

2011 - Financial Reporting - Key Internal Controls

Control	Business Process	Sub-Process	Process Risk	Control Objective	Frequency
FR 1.0	Financial Reporting	Reconciliations	Undetected errors may cause material misstatement in the financial statements.	All key balance sheet accounts are reconciled monthly or quarterly. The monthly reconciliations should be properly supported and reviewed by appropriate personnel. The review should be documented with signature and date.	quarterly
FR 2.0	Financial Reporting	Journal Entries	Unauthorized journal entries may be posted, or journal entry errors may not be detected timely, increasing the risk of fraud or material misstatement in the financial statements.	Journal entries should be properly supported, reviewed and approved by appropriate personnel prior to posting. The review should be documented by signature and date.	multiple times daily
FR 3.0	Financial Reporting	Policies and Procedures	Accounting personnel may be ineffective or inefficient, or accounting treatment may be inconsistent, due to lack of knowledge of proper accounting policies and procedures.	Accounting policies and procedures are kept current and communicated to the appropriate personnel. New policies and changes to existing policies must be approved at the appropriate level.	annually
FR 4.0	Financial Reporting	Financial Reporting Package	Errors may not be detected and corrected timely which may result in material misstatements in the financial statements	The financial reporting package is properly reviewed prior to submission	quarterly
FR 5.0	Financial Reporting	Spreadsheet Controls	Key spreadsheets used in the Financial Reporting cycle may contain errors which could lead to material misstatements in the financial statements.	Management should periodically evaluate key spreadsheets used to prepare journal entries, support their significant general ledger account balances and financial management reporting.	annually
PR 1.0	Payroll	Segregation of Duties	Employees who have access to alter human resource information (create an employee, change pay rate, change employee bank account information or demographics, etc.) also have access to the payroll processing system, increasing the risk of error or misappropriation.	Payroll employee system access to alter both human resource data and payroll system data is prohibited. Only authorized personnel have access to the payroll system and there is an access log that it is periodically reviewed. Duties surrounding the printing of manual payroll checks are segregated.	annually
PR 2.0	Payroll <i>Internal Audit will perform this test</i>	Employee Payroll Distributions - Unauthorized payroll distributions are made. Positive Pay		The bank's Positive Pay system is utilized to prevent unauthorized paychecks from clearing the bank account.	multiple time daily
PR 3.0	Payroll	Timekeeping System	Time may not be reported correctly or unauthorized access to the timekeeping system may increase the risk of error or fraud.	Timekeeping systems are properly secured and maintained ensuring only appropriate time is recorded	multiple time daily
PR 4.0	Payroll	Payroll Processing	Timekeeping or human resource data may not be accurate, or other errors in the payroll system may occur which result in inaccurate payroll processing.	Payroll is calculated and processed correctly.	multiple time daily

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Control	Business Process	Sub-Process	Process Risk	Control Objective	Frequency
TR 1.0	Treasury	Bank Account Reconciliations	Errors in bank statements or bank account general ledger activity may not be detected timely, resulting in misstated financial statements. Fraud or misappropriation may not be detected timely.	All bank accounts are reconciled monthly. Reconciliations are reviewed and signed by someone other than the preparer who has been properly trained to review bank reconciliations and understands the importance of the review.	monthly
TR 2.0	Treasury	Segregation of Duties	Duties of handling and posting cash are not segregated, increasing the risk of misappropriation or error in the financial statements.	The duties of handling and posting cash are segregated	annually
TR 3.0	Treasury	Investments	Investment activity is not authorized or reviewed, increasing the risk of loss, error or misstated financial statements.	Investment activity is limited to authorized personnel, follows City policy, and is reviewed by management monthly.	monthly
TR 4.0	Treasury	Cash on hand	Cash on hand is not properly safeguarded or deposited timely, increasing the risk of loss or misappropriation.	Cash on hand is properly safeguarded and deposited according to City policy.	multiple time daily
FA 1.0	Fixed Assets	Additions	Fixed assets may not be completely and accurately capitalized and recorded.	Additions to fixed assets are properly supported, reviewed and approved prior to posting in the proper period. The unit cost and useful life is properly recorded based on policy/proper accounting treatment.	multiple time daily
FA 2.0	Fixed Assets	Depreciation	Depreciation may not be properly calculated and recorded, resulting in errors in financial reporting and misstated financial statements.	Depreciation is automatically calculated by the accounting system. Manual adjustments are reviewed and approved prior to posting.	monthly
FA 3.0	Fixed Assets	Disposals	Fixed asset disposals may not be properly authorized or recorded, resulting in increased risk of error, misappropriation and misstated financial statements.	Disposals are properly supported, reviewed and approved prior to removal from the accounting system. Approval is recorded on the disposal form with management signature and date, and timely entered/updated into the asset register/ accounting system. Gains/losses from disposing the assets are automatically calculated and recorded by the accounting system.	weekly
FA 4.0	Fixed Assets	Inventory	Fixed assets may not be properly managed or safeguarded, resulting in erroneous records and financial reporting, and increased risk of fraud or misappropriation.	Appropriate management monitors the results of periodic inventory counts and ensures all areas with Fixed Assets are scheduling and reporting results of inventory counts. Asset register/accounting books are timely updated with the results.	annually

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Control	Business Process	Sub-Process	Process Risk	Control Objective	Frequency
AP 1.0	Account Payable / Purchasing	3 Way Match	Invoices may not be processed correctly or timely, resulting in errors, irregularity or delayed payments.	Invoices, matching purchase order information and receiving slips, if applicable, are submitted to accounts payable immediately for timely processing. The accounts payable clerk ensures 3 way matching prior to processing the vendor payment.	multiple time daily
AP 2.0	Account Payable / Purchasing	Vendor Setup	New vendors may be added to the accounts payable system without proper oversight, increasing the risk of error or misappropriation.	Vendor setup is performed by authorized personnel who have duties segregated from accounts payable invoice processing duties.	daily
AP 3.0	Account Payable / Purchasing <i>Internal Audit will perform this test</i>	Vendor Payments (Positive Pay)	Unauthorized, erroneous or fraudulent vendor payments may be made.	The bank's Positive Pay system is utilized to prevent unauthorized checks from clearing the bank accounts.	multiple time daily
DB 1.0	Debt	Debt Management	Debt may not be properly managed, increasing the risk of default on bonds and inability to fund increasing pension costs.	The City's Debt Management Committee, composed of the Budget Director, CFO, City Attorney, and outside bond counsels, meets quarterly to discuss bond related issues.	quarterly

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NOTE:

Frequency: occurrence of population per 12 month period

Size of Sample: the number of items that should be selected for testing for the year based upon the frequency of the population

Frequency	Size of Population	Size of Sample
Annually	1	1
Quarterly	2-4	2
Monthly	5-12	2-3
Weekly	13-52	5-9
Daily	53-240	20
Multiple Times Daily	240+	25-60

Sample #	GL Period	Fund	GL Account	Other GL Accounts included in Reconciliation	Description (Purpose)	GL Balance	Preparer / Date	Reviewer / Date	Exceptions noted? (Y, N) See Procedures, below	Comments	Tester / Date
Qtr 1											
1											
2											
3											
4											
5											
6											
7											
8											
9											
10											

Frequency: Quarterly Select 2 quarters for testing and randomly select accounts to test from all key general ledger accounts.

Sampling Approach:
 Qtr 1 (...indicate quarter selected and how sample was selected)
 Qtr __ (...indicate quarter selected and how sample was selected)

Source:
 (...indicate where reconciliation support is maintained.)

Procedures:
Support Review reconciliation for adequate support. First and last pages may be included in lieu of larger files.
 Support should include printout of GL balance and may include screen prints from supporting systems, summaries or schedules, and other external documentation.
 Verify calculations are correct and reconciliation balance agrees with GL balance.
 Verify variances are properly reported and resolved within a reasonable period of time.
 Determine if account was reconciled within the applicable timeframe according to policy.

Approval Verify reconciliation is properly reviewed and approved. Approval should be evidenced by signature and date, within a reasonable period of time.

Exceptions If support or approval is not adequate, please enter "Y" in "Exceptions noted" column and provide an explanation in the "Comments" column.

Results and Conclusion:

Sample #	JE #	GL Period	Fund	Description (Purpose)	JE Amount (Abs Value)	Date JE was Posted to GL	Journal Prepared by	Journal Approved by / Date	Exceptions Noted Y/N? (see procedures, below)	Comments	Tester / Date
Qtr 1											
1											
2											
3											
4											
5											
6											
7											
8											
9											
10											

Frequency: Multiple Times Test 40 journal entries in FY 2011. Select a sample each quarter from all journal entries posted that quarter.
 Daily

Sampling A Qtr 1 (...indicate how sample was selected)
 Qtr 2 (...indicate how sample was selected)
 Qtr 3 (...indicate how sample was selected)
 Qtr 4 (...indicate how sample was selected)

Source: See individual accountants for copies of their JE's.

Procedures Support Review journal entry for support. First and last pages may be included in lieu of larger files.
 Support may include screen prints from supporting systems, summaries or schedules, and other external documentation.
 Verify calculations are correct and JE is posted in proper GL period.

Approval Verify journal entry is properly reviewed and approved. Approval should be evidenced by signature and date.
 Consider City policy for approvals on JE's over established thresholds.

Exceptions If support or approval is not adequate, please enter "Y" in "Exceptions noted" column and provide an explanation in the "Comments" column.

Results and Conclusion:

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 FY11 Control Testing
 Process: Financial Reporting
 FR 3.0 Policies and Procedures

Sample #	Policy Name / Description	Policy last updated (name / date)	How is policy accessed by department personnel?	Exceptions noted? (Y, N) <i>See Procedures, below</i>	Comments	Tester / Date
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						

Frequency:
 Annually
 Review 20 policies in FY 2011.

Sampling Approach:
 (...indicate how policies were selected for testing)

Source:
 (...indicate where policies are maintained (ex. Finance department website, Jacob's office, etc.)

Procedures:
Support Create a log of Finance policies and key procedures and select a sample to test.
 Review the selected policies/procedures and verify they have been updated in the last 12 months and communicated to employees.
 New policies and changes to existing policies must be approved at the appropriate level.
Exceptions If support or approval is not adequate, please enter "Y" in "Exceptions noted" column and provide an explanation in the "Comments" column.

Results and Conclusion:

City of Minneapolis
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 Process: Financial Reporting
 FR 4.0 Financial Reporting Package

Date Completed Schedule was Reviewed	FY 2010 CAFR Schedules	Coordinator	Exceptions noted? (Y, N) See Procedures, below	Comments	Tester / Date
	Trial Balances				
	Consolidation				
	Account Reconciliation, Preparation of Accrual Entries, Reclassification, etc.				
	Economic Condition Reporting-Statistical Section Per GASB 44				
	Final Financial Reporting Package				

Frequency:
Annually

Sampling Approach:
Select all FY 2010 CAFR Schedules

Source:
Schedules obtained from Mary Dunning

Procedures:
Support Verify all items on the **CAFR schedules** are completed and reviewed, evidenced by a **completion** date and signature on schedule for each item.
 Verify the final financial reporting package has been properly reviewed prior to submission.
Exceptions If support or approval is not adequate, please enter "Y" in "Exceptions noted" column and provide an explanation in the "Comments" column.

Results and Conclusion:

**City of Minneapolis
FY11 Control Testing**

Process: Payroll

**PR 2.0 Employee Payroll Distributions -
Positive Pay**



NOTE: To be tested once by IA in FY 2011

Frequency:

Sampling Approach:

Source:

Procedures:

Results and Conclusion:

Exceptions noted?
(Y, N)
See Procedures,
below

Comments

City of Minneapolis
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 Process: Treasury
 TR 1.0 Bank Account Reconciliations

Sample #	Bank Statement Date	Bank Account description	GL Account	GL Balance	Preparer / Date	Reviewer / Date	Exceptions noted? (Y, N) See Procedures, below	Comments
Month --								
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								
Month --								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								

Frequency: Monthly Select 2 months in fiscal year 2011 for testing.

Sampling Approach: Select key bank accounts and randomly select a sample of non key bank accounts to test in each of the 2 months.

Source: (...indicate where reconciliation support is maintained.)

Procedures:

- Support** Review reconciliation for support. First and last pages may be included in lieu of larger files.
 Verify calculations are correct and reconciliation balance agrees with GL balance.
 Verify variances are properly reported and resolved within a reasonable period of time.
- Approval** Verify reconciliation is properly reviewed and approved. Approval should be evidenced by signature and date.
- Exceptions** If support or approval is not adequate, please enter "Y" in "Exceptions noted" column and provide an explanation in the "Comments" column.

Results and Conclusion:

City of Minneapolis
 FY11 Control Testing
 Process: Fixed Assets
 FA 1.0 Additions

Sample #	GL period capital asset was added	Capital Asset #	Asset Description	Asset Useful Life	Asset Cost	Asset Recorded by:	Reviewed by:	Exceptions Noted Y/N? (see procedures, below)	Comments	Tester / Date
Qtr 1										
1										
2										
3										
4										
5										
6										
7										
8										
9										
10										

Frequency:
 Multiple Times Test 40 capital asset additions in FY 2011. Select samples to test each quarter from all additions posted in that quarter.
 Daily

Sampling Approach:
 Qtr 1 (...indicate how sample was selected)
 Qtr 2 (...indicate how sample was selected)
 Qtr 3 (...indicate how sample was selected)
 Qtr 4 (...indicate how sample was selected)

Source:

Procedures:
Support Review capital asset support to ensure the asset was recorded at the proper cost and with the appropriate useful life.
Approval Verify the capital asset addition was properly approved.
Exceptions If support or approval is not adequate, please enter "Y" in "Exceptions noted" column and provide an explanation in the "Comments" column.

Results and Conclusion:

City of Minneapolis
 FY11 Control Testing
 Process: Fixed Assets
 FA 2.0 Depreciation

Sample #	GL Period	Capital Asset Description(s)	Amount of depreciation recorded (\$)	Recalculated depreciation (\$)	Difference	Depreciation Recorded by:	Depreciation Reviewed by:	Exceptions Noted Y/N? (see procedures, below)	Comments	Tester / Date
Month 1										
1					\$ -					
2					\$ -					
3					\$ -					
4					\$ -					
5					\$ -					
Month 2										
6					\$ -					
7					\$ -					
8					\$ -					
9					\$ -					
10					\$ -					

Frequency: Monthly Select 2 months in FY 2011 for testing. Test a sample of the manual depreciation entries posted those months.

Sampling Approach:
 Month 1 (...indicate how sample was selected)
 Month 2 (...indicate how sample was selected)

Source:

Procedures:
Support Recalculate manual depreciation entries for the quarter. Ensure fully depreciated items are not included in the calculation.
Approval Verify the capital asset addition was properly approved.
Exceptions If support or approval is not adequate, please enter "Y" in "Exceptions noted" column and provide an explanation in the "Comments" column.

Results and Conclusion:

City of Minneapolis
FY11 Control Testing

Process: Debt
DB 1.0 Debt Management

Quarter tested	Date of Debt Management Committee Meeting	Attendees	Exceptions noted? (Y, N) See Procedures, below	Comments
1				
3				

Frequency:
Quarterly

Sampling Approach:
Select 2 quarters in FY 2011 for testing. The documentation will pertain to meetings that occurred in the quarter being tested.

Source:

Procedures:
Support Exceptions Document the quarterly debt committee meeting, such as meeting minutes. Date, attendees, and topics of discussion should be included. If support is not adequate, please enter "Y" in "Exceptions noted" column and provide an explanation in the "Comments" column.

Results and Conclusion: