or City directors and authorized by the Audit Committee.

Routine Audit Work

Asset Verifications

This activity may include unannounced verifications of petty cash funds and change funds. It may include verifications of capital equipment/noncapital inventory. Results of asset verifications will be communicated via interoffice memorandum.

Anti-fraud Procedures

Internal Audit uses Computer Assisted Auditing Techniques (CAAT) and other specific audit techniques to look for indicators of fraud in accounts payable, payroll, purchasing, and other areas. We follow up on any suspicious transactions.

Continuing Professional Development

Internal auditors are required to receive continuing professional education in order to comply with the Professional Standards of Internal Auditing. We are actively involved with the Sioux Falls chapter of The Institute of Internal Auditors (The IIA) to assist us in fulfilling this requirement. We also make use of conferences and web-based training as our training budget allows.