



**Request for City Council Committee Action  
From the Finance Department**

Date: February 15, 2010  
To: Ways and Means Committee  
Referral to: None

**Subject: 2009 Financial Statement Audit**

**Recommendation: Establish Communication with the Office of the State Auditor in regards to the audit of the City's 2009 Financial Statements**

**Previous Directives: None**

Prepared or Submitted by: Jacob Cherucheril, Manager, Financial Accounting & Reporting 673-2300, Rick Pietrick, Audit Director

Approved by: Patrick Born, City Finance Officer \_\_\_\_\_

Steven Bosacker, City Coordinator \_\_\_\_\_

Presenters in Committee: Charles Elliott, Controller and Rick Pietrick, Audit Director, Stephanie Erickson, Staff Specialist (Lead Auditor)

**Financial Impact** (Check those that apply)

No financial impact - or - Action is within current department budget.  
(If checked, go directly to Background/Supporting Information)

- Action requires an appropriation increase to the Capital Budget
- Action requires an appropriation increase to the Operating Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- other financial impact (Explain):

Request provided to the Budget Office when provided to the Committee Coordinator

**Community Impact** (use any categories that apply)

- Neighborhood Notification
- City Goals
- Comprehensive Plan
- Zoning Code
- Other

Not applicable

## **Background/Supporting Information Attached**

Recent changes in Auditing Standards compel auditors to establish direct, two-way communications with the entities' governing board while conducting their financial statement audit. Meeting with the Ways and Means Committee accomplishes that objective. The agenda is attached:

**Purpose:** To provide a two-way means of communication with those charged with governance for matters related to the financial statement audit.

### **1. Staffing/Administration**

- A. Audit staff
- B. Audit staff timing
- C. Contact with audit staff and City of Minneapolis staff

### **2. SAS No. 114 - The Auditor's Communications With Those Charged With Governance**

SAS No. 114, establishes communication requirements between auditors and those charged with governance. Those charged with governance is defined as persons "...with responsibility for overseeing the strategic direction of the entity and its obligations related to the accountability of the entity. This includes overseeing the financial reporting process." At the City of Minneapolis we've identified those charged with governance as the Mayor and the Chair and Council Members of the Council Committee on Ways & Means/Budget. Specific matters to be communicated with those charged with governance:

- A. Auditor's responsibilities under generally accepted auditing standards:
  - Forming and expressing opinions on the financial statements.
  - Performing the audit in accordance with generally accepted auditing standards.
  - Considering your internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting.
  - Communicating significant matters related to the financial statement audit.
- B. Client's responsibilities:

- Establishing and maintaining internal controls, including monitoring the ongoing activities.
- The selection and application of accounting principles.
- The fair presentation of the financial statements.
- Designating a qualified management-level individual to be responsible and accountable for overseeing our services.
- Making sure all financial records and related information is accurate, complete, and available for audit.
- Designing and implementing programs and controls to prevent and detect fraud.
- Informing us about all known or suspected fraud or illegal acts.
- Following up and taking corrective action on reported audit findings.
- If necessary, preparing a summary schedule of prior audit findings and a corrective action plan.

C. Overview of the planned scope and timing of the audit:

- We will audit the basic financial statements of the City of Minneapolis for the year ended December 31, 2009.
- Perform a single audit in accordance with the Single Audit Act Amendments of 1996, and Office of Management and Budget (OMB) Circular A-133.

D. All audit findings will be communicated to management at our bi-weekly status meetings. We will also communicate any significant audit findings at a management exit meeting later in spring.

E. Items to be communicated to those charged with governance in a separate letter at the conclusion of the audit:

- significant accounting policies;
- sensitive accounting estimates;
- significant audit adjustments;
- disagreements with management;
- difficulties encountered in performing the audit; and

- other significant issues arising from the audit.

F. As deemed necessary, in addition to the communication we have with you at the beginning and end of the audit, we will communicate with you during the audit if we encounter any significant difficulties or other matters.

**3. Single Audit**

Audit implications of receiving federal American Recovery and Reinvestment Act (ARRA, or stimulus) funding.

**4. Other Items**

A. City's Tentative Schedule - 2009

B. Audit Progress to Date

C. Engagement Letter

D. Update on Prior Year Management Letter Comments

E. New Accounting and Auditing Pronouncements

F. Any other questions, comments, concerns