

**City of Minneapolis
Audit Committee Reporting Requirements**

	Category	Report	Frequency	Details	Presentation Format
	Report Format	Table of contents 1 Audit plan 2 Staff 3 Audit Results - New 4 Audit Results - Follow-up 5 Audit Results - Overall 6 Budget - Hours 7 Budget Financial 8 Customer Satisfaction 9 Other updates			
1	Audit Plan	Present upcoming year's audit plan Submit additions or deletions for approval	Annually Quarterly	Review audit methodology to provide insight into the planning process Review risk assessment Present audit plan for approval Projects to be added, postponed, or cancelled	A table format shows audit area, review name, audit objectives, scope and audit hours (see illustration 1) Auditable unit risk profile (see illustration 2) Graphically (heat map) present risk assessment method (see illustration 3) A short paragraph to explain the scope, objective and reasons
2	Staff	Number of resources available to complete the audit plan	Annually	Breakdown of staff professionalism: <ul style="list-style-type: none"> • Professional certifications held • Number of years of Internal audit experience • Number of years of business experience • Number of hours of training attended 	A table to show information (see illustration 4) A table to show information (see illustration 5) A table to show information (see illustration 5) A table to show information (see illustration 6)
3	Audit Results - New		Annually/Quarterly	Current year progress against plan Year-to-year comparison of progress Executive summary of significant/high-risk issues Management action plan status	A bar chart (see illustration 9) A bar chart (after first year) A bullet list of significant findings for each review (see illustration 7) To be included in the bullet list for each significant finding
4	Audit Results - Follow-up	Follow-up on audit findings status	Quarterly	Status of open items and explanation for action items in arrears	Table / Matrix with color code: White (on-track), Green (action plan has been satisfactorily completed), Yellow (action plan is in process with some justifiable delay), and Red (action plan has not been fully addressed by management with unjustifiable delay and/or with no specific date to complete the action plan committed to). (see illustration 8)

Audit Committee Reporting Requirements

	Category	Report	Frequency	Details	Presentation Format
5	Audit Results - Overall	Annual report to Mayor and City Council	Annually	Annual report to the mayor and city council indicating audits completed, major findings, corrective actions taken by administrative managers, and significant findings which have not been fully addressed by management. [See City Ordinance 83-OR-223; 17.110 (a)(7) Powers and duties of internal auditor.]	Table to show list of completed audit, major findings, corrective actions taken by administrative managers, and significant findings which have not been fully addressed by management. (see illustration 8-table will cover the entire year)
6	Budget Hours	Budget available to complete the audit plan	Quarterly	Total Budget vs. actual Explanation of variances and suggested adjustments, if any	Bar chart for actual and budget (see illustration 9) Bar chart for remaining budget and remaining project hours to complete (see illustration 10)
7	Budget Financial	Annual budget For coming year and a comparison for elapsed year (actual vs. budget)	Annually	Budget vs. actual	Pie chart for the coming year (see illustration 11) and bar chart for actual versus budget and a footnote as an explanation of variance (see illustration 12)
8	Customer Satisfaction	Customer satisfaction evaluation results summary		Customer satisfaction evaluation results	Bar chart for actual score compared to goal (see illustration 13)
9	Other Updates		Annually / on as needed basis	Department goals and status in achieving goals Internal Audit Charter Status of special projects Allocation of Internal Audit time and resources by risk area Concerns (independence, objectivity, etc.)	Short narrative The proposed suggestions on track changes to the current charter Short narrative A matrix or pie chart (see illustration 14) A short paragraph , as appropriate

201X Audit Plan

				ILLUSTRATION 1	
Audit Area	Review Name	Audit Objectives	Scope	Audit Hours	
Ad Hoc / Special Projects					500
Follow-up on Outstanding Audit Issues					30
Annual Risk Assessment					150
Administration, Reporting and Presentations					500
4	Vendor / Contract Management	UNISYS Contract Review	Determine whether controls are designed and functioning effectively to ensure vendor performance, fair pricing and appropriate monitoring of contracts.	Contract effective during FY 2010. Contract oversight, performance measures, payments to contractor, and effectiveness of monitoring.	350
5		AMPCO Contract Review	Determine whether controls are designed and functioning effectively to ensure vendor performance, fair pricing and appropriate monitoring of contracts.	Contract effective during FY 2010. Contract oversight, performance measures, payments to contractor, and effectiveness of monitoring.	350
6	Treasury	Bank Account Reconciliations Bank Account Access Automated Clearing House (ACH) Transactions	Determine whether appropriate controls and segregation of duties are in place for bank account reconciliations and transactions. Assess international ACH transaction reporting controls in place.	All open City of Minneapolis Bank Accounts.	350
7	Cash Handling	Cash Collection and Handling	Determine whether controls over cash collection, accounting, and deposit of funds are appropriate.	Cash handling locations as of October 1, 2010 (Processes of receiving, balancing, and depositing cash).	500
8	Financial Reporting	Training Finance Department on Testing of Internal Controls	Train finance staff who will be responsible for performing testing on how to select, test and document key internal controls.	Limited to training, 4th quarter fiscal year 2010.	100
9		Quarterly Control Testing	Evaluate the testing of the design and operating effectiveness of internal controls over financial reporting.	Key controls and significant accounts identified for fiscal year 2011.	200
10		Internal Controls over Financial Reporting	Determine whether processes exist to appropriately scope significant accounts and processes, identify key risks and controls, and assess the design and effectiveness of internal controls over financial reporting.	Significant general ledger accounts and reporting processes for FY 2010 and 2011.	200

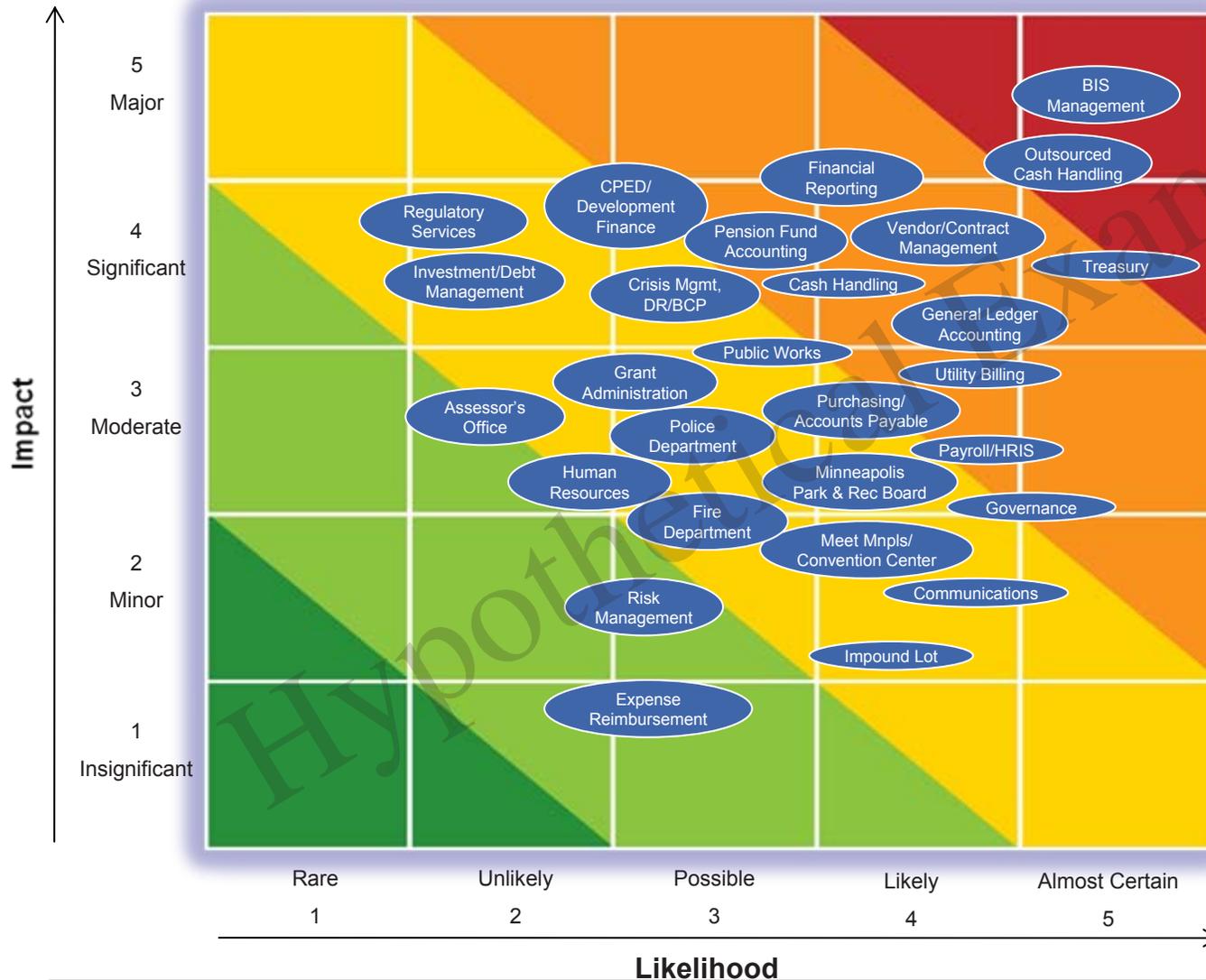
201X Risk Assessment

ILLUSTRATION 2

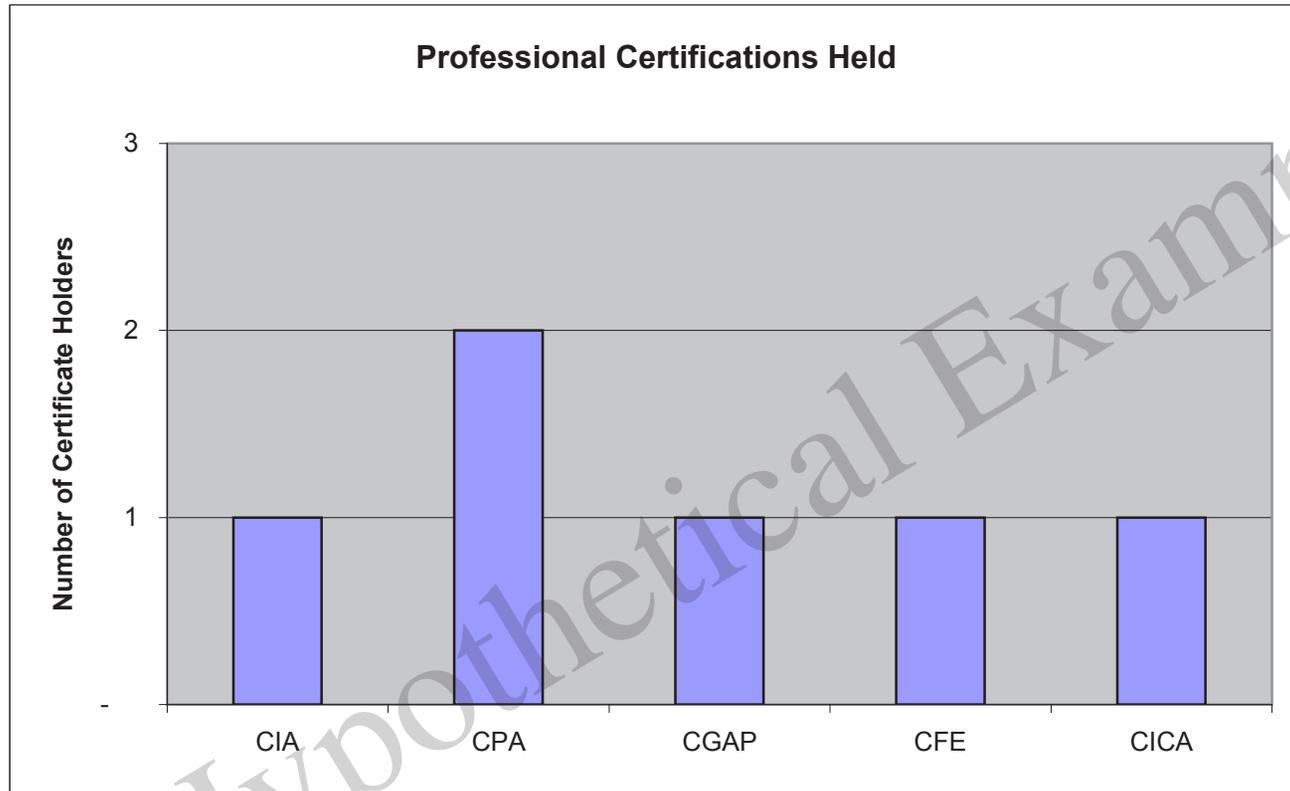
Auditable Units	Likelihood	Impact	Key Functions	Likelihood	Impact	Year 1	Year 2	Year 3	Review Name	Project #	
BIS Management	5 - Almost Certain	5 - Major	Application security access administration and segregation of duties	4 - Likely	4 - Significant		X		Application Security	1	
			UNISYS vendor management - SAS70 scope and user considerations, invoice challenge and approval, change orders, and adherence to service level agreements	5 - Almost Certain	5 - Major	X			UNISYS Contract Review	4	
			A SAS70 is provided by UNISYS, but it is unclear whether the scope of the SAS70 covers the contractual obligations between the City and UNISYS and whether the City is appropriately managing the "user considerations" of the SAS 70 report.	4 - Likely	4 - Significant	X			UNISYS Contract Review	4	
			Change management	4 - Likely	4 - Significant		X		Change Management	2	
			Data encryption management - health or other private information storage and adherence to data privacy and HIPAA regulations	5 - Almost Certain	5 - Major	X		X	Protection of Private Information	3, 2	
			Database security access administration / data integrity	5 - Almost Certain	5 - Major	X		X	Database Access	2	
			Network security access administration	5 - Almost Certain	5 - Major	X		X	City of Minneapolis Computer Network Penetration	1	
			Disaster recovery and business continuity	4 - Likely	4 - Significant			X	Disaster Recovery & Business Continuity (DR / BC)	3	
			IT governance and BIS management and internal services performance management	4 - Likely	5 - Major			X	IT Governance and BIS Management	4	
Cash Handling	5 - Almost Certain	5 - Major	Outsourced cash handling processes - surprise reviews	5 - Almost Certain	5 - Major	X		X	2011 - AMPCO Contract Review	5	
									2013 - Outsourced Cash Collection and Handling	7	
Treasury	5 - Almost Certain	4 - Significant	Bank account reconciliations	5 - Almost Certain	4 - Significant	X			Bank Account Reconciliations	6	
			Bank account access management, ACH and wire transfer authority and capabilities, and cash management / lockbox management	4 - Likely	4 - Significant	X			Bank Account Access	6	
			International ACH transaction reporting	2 - Unlikely	3 - Moderate	X			Automated Clearing House (ACH) Transactions	6	
Financial Reporting	4 - Likely	4 - Significant	Internal control over financial reporting (ICOFR) / State Auditor's Report	4 - Likely	4 - Significant	X	X	X	Internal Controls over Financial Reporting	10, 14, 8	
Vendor / Contract Management	4 - Likely	4 - Significant	Vendor review and approval processes	4 - Likely	5 - Major	X	X	X	2011 - UNISYS Contract Review, AMPCO Contract Review	4, 5	
			Requests for proposal	4 - Likely	4 - Significant	X	X	X	2012 - Minneapolis Refuse, Inc. Contract Review,	5, 6	
			Vendors management - licenses, insurance, financial and operational capacity	3 - Possible	3 - Moderate	X	X	X	Metropolitan Council Environment Services Contract Review	3, 4	
			Contract negotiation	4 - Likely	3 - Moderate	X	X	X	2013 - Northern States Power Company Contract Review,		
			Vendor performance monitoring and surprise audit processes	4 - Likely	3 - Moderate	X	X	X	Medica Contract Review		
Cash Handling	4 - Likely	4 - Significant	Location security	4 - Likely	3 - Moderate	X	X	X	Cash Collection and Handling	7, 9, 6	
			Dual control	5 - Almost Certain	3 - Moderate	X	X	X	Cash Collection and Handling	7, 9, 6	
			Preparation, deposit, posting and balancing of cash deposits (segregation of duties)	4 - Likely	4 - Significant	X	X	X	Cash Collection and Handling	7, 9, 6	
			Cash handling areas (rotational review)								
			o Treasury Operations – utility billing and general City payments								
			o P&E Police deposits and cash vault work								
o Regulatory Services											
o Impound Lot											
o Animal Control											
o Park Board											
o Parking											
o GIS											
o Convention Center											
o Fire											
General Ledger Accounting	4 - Likely	4 - Significant	Journal entries	4 - Likely	4 - Significant		X		General Ledger Accounting	13	
			Reconciliations	4 - Likely	4 - Significant		X		General Ledger Accounting	13	
Utility Billing	4 - Likely	3 - Moderate	Utility billing and collection	4 - Likely	3 - Moderate		X		Utility Billing and Collection	8	
CPED / Development Finance	3 - Possible	4 - Significant	Models, estimates and analysis	2 - Unlikely	4 - Significant		X		Financial, Operational and Regulatory Compliance		
			Compass system - access, data integrity	3 - Possible	4 - Significant		X		Financial, Operational and Regulatory Compliance	11	
			Tax Increment Financing (TIF) - compliance with State rules.	2 - Unlikely	4 - Significant		X		Financial, Operational and Regulatory Compliance	11	
			Personnel - expertise, cross-training and succession planning	4 - Likely	2 - Minor		X		Financial, Operational and Regulatory Compliance	11	
			Proposal and contracting processes	3 - Possible	4 - Significant		X		Financial, Operational and Regulatory Compliance	11	
			Terms and conditions, subsidies and protections against poor assumptions	4 - Likely	4 - Significant			X	Financial, Operational and Regulatory Compliance	11	
			Project management and post mortem review	3 - Possible	3 - Moderate		X		Financial, Operational and Regulatory Compliance	11	
			Time reporting	4 - Likely	2 - Minor		X		Timekeeping System Implementation	11	
Payroll / HRIS	4 - Likely	3 - Moderate	Time reporting system	4 - Likely	3 - Moderate	X			Timekeeping System Implementation	11	
			HRIS - access and data integrity	4 - Likely	4 - Significant		X		Payroll / HRIS	16	
			Sick leave buy back program	4 - Likely	2 - Minor		X		Payroll / HRIS	16	
			Temporary employee codes	4 - Likely	2 - Minor		X		Payroll / HRIS	16	
								X		Payroll / HRIS	16

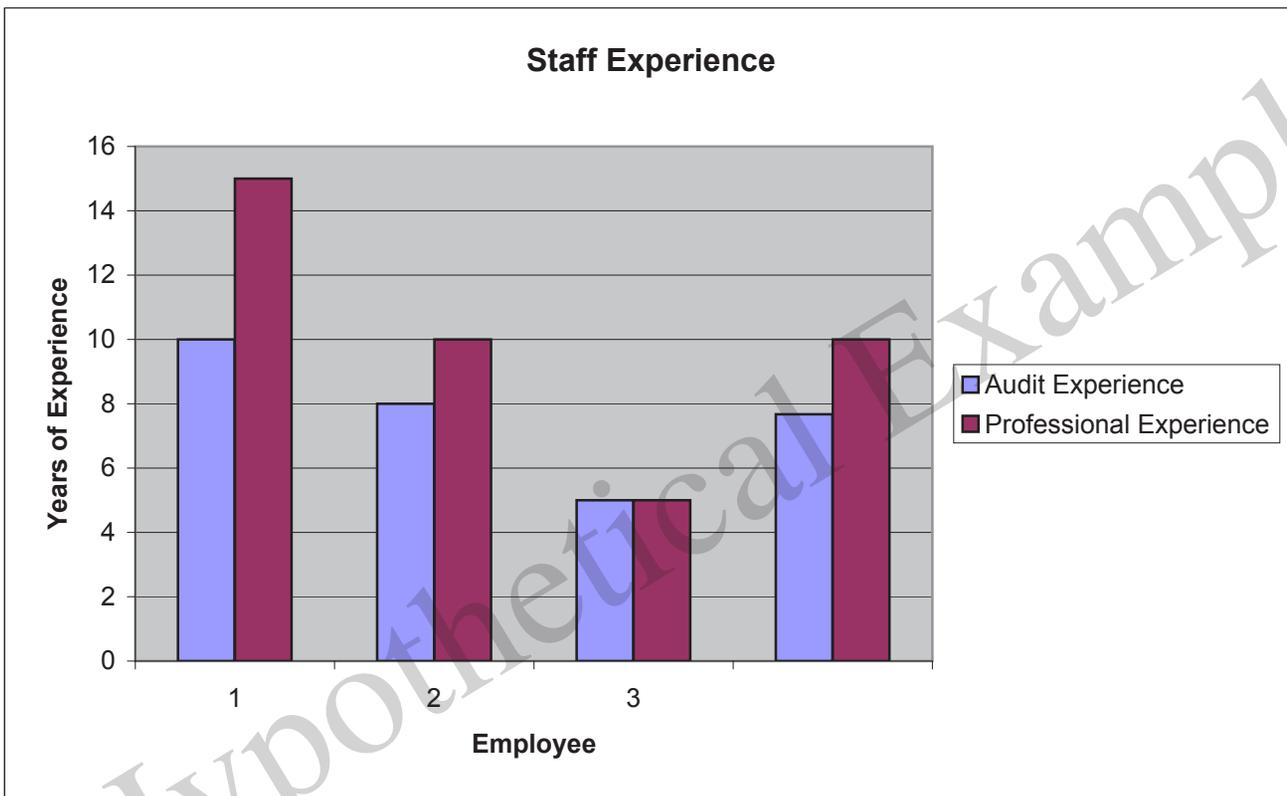
Auditable Unit Heat Map

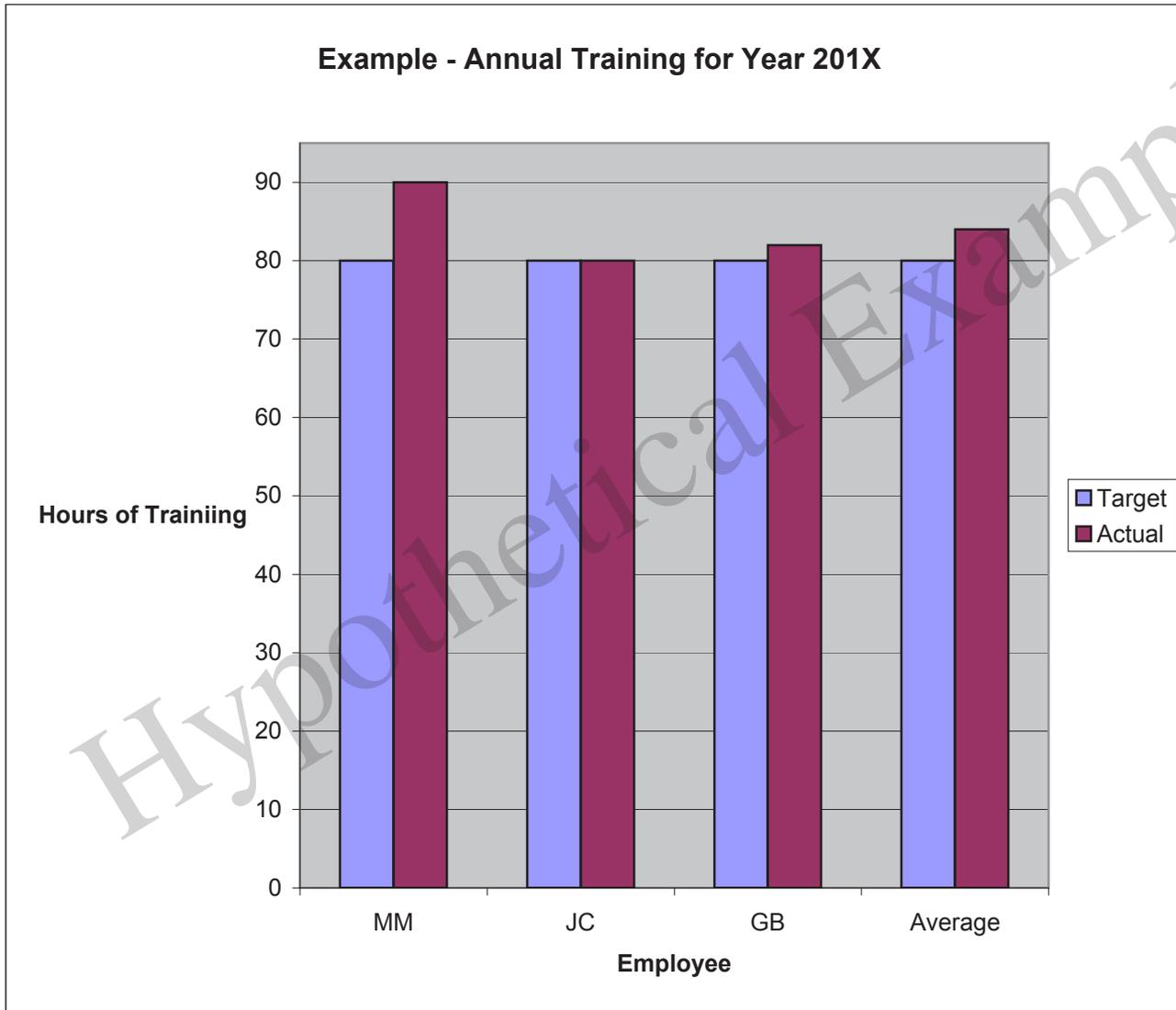
ILLUSTRATION 3



- The auditable unit heat map is based on the results of more than 40 interviews with key stakeholders, review of financial and other relevant data, and professional judgment.
- The heat map is based primarily on inherent risk factors. As baseline audits are conducted within the auditable units, the Internal Audit department will begin to reassess auditable units and their residual risks after gaining an understanding of the internal control structure.
- The heat map is subject to further revision through annual and continuous risk monitoring and assessment activities conducted by the Internal Audit department.
- The risks associated with each auditable unit were ranked based on the likelihood of occurrence and severity of impact to the City. These risk ranking criteria were tailored specifically to the City based on quantitative and qualitative factors. (The risk ranking criteria are defined in Appendix I on pages 29 and 30.)







Significant Findings

1. Impound Lot: Contract Management, Cash Collections, Physical Security

- Lack of policies and procedures Management has committed toby mo/day/201X
- Lack of segregation of duties Management has committed toby mo/day/201X
- Lack of Management has committed toby mo/day/201X

2. Bank Account Reconciliations

- Lack of policies and procedures Management has committed toby mo/day/201X
- Lack of account reconciliation Management has committed toby mo/day/201X
- Lack of Management has committed toby mo/day/201X

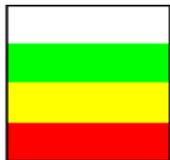
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Hypothetical Example

**Status of Management Action Plans as of
September 30, 201X**

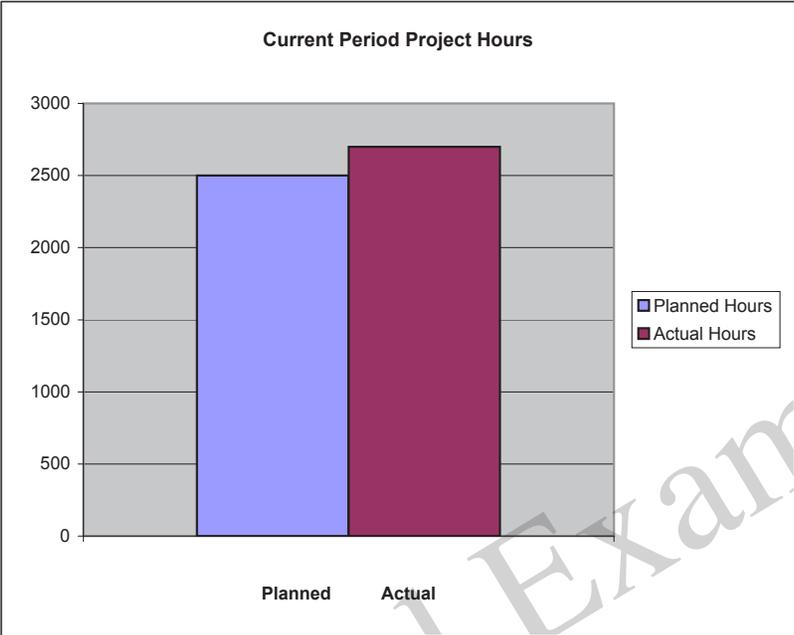
ILLUSTRATION 8

#	Review Name	Audit Findings and Management Action Plan	Date Audit Completed	Expected completion date	Status
1	Public Works		19-Mar-10		
		Lack of policies and procedures		Completed	Green
		Lack of segregation of duties		Second quarter 2011	
		Lack of		Second quarter 2010	Red
2	Grant Administration		22-Oct-10		
		Lack of monitoring processes		Completed	Green
		Lack or policies and procedures		First quarter 2011	
		Lack of account reconciliation		Completed	Green
		Lack of			Yellow
3	Procurement Processes		XX, XX, XXXX		
5					
6					Red

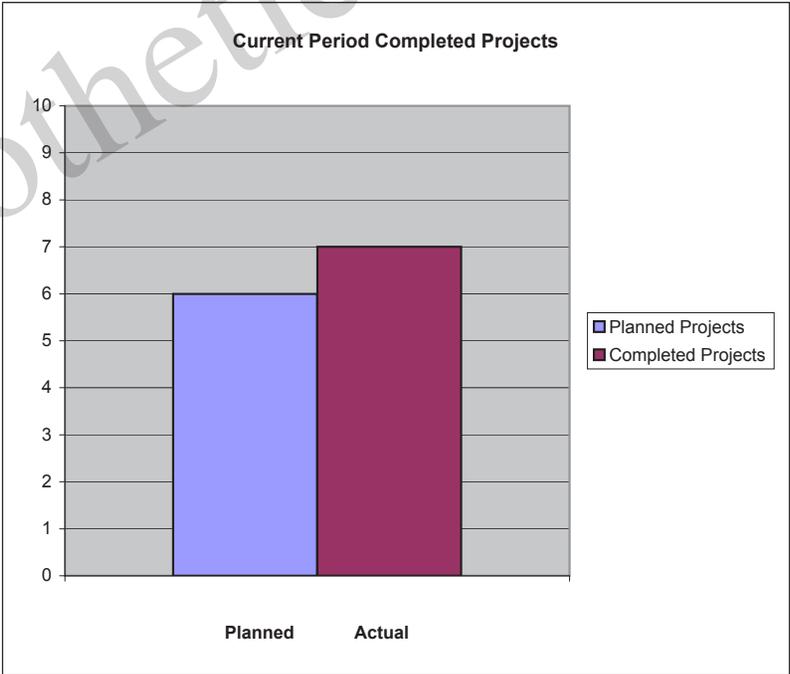


White – On-track
 Green – Action plan has been satisfactorily completed
 Yellow – Action plan is in process with some justifiable delay
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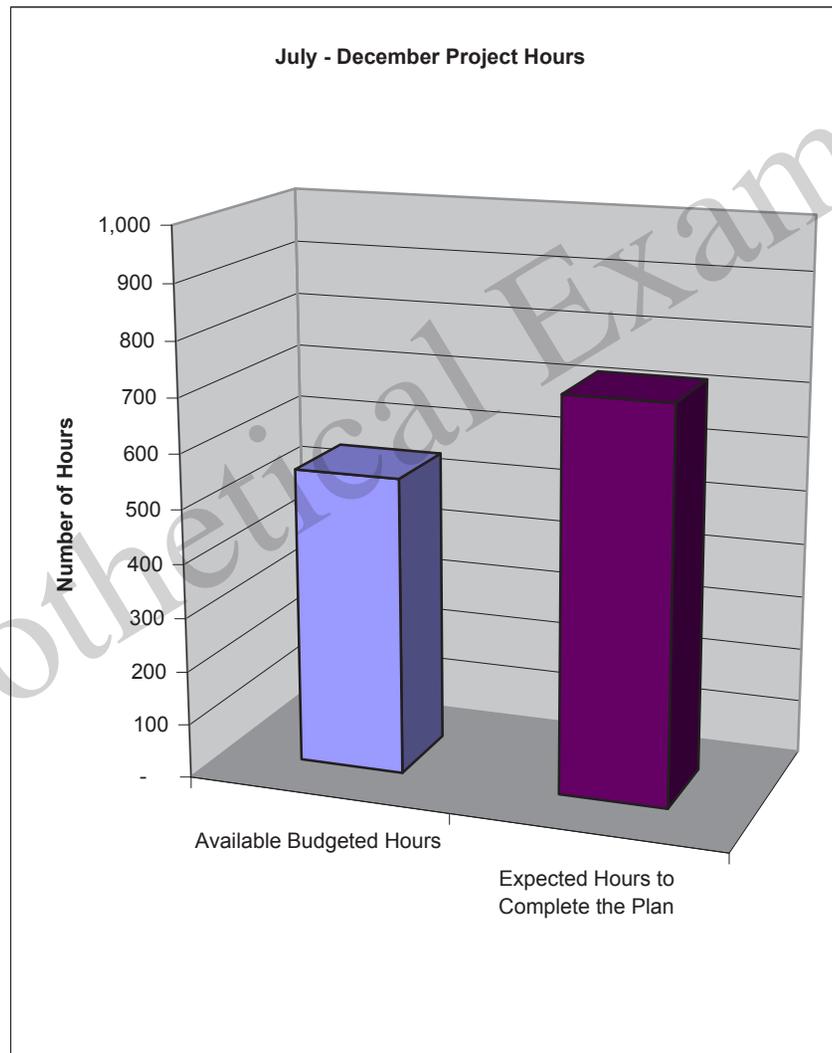
Hypothetical Example



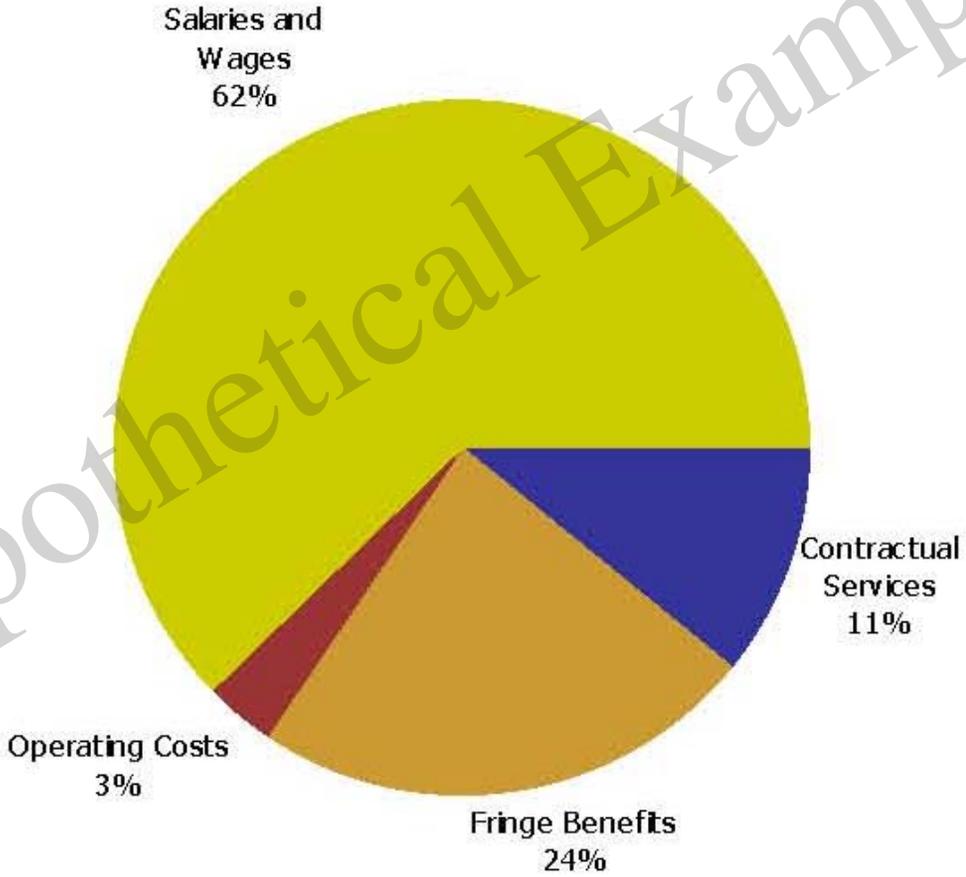
Variance explanation:



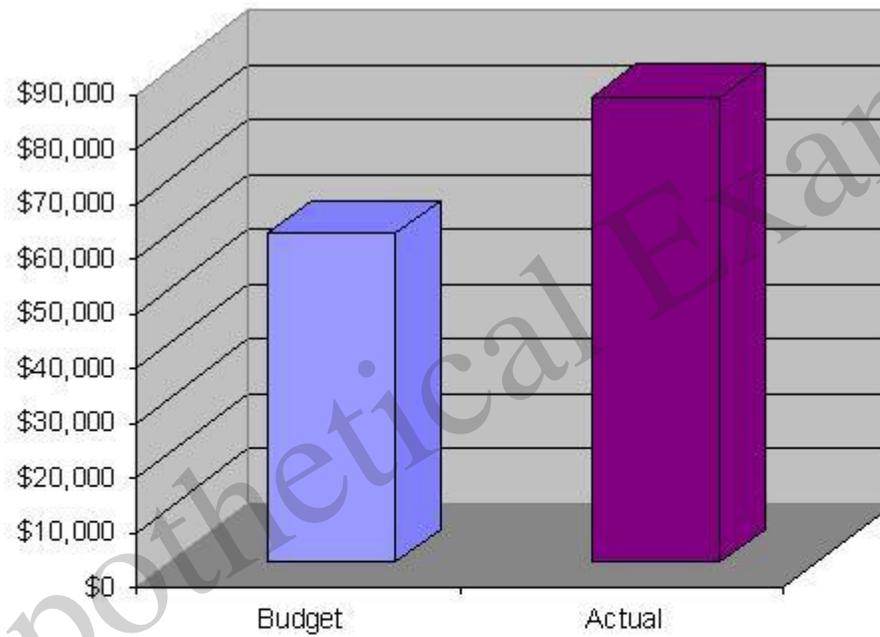
Variance explanation:



**Budget for Upcoming Year
Total \$ 201X**

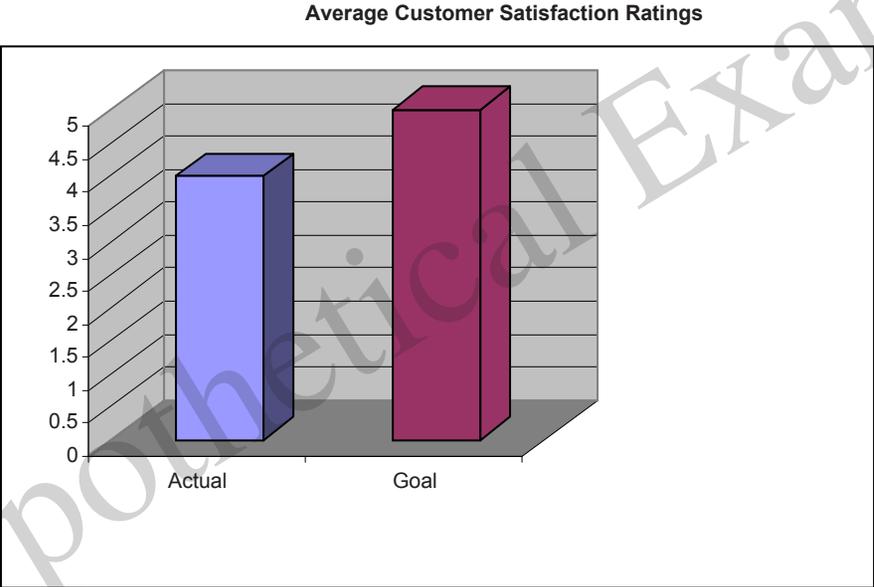


Budget vs. Actual for Year 201X



Explanation of Budget-Actual variance

ILLUSTRATION 13



2011-2013 Internal Audit Plan Coverage

ILLUSTRATION 14													
		<div style="display: flex; justify-content: space-between;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">Auditable Units</div> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">Audit Hours</div> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">BIS Management</div> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">Cash Handling</div> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">Financial Reporting</div> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">Grant Administration</div> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">Impound Lot</div> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">Payroll</div> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">Public Works</div> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">Purchasing and Accounts Payable Functions Review</div> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">Treasury</div> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">Vendor / Contract Management</div> </div>											
2011 (Year 1)													
Review Name													
City of Minneapolis Computer Network Penetration		300	300										
Database Access		200	200										
Protection of Private Information		150	150										
UNISYS Contract Review		350									350		
AMPCO Contract Review		350									350		
Bank Account Reconciliations													
Bank Account Access		350								350			
Automated Clearing House (ACH) Transactions													
Cash Collection and Handling		500	500										
Training Finance Department on Testing of Internal Controls		100			100								
Quarterly Control Testing		200			200								
Internal Controls over Financial Reporting		200			250								
Timekeeping System Implementation		250						250					
Procurement Processes													
Vendor Setup													
Invoice/Purchase Order/Receiving matching		800								800			
Invoice Processing													
Segregation of Duties													
Contract Management, Cash collections, and Physical Security		200						200					
Water Revenue Capture		400								400			
Grant Management Process		300				300							
Total 2011 Planned Projects		4650	650	500	550	300	200	250	400	800	350	700	
%		100%	14%	11%	12%	6%	4%	5%	9%	17%	8%	15%	
Total 2011 Actual Hours		5000	800	1,000	1,100	600	400	500	800	1,600	700	1,400	
			100%	16%	20%	22%	12%	8%	10%	16%	32%	14%	28%