

MINUTES

REGULAR MEETING AUDIT COMMITTEE May 22, 2013

Committee Members Present: Council Members Diane Hofstede, Barbara Johnson and Betsy Hodges; Minneapolis Park & Recreation Board Representative Mark Oyaas; Citizen Members Stephanie Woodruff and Darrell Ellsworth (Quorum 4)

Chair Hofstede called the meeting to order at 9:33 a.m. in Room 317 City Hall, a quorum being present.

1. Adopt Agenda.
2. Accept Minutes of the Regular Meeting of April 24, 2013.

Hofstede moved adoption of the agenda and acceptance of the minutes. Adopted upon a voice vote. Absent - Johnson.

Unfinished Business

3. Application Security Review:
Update on the report referred to the Ways & Means/Budget Committee.

Internal Auditor Magdy Mossaad reported on the action taken by the Ways & Means/Budget Committee: the report was received and filed and referred to the budget process.

4. Audit Study Session.

Hofstede requested direction from the Committee Members on the scheduling of a study session. Funds are available in the 2013 budget.

Woodruff moved to defer the study session until the first quarter of calendar year 2014. Adopted upon a voice vote. Absent: Johnson.

Report of Internal Auditor

5. General Ledger Accounting Review.

Mr. Mossaad reported that the Finance Department will present its updated report relating to recommendations from the 2011 State Auditor's Report, and Internal Audit will present its report on the General Ledger Accounting Review at the June meeting.

City Controller Connie Griffith presented an update report on behalf of the Finance and Property Services Department relating to the 2011 State Auditor's Report that was issued July 27, 2012. Corrective actions and next steps were reviewed.

The Committee discussed the following:

- a) What the energy efficiency federal grant is used to pay for.
- b) How the Community Action Agency receives its federal grant funds.
- c) The progress that staff is making to resolve the ten findings from the 2011 report.
- d) The meetings conducted by the Grant Users Group.
- e) The role of the Internal Audit Department and City Coordinator in coordinating/managing grants received by the City.

Hofstede moved to accept the report and order published. Adopted upon a voice vote.

6. 2013 Revised Audit Plan.

Mr. Mossaad presented an overview of the financial impacts on the 2013 audit plan following the resignation of the Senior Auditor.

Woodruff moved that the hiring of a Senior Auditor be delayed until the end of the year so that a staff person could be hired and trained to begin work on the 2014 plan; and devote the budgeted amount of \$60,000 to fund co-sourcing with partners to execute the remaining four projects in the 2013 Audit Plan.

The Committee received an update on the hiring process for a Senior Auditor staff member.

Johnson clarified that the Public Works Water Billing Revenue Review will be to verify that water charges are adequately captured and that the word "storm water" be deleted.

Hofstede requested that the Internal Auditor bring back dates to the Committee on when a Senior Auditor would be hired.

Woodruff's motion was adopted upon a voice vote.

7. 2014 Audit Plan Options.

Mr. Mossaad presented a PowerPoint presentation that provided information on the following: Definition of Internal Auditing; Internal Audit Added Value; Five Critical Tasks for Internal Auditing; What Leading Class Internal Audit Functions Can Help With; Who They Serve; 2014 Budget Options; 2014 Proposed Audit Plan (based on 2, 3 and 4 FTEs) and the associated Audit Plan.

City Coordinator Paul Aasen came forward and discussed with the Committee the financial planning process related to the 2014 budget and the timeline associated with staff meeting with the Mayor in preparation of the 2014 budget.

Johnson moved that the Internal Audit Department, with assistance from the City Coordinator's Office, provide an analysis of staffing options for the internal audit functions that include the following:

- a) Fully staffing the Internal Audit Department at a level needed to carry out the annual plan plus some capacity for unanticipated work.
 - b) Contracting for or co-sourcing from one or more outside vendors for the staffing and expertise needed to carry out the annual audit plan plus some capacity for some unanticipated work.
 - c) Cooperative or co-sourcing audit functions with the County and/or State Auditors.
- The analysis should compare costs and policy issues related to conducting audits, contracting or governance oversight, responsiveness and service, and next steps for implementing each pathway.

Further, that staff return to Committee in 45 days.
Adopted upon a voice vote.

New Business

Review of the Internal Auditor.

Hofstede moved to authorize the Internal Auditor's participation in the 360 degree management review process through the City Coordinator's Office and Department of Human Resources; and requested that the results of the 360 degree management review be provided to the Members of the Audit Committee by the City Coordinator and Human Resources Department.

At the request of the Chair, Deputy City Attorney Peter Ginder provided an overview of the process, including how the information is classified as it relates to the requirements of the Open Meeting Law.

Oyaas requested that the record reflect that Mr. Mossaad is participating in the process with the approval and under the direction of the Committee.

Hofstede's motion was adopted upon a voice vote.

Announcements

Adjournment

The meeting was adjourned at 10:56 a.m.

Submitted by:
Jackie Hanson
Council Committee Coordinator/City Clerk's Office