

# **City of Minneapolis Audit Committee**



## **2012 Annual Report**

***OFFICE OF THE INTERNAL AUDITOR***

**March 27, 2013**

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# 2012 Audit Plan and Results – Project Status Update



- Internal Audit is committed to helping *all* City Departments look for opportunities to increase efficiencies and the effectiveness of their operations.
- We are dedicated to ensuring the City of Minneapolis continues to be a *world-class* City by meeting its goals and objectives through the projects we perform.

# 2012 Audit Plan and Results – Project Status Update (cont.)



No.	Review Name	Current Status	Comments
1	General Ledger Accounting	In-Progress	Review in progress and carried forward to 2013. Report is expected in May 2013.
2	Xcel Energy, Inc. Franchise Agreement Review	Complete	Report No. 2012-07
3	Accounts Payable Review	Complete	Report No. 2013-01
4	Application Security	Complete	Review in progress and carried forward to 2013. Report is expected in March 2013.
5	Development Loans (Loan C) Review	Complete	Report No. 2012-08
6	Fleet Management Review	Complete	Report No. 2012-06
7	Grant Management Review*	Complete	Report No. 2012-01
8	External Penetration Assessment*	Complete	Report No. 2012-02
9	Database Access Review*	Complete	Report No. 2012-03
10	Unisys Contract Review*	Complete	Report No. 2012-04
11	School Based Clinics – Electronic Medical Record System Pre-Implementation*	Complete	Report No. 2012-05

\*Projects carried forward from 2011.

# 2012 Audit Plan and Results – Overview and Summary of Findings



The Office of Internal Audit issued eight internal audit reports in 2012.

- 31 recommendations were made to City departments to address risks that can be more effectively controlled and none were considered to be significant.
- Criteria for findings that may be categorized as “significant” is based on one or more of the following criteria:
  - “A key control was nonexistent or not effective, which may lead to significant operational, reputational, compliance, or legal exposure; fraud; significant negative impact on accomplishing one or more of the City’s strategic goals; and a detrimental impact on operations or public perceptions.”

# 2012 Audit Plan and Results – Overview and Summary of Findings (cont.)



The chart below details the status of all reviews with open management action plans as of December 31, 2012.

Report Name	Total Recommendations	Complete	On Track
2011-02: Police Scheduling and Time Reporting Review	9	7	2
2011-06: Water Revenue Capture Review <sup>1</sup>	13	12	1
2011-07: Bank Account Reconciliation, Bank Account Access and Automated Clearing House (ACH) Transactions Review	8	7	1
2011-08: Cash Collection and Handling Review <sup>2</sup>	7	6	1
2011-09: Impound Lot Review <sup>2</sup>	7	6	1
2012-01: Grant Management Process Review	4	3	1
2012-02: External Penetration Assessment <sup>2</sup>	Not Public Report		
2012-03: Database Access Review <sup>2</sup>	Not Public Report		
2012-06: Fleet Management Review	9	3	6
2012-07: Xcel Energy, Inc. Franchise Agreement Review	2	-	2
2012-08: Development Loans (Loan C) Review	4	-	4
<b>Total (Percentage of Total)</b>	<b>63 (100%)</b>	<b>44 (70%)</b>	<b>19 (30%)</b>

- 1 Nine (9) of the 13 recommendations were proposed by CDM, an outside consultant hired by Public Works.
- 2 This review included security data that the Minnesota Data Practices Act legally classifies as not public. To protect City resources and comply with the Act, information related to these recommendations have been withheld from this chart.

# 2012 Audit Plan and Results – 2012 Budgeted Hours vs. Actual Hours



2012 Budget Hours (based on 11 months)	
Total Budgeted Hours	4,195
Total Budgeted Project Hours	2,471
% of Total Project Budget Hours	59%

2012 Actual Hours (based on 11 months)	
Total Actual Hours	4,205
Total Actual Project Hours	2,008
% of Total Project Budget Hours	48%

Note: The variance is due to a variety of factors; unforeseen leave taken throughout the year, unexpected project delays resulting in more time spent performing administrative duties, projected administrative time for Department staff understated and has since been increased to better reflect future projections.



# Client Satisfaction Survey Results

- After each review, Internal Audit sends a client satisfaction survey to each key member of management involved in the audit process.
- Effective July 1, 2012 IA changed the process to send the survey only to the Department Head(s) on the “To” of the audit report asking them to receive input from those who worked closely with IA.
- In total, 23 surveys were sent to key management, 10 responses were received, representing 6 of the 8 audits completed in 2012.
- Cumulatively, the survey respondents gave an average score of 2.89 out of four compared to 3.48 in 2011.

# Office of Internal Audit Update – Staffing



The Office of Internal Audit currently has two full-time employees and two part-time interns.

## **Jacob L. Claeys, Senior Internal Auditor**

Certified Government Auditing Professional (CGAP)  
Certification in Risk Management Assurance (CRMA)  
Certified Internal Controls Auditor (CICA)

Mr. Claeys has nine years of business experience, with more than eight of those years devoted to internal audit work in local government.

29 hours of Continuing Professional Education (CPE) were completed during 2012.

## **Magdy S. Mossaad, Director of Internal Audit**

Master of Business Administration (MBA)  
Certified Internal Auditor (CIA)  
Certified Management Accountant (CMA)  
Certified Fraud Examiner (CFE)  
Certified Public Accountant (CPA)  
Certification in Control Self-Assessment (CCSA)

Mr. Mossaad has over 30 years of business experience, with more than 20 of those years working specifically in internal auditing.

90 hours of CPE were completed during 2012.

# Office of Internal Audit Update – Staffing (cont.)



The Office of Internal Audit's two current interns attend the University of Minnesota's Carlson School of Management.

## **Jonny Brennan, Undergraduate Student Intern**

Mr. Brennan will graduate from the University of Minnesota Carlson School of Management in May 2013, with a dual degree in Accounting and Finance.

## **Shayna Gilbert, Undergraduate Student Intern**

Ms. Gilbert will graduate from the University of Minnesota Carlson School of Management in May 2013, with a dual degree in Accounting and Finance.

# Office of Internal Audit Update – 2012 Internal Audit Office Highlights



- Continue to enhance partnerships with City leaders and management.
- Completed 5 projects and 4 carry-forward projects from 2011.
- Continued to implement an Internal Audit Department internship program and recruited two interns.
- Updated the Internal Audit Department Policies and Procedures manual (i.e. policies, procedures, templates, etc.), based upon professional guidance and government regulations.
- Continue to build business relationships with other audit functions and other local government entities.
- Performed a third annual City-wide risk assessment and developed a two-year audit plan – conducting more than 45 interviews with City leaders and management.
- Established an Internal Audit Department website to enhance transparency: <http://www.minneapolismn.gov/audit>

# Office of Internal Audit Update – 2012 Annual Budget



2012 Budget vs. Actual Expenses	
Total Internal Audit Budget	\$ 456,835
Total Actual Expenses	\$ 451,048
Variance	\$ 5,787

Note: There is a variance of approx. \$5,000 that Internal Audit requested be carried over to 2013

## Other Updates – 2012 Audit Committee Highlights



- Held 11 Regular and Special Audit Committee Meetings throughout 2012.
- Published eight audit reports in alignment with the 2012 audit plan and 2011 carry forward projects.
- Promoted and participated in an Audit Committee Workshop to discuss and fine-tune the Audit Process within the City of Minneapolis.



## Other Updates – 2009 Quality Assessment Review Status Update on Open Items

- In 2009, the Minneapolis Board of Estimate and Taxation (The Board) requested an evaluation of the City of Minneapolis Internal Audit function.
- The Board requested that the Internal Audit Review Committee, a group of volunteers knowledgeable in the audit profession, to perform the assessment and determine whether the function meets the industry standards for internal auditing.
- The Committee was to make recommendations that would maximize the Internal Audit potential to provide a thorough, objective perspective to evaluating and improving the effectiveness of City Government in Minneapolis.
- The review concluded that Minneapolis Internal Audit does not comply with the Institute of Internal Auditors Standards for the Professional Practice of Internal Auditing.
- Next slides will have the status update, as of Dec. 31, 2011.

# Other Updates – 2009 Quality Assessment Review Status Update on Open Items (cont.)



## Matters for the Consideration of the Board and City Leadership

### Recommendations:

1. **Reporting to Senior Management and the Board.** The City should work to increase the staff of Internal Audit by at least two FTEs and possibly as many as four as soon as possible. This will ensure better audit coverage and allow City management to better identify and manage critical risks.

### Status/Internal Audit Action Plans:

**Partially Completed.** As a result of 2012 budget constraints, the Internal Audit Department reduced its staff from two Senior Auditors and a Director (three FTEs) to one Senior Auditor and a Director (two FTEs).

## Matters specific to Internal Audit

2. **Quality Assurance and Improvement Program.** Minneapolis Internal Audit should develop a Quality Assurance Improvement Program that includes regular internal quality check elements, as well an external review within the next 2 or 3 years if the activity can be brought into conformance, and then every 5 years as required by the Standards.

**Partially Completed.** Internal Audit has developed regular internal quality control checklists within the audit process as a Quality Assurance Improvement Program. Internal Audit is planning to request the Audit Committee approve an external Quality Assessment to be performed within the fourth quarter of 2013, and every 5 years as required by the IIA Standards.