

MINUTES
REGULAR MEETING
MINNEAPOLIS AUDIT COMMITTEE
March 27, 2013

Committee Members Present: Council Members Diane Hofstede, Barbara Johnson, Minneapolis Park & Recreation Board Representative Mark Oyaas; Citizen Members Darrell Ellsworth and Stephanie Woodruff

Committee Members Absent: Council Member Hodges

Chair Hofstede called the meeting to order at 9:39 a.m. in Room 317, City Hall, a quorum being present.

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Hofstede introduced the Committee Members and welcomed staff.

1. Adopt Agenda.

Hofstede moved to adopt the agenda, to include the addition of announcements. Adopted upon a voice vote. Absent – Hodges.

Announcements:

Internal Audit Department staff:
Resignation of Jacob Claeys, Senior Internal Auditor.

Internal Auditor Magdy Mossaad announced that Jacob Claeys has accepted a new position; his last day with the City will be April 19th. He conveyed his appreciation to Mr. Claeys for all of his efforts on behalf of the Department and the City of Minneapolis, and thanked him for his service to the City.

Committee Members joined in thanking Mr. Claeys for his work in the Audit Department by conveying their appreciation for his work in the Department, and expressed an interest in having one of the Audit Committee Members involved in the formal exit interview process.

Ms. Woodruff volunteered to attend/conduct the interview with Mr. Claeys, along with the Internal Auditor.

Hofstede moved a staff direction to request that Mr. Claeys participate in an exit interview with Committee Member Woodruff and the Internal Auditor. Adopted upon a voice vote. Absent – Hodges.

Deputy City Attorney Peter Ginder spoke to the City's formal exit interview process and suggested that Board Members work with the staff in Human Resources so as to ensure compliance with data practices regulations.

Unfinished Business:

3. City Council Study Session Update.

Mr. Mossaad announced he has been working with the City Coordinator and an outside consultant to schedule a study session; June 21st is a tentative date.

2. Minutes of the Regular Meeting of January 23, 2013.

Hofstede moved to accept the minutes as drafted.

Adopted upon a voice vote. Absent – Hodges.

New Business:

4. Application Security Review:

Accept report and order published.

Mr. Mossaad introduced the following City staff who were present: Connie Griffith, Finance Department; Otto Doll, Chief Information Officer, and Deb Parker, Information Technology; and Richard Martonik, Human Resources.

Kim Anderson, a Director from the PricewaterhouseCoopers Minneapolis office, presented the Application Security Review with regard to the PeopleSoft software, specifically Compass and HRIS. PowerPoint slides were reviewed relating to Objective; Scope; Approach; Recommendations; Projected Cost of Implementation. The report concluded that opportunities exist for improvement to address risk areas identified in the report.

Recommendations were presented, along with the associated funding costs for the Finance Department, Human Resources Department, and Information Technology to implement the following management action plans: Application Security Policy; Segregation of Duties (SoD) Framework and Monitoring; Additions and Separated Employee Processes; and Compass and HRIS Super Users.

The Committee discussed the following:

- a) The length of time that separated employees could access the computer programs following separation from the City, and how Human Resources notifies the Department of the termination date.
- b) The users who have access to make changes to the Master Files and if there could be enhancements to monitoring the risk exposure.
- c) A historical perspective of the audit function in the City.

Chief Information Officer Otto Doll came forward and reported on the projected costs to implement the recommendations.

Chair Hofstede distributed the following motion for consideration by the Committee:

“Hofstede moves that the audit entitled Application Security Review be received and ordered published with the recommendation that the City Council refer the following management action plans and associated funding costs for implementing the recommendations to the Ways & Means/Budget Committee for its consideration:

- a) Finance Department \$35,400 (one time); \$6,760 (annually):
 - \$7,800 for Application Security Policy
 - \$22,400 (one time) & \$2,080 (annually) for Segregation of Duties Framework and Monitoring
 - \$5,200 (one time) & \$3,120 (annually) for Additions and Separated Employee Process
 - \$1,560 (annually) for Compass and HRIS Super Users.
- b) Department of Human Resources \$14,400 (one time):
 - \$5,400 (one time) for Application Security Policy
 - \$5,400 (one time) for Segregation of Duties Framework and Monitoring
 - \$1,800 (one time) & \$3,120 (annually) for Additions and Separated Employee Process
 - \$1,800 (annually) for Compass and HRIS Super Users.
- c) Information Technology Department \$410,000 (one time) and \$230,000 (annually):
 - \$10,000 for Application Security Policy
 - \$200,000 (one time) for Additions and Separated Employee Process
 - \$200,000 (one time) for Compass and HRIS Super Users.”

Johnson spoke in support of the motion as a practical way of presenting the costs to the City Council, and moved that the management action plan be forwarded, along with the associated costs, to the Ways & Means/Budget Committee.

Adopted upon a voice vote. Absent – Hodges.

Hofstede moved to accept the report and order published.

Adopted upon a voice vote. Absent – Hodges.

5. 2014 Audit Plan.

Mr. Mossaad reviewed the Risk Assessment and 2014 Proposed Internal Audit Plan with the Committee through the use of a PowerPoint presentation.

The Committee discussed the staffing and budget comparison chart as it relates to comparing the number of City staff with those of other similar sized cities and how the data will be used in making the case for staffing the Audit Department.

It was the Chair’s recommendation that action on the 2014 audit plan be tabled and brought back at the next meeting.

Hofstede moved that the Internal Auditor meet with at least one other member of the Audit Committee to discuss alternatives for the proposed 2014 Audit Plan and report back at the next meeting with a plan of action to include what types of co-sourcing relationships would be available to finish 2013 based on the adopted budget. Adopted upon a voice vote. Absent – Hodges.

6. 2012 Internal Audit Annual Report.

Mr. Mossaad reviewed the printed material related to the 2012 Internal Audit Annual Report. All projects were completed except the General Ledger Accounting project that is in process, with that report expected in May, 2013.

The Committee discussed the following:

- a) The timeline for when the chart that depicts the status of reviews with open action management plans will be updated.
- b) The results of the client satisfaction survey and the factors that contributed to receiving an overall lower response rating in 2012 as compared to 2011.

Internal Audit staff were thanked for the overall excellent report and their hard work, dedication and efforts in understanding controls in risk management in the City of Minneapolis.

Hofstede moved to accept the report.

Adopted upon a voice vote. Absent – Johnson and Hodges.

Committee Member Oyaas requested that Committee leadership report at a future meeting on their work with regard to review and administrative oversight of the Internal Auditor, as a formal review process has not yet been proposed.

The meeting was adjourned at 10:41 a.m.

Submitted by:

Jackie Hanson
Council Committee Coordinator/City Clerk's Office