



City of Minneapolis

Risk Assessment & Two Year Internal Audit Plan 2013-2014

Audit Committee Meeting Presentation
December 17, 2012

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Objective of the Citywide Risk Assessment

The objective of the City of Minneapolis risk assessment was to gain an understanding of the potential key financial, fiscal compliance and other key business risks that threaten the City's achievement of its objectives and to develop a risk-based two year audit plan.

Approach to the Citywide Risk Assessment

- The risk assessment and development of the Internal Audit plan were based on standards developed by the Institute of Internal Auditors (IIA).
- To conduct the Citywide risk assessment, Internal Audit conducted over 40 individual interviews (listed on slide 5) with City leaders and management.
- Internal Audit additionally reviewed:
 - Revenue and expense information by Department (2013 Proposed Budget);
 - Department and board mission statements and business lines;
 - State Auditor Management and Compliance Report for the year end December 31, 2011; and
 - Various comparable cities' recent audit plans to identify emerging risk areas.

Interview Participants

CITY COUNCIL

Kevin Reich – Ward 1
Cam Gordon – Ward 2
Diane Hofstede** – Ward 3
Barbara Johnson* – Ward 4
Don Samuels – Ward 5
Robert Lilligren – Ward 6
Lisa Goodman – Ward 7
Elizabeth Glidden – Ward 8
Gary Schiff – Ward 9
Meg Tuthill – Ward 10
John Quincy – Ward 11
Sandy Colvin Roy – Ward 12
Betsy Hodges* – Ward 13

OUTSIDE AUDIT COMMITTEE MEMBERS

Darrell Ellsworth
Mark Oyaas
Stephanie Woodruff

DEPARTMENTS

Mayor
City Coordinator
Business Information Systems
Communication
Finance
HR
Inter-governmental Relations
Convention Center
Neighborhood & Community Relations
City Clerk
City Assessor
City Attorney
Civil Rights
Community Planning & Economic Dvpt.
Fire
Health & Family Support
Police
Public Works
Regulatory Services

WITHIN FINANCE

CFO
Controller
Procurement
Risk Management & Claims
Treasury
Development Finance
Management & Budget

OTHER

State Auditors
(City's external auditor)

**Audit Committee Chair

*Audit Committee Member

2013 Audit Plan

Auditable Unit	Review Name	Audit Objectives	Scope	Internal Audit Hours	Estimated Client Hours	
Discretionary Hours/Special Projects				250		
Follow-up on Outstanding Audit Issues				200		
Carry-over Projects from prior year				90		
Annual Risk Assessment				200		
Administration Reporting and Presentations				200		
Quality Assessment Review (Peer Review)				150		
City-wide Awareness Education on Internal Controls, Enterprise Risk Management and Fraud Prevention				150		
1	Finance	Internal Controls over Financial Reporting Review	Assess management's program for effective internal controls over financial reporting through evaluation of the design of controls and sample testing of key controls for operating effectiveness.	Significant general ledger accounts and reporting processes for FY 2013.	250	
2	Finance - Payroll	Payroll Process Review	Determine whether adequate controls over payroll processes are in place to ensure legitimate employees are paid for work performed and in accordance to regulations and contracts / agreements.	Payroll processed for FY 2012 and FY 2013.	450	
3	Public Works	Construction Contracts - Final Payment and Closing Project Process Review	To ensure required documents, in accordance with the contracts, were delivered by the contractor before the final payment is processed.	Policies and Procedures related to close projects and final payments. A sample of construction projects completed in 2012 or 2013 to be tested.	300	
4	Finance/Public Works	Water Billing Revenue Review	Verify storm water charges are adequately captured to ensure timely and accurate billing to customers. Assess the effectiveness and timeliness of water (tap and storm) collection and shut off and ensure an effective monitoring process exists.	Revenue capturing system, accounts receivable, collection and monitoring process and general ledger in 2013.	300	
5	Finance	RiskMaster (a new System) Post Implementation Review.	To ensure data was accurately and completely transferred into the new system. Adequate physical and logical security are in place. Availability of reports needed for management monitoring for financial reporting.	Compare data for completeness between the old system and the new one. Review the physical and logical security for the new system. Assess capability of reporting for management monitoring and availability of information needed for estimates for financial reporting.	200	
Total 2013 Project Hours				2,740		

* Based on a request from the Audit Committee, department heads and/or management provided estimated hours for their staff to work with Internal Audit to complete these reviews .

Other potential projects not included within 2013 Audit Plan

Auditable Unit	Review Name	Audit Objectives	Scope	Internal Audit Hours	Comments
6 Regulatory Services	Restructuring of Regulatory Services	To ensure adequate internal controls were maintained during and after the re-structuring process.	Policies and procedures, availability of systems, systems access, and physical security.	250	
7 Public Works	Contract Review - Minneapolis Refuse, Inc. Review	Determine whether controls are designed and functioning effectively to ensure vendor performance, fair pricing and appropriate monitoring of contracts.	Contract effective during FY 2013. Contract oversight, performance measures and payments to contractor.	350	Moved to 2014
8 Information Technology & Emergency Preparedness	Business Continuity Plan Assessment (not including IT DR)	Review of Business Continuity documentation, and evaluate the City readiness in the event of a disaster or business interruption.	Evaluation of most recent business continuity plan and most recent tests performed by management.	250	
9 City-wide	Land Management System Developing Process	To ensure adequate controls are built into the request for proposal (RFP).	The RFP before it goes out for bidding.	100	
10 HR	HR General Process and Compliance Review	Determine whether HR processes are designed to ensure effective and efficient services are delivered and are in compliance with federal, State, and City regulations and policies.	Current HR processes in 2013 (including policies, current procedures, current practices, state and federal regulations, etc.).	450	
11 Finance & IGR	Grant Management Update	To ensure adequacy of controls in place to address external audit findings.	Managing grants - Citywide.	250	
12 Finance	Budget Reconciliations and Monitoring Review	To ensure management has timely information to help them monitoring their budgets more efficiently and effectively.	General Ledger and Budget systems. Interview with end users and Finance IT Support team.	250	Moved to 2014
13 IT	IT Security Awareness Training	To ensure City employees receive adequate IT security training.	The most recent training materials and documentation of IT security training to City employees.	150	
14 MFD	Mutual Aid Agreements with Other Cities Review	To gain an understanding of terms and conditions and remunerations related to the MFD mutual agreement with other Cities.	Most recent agreements and in working opportunities occurred during the last 5 years (either the City MFD provided services or received from other cities).	200	
15 Public Works	Outsourced Cash Handling Processes Review	Determine whether controls over cash collection, accounting, and deposit of funds are appropriate.	Cash handling outsourced locations as of January 1, 2014 (Processes of receiving, balancing, and depositing cash).	200	Moved to 2014
16 Finance	Investment Review	To ensure that the investment activities are aligned with the City policy and investment committee directions.	Investment balances in 2013. Contracts with investment manager, contracts with investment managers and Custodian, and the City process in monitoring the investments activities	300	Moved to 2014
17 City-wide	City of Minneapolis Call Centers Review	Assess the possibility of consolidating the City's call centers to only one call center to better serve our residents and increase efficiency.	Review the process and systems used by the different City's call centers and other related factors that may have impact on consolidating call centers.	200	
Total 2013 Additional Project Hours				2,950	

2014 Audit Plan

Tentative and subject to review and update before 2014 begins.

Auditable Unit	Review Name	Audit Objectives	Scope	Internal Audit Hours
Discretionary Hours/Special Projects				250
Follow-up on Outstanding Audit Issues				200
Carry-over Projects from prior year				150
Annual Risk Assessment				200
Administration Reporting and Presentations				200
1 Finance	Internal Controls over Financial Reporting	Assess management's program for effective internal controls over financial reporting through evaluation of the design of controls and sample testing of key controls for operating effectiveness.	Significant general ledger accounts and reporting processes for FY 2014.	250
2 IT	IT Outsourcing/Request for Proposal (RFP) process prior to Unisys Contract expiration	To help the IT function ensure that necessary internal controls are included in the RFP process.	The RFP before it goes public. Policies & Procedures related to this RFP.	100
3 IT	Security controls over City's iPads	To ensure the adequacy of security over iPads used by City employees. <i>This review should be performed by an outside consultant(s).</i>	Wireless security and security over iPads. Policies and procedures related to wireless security and security over iPads, as appropriate.	50
4 Regulatory Services	Cash handling processes	Determine whether cash handling controls are appropriate and in place, including online payments.	Cash handling and credit card processes as of January 1, 2014.	200
5 Regulatory Services	Inspections, permits and licensing revenue collection and recording controls	Assess revenue capture and collection processes. Payment Card Industry compliance as appropriate. Assess security access controls over the system used.	Processes in place as of January 1, 2014.	350
6 Governance: City-wide	Fraud Hotline availability and awareness to Citizens and Employees	To ensure the effectiveness of the City's Hotline in reporting potential fraud.	The current Hotline reporting process.	150
7 Public Works	Contract Review - Minneapolis Refuse, Inc. Review	Determine whether controls are designed and functioning effectively to ensure vendor performance, fair pricing and appropriate monitoring of contracts.	Contract effective during FY 2013. Contract oversight, performance measures and payments to contractor.	350
8 Finance	Budget Reconciliations and Monitoring Review	To ensure management has timely information to help them monitoring their budgets more efficiently and effectively.	General Ledger and Budget systems. Interview with end users and Finance IT Support team.	250
Total 2014 Project Hours				2,700

Other potential projects not included within 2014 Audit Plan

Auditable Unit	Review Name	Audit Objectives	Scope	Internal Audit Hours
9 Regulatory Services	Fee structure (Fees cover costs of services provided)	To assess whether fees for services structured to cover the cost of services and/or other social factors.	Current practice for pricing service fees for key services.	350
10 HR	Medica 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 2014. Contract oversight, performance measures and payments to contractor.	500
11 Public Works	Outsourced Cash Handling Processes Review	Determine whether controls over cash collection, accounting, and deposit of funds are appropriate.	Cash handling outsourced locations as of January 1, 2014 (Processes of receiving, balancing, and depositing cash).	200
12 Minneapolis Convention Center	Target Center Renovation and Guaranteed Fees to Management company	To ensure the compliance to the current contract with the Center's management company and to ensure renovation is aligned with City expectations.	Current contract with Target Center's management company. Management Company's Independent auditor reports commissioned by the company. Contract(s) for renovation and review of payments.	350
13 City Coordinator	Emergency Preparedness, evacuation processes (ADA emphasis)	To ensure the City is capable to continue serving the public if an emergency were to occur, and the Americans with Disability Act is considered in the emergency preparedness plan.	The City Business Continuity Plan, including IT Disaster Recovery Plan.	250
14 City-wide	Employees Record Retention in Individual Departments	Gain an understanding of how private employee information are securely maintained, and access to these files are restricted to a need to know basis.	Gain an understanding of the relevant policies, procedures and practices related to employee records that contain medical/protected information. Review the physical security and access to the stored files for a sample of City Departments.	200
15 IT	Web Presence and Social Media/Networking	To assess City strategy, governance, policies and practices related to the use of social media. Audit objectives may include a review of records management practices, privacy and information security controls including user security awareness.	Current policies and procedures. The current process over a sample of City departments use of social media as a way of communications with public.	200
16 Finance	Investment Review	To ensure that the investment activities are aligned with the City policy and investment committee directions.	Investment balances in 2013. Contracts with investment manager, contracts with investment managers and Custodian, and the City process in monitoring the investments activities	300
17 HR	Voluntary Employees' Beneficiary Association (VEBA) - OptumHealth vendor monitoring	To ensure the accuracy of City employee balances, and sensitive/private information is adequately protected in the communication processes.	Gain an understanding of the process to ensure the accuracy of City employee balances, and sensitive/private information is adequately protected in the communication processes.	350
18 MPD	Jail Cost - Contract with Hennepin County for use of jail cells	To ensure jail billing is in compliance with State regulations, payments are being properly reviewed and made accurately.	The Contract effective during FY 2014. Contract oversight; sample testing of payments.	150
Total 2014 Additional Project Hours				2,850

Supporting Documents



Risk Profile

The risk profile was developed for the City of Minneapolis to highlight the relevant risks that the organization may be exposed to from internal and external perspectives. This information was further used to identify the audit projects and develop the two year audit plan.

EXTERNAL RISKS					
<ul style="list-style-type: none"> Capital Availability Terrorism 	<ul style="list-style-type: none"> Citizen Needs Economy 	<ul style="list-style-type: none"> Legislation Natural Hazard/Catastrophe 	<ul style="list-style-type: none"> Public Relations Regulatory 	<ul style="list-style-type: none"> Political/Jurisdiction 	
INTERNAL RISKS					
Strategic	Operational			Financial	
<ul style="list-style-type: none"> Business Model Business Portfolio Governance Structure Planning Policy Administration Reputation Resource Allocation Social Responsibility Tax Revenue Base 	Process				
	<ul style="list-style-type: none"> Accounts Payable Budgeting Process Business Interruption Capital Budgeting Cash Management Compliance 	<ul style="list-style-type: none"> Consistency Contract Management Crisis Management Customer Satisfaction Efficiency Environmental Grant Administration Impound Lot 	<ul style="list-style-type: none"> Health & Safety Knowledge Management Physical Security Procurement 	<ul style="list-style-type: none"> Payroll Records Retention Segregation of Duties Tax Collections Vendor Management 	<ul style="list-style-type: none"> Collections Credit Funding Financial Reporting General Ledger Investment Management Pension Fund Treasury Utility Billing
	Mgmt. Information	Human Capital	Integrity	Technology	
<ul style="list-style-type: none"> Accounting & Management Information Budgeting & Forecasting Completeness / Accuracy Data Pricing Information Relevance HIPAA Compliance Project Evaluation 	<ul style="list-style-type: none"> Accountability Change Readiness Communications Competencies/Skills Employee Benefits Hiring/Retention Leadership Outsourcing Resource Availability Succession Planning Training/Development 	<ul style="list-style-type: none"> Conflict of Interest Employee Fraud Ethical Decision-making Illegal Acts Management Fraud Privacy Third-Party Fraud Unauthorized Acts 	<ul style="list-style-type: none"> Availability Business Continuity / Disaster Recovery Change Management Data Integrity Infrastructure Reliability System Access 		

Available Hours Calculations

Internal Audit Department Staffing – Project Hours

Available Hours Calculations

2013 Audit Plan											
	Standard Hours	Additional Hours ¹	Total Hours	Holiday	Vacation	Sick	Training	Admin ²	Sub-Total	Available Hours	Productive Time
Director	2,080	208	2,288	88	160	40	80	915	1,283	1,005	44%
Sr. Auditor	2,080	208	2,288	88	120	80	80	229	597	1,691	74%
Total	4,160	416	4,576	176	280	120	160	1,144	1,880	2,696	59%
								Consultant's hours (expected)		0	
								Total Available Hours		2,696	
2014 Audit Plan											
	Standard Hours	Additional Hours	Total Hours	Holiday	Vacation	Sick	Training	Admin	Sub-Total	Available Hours	Productive Time
Director	2,080	208	2,288	88	160	40	80	915	1,283	1,005	44%
Sr. Auditor	2,080	208	2,288	88	120	80	80	229	597	1,691	74%
Total	4,160	416	4,576	176	280	120	160	1,144	1,880	2,696	59%
								Consultant's hours (expected)		0	
								Total Available Hours		2,696	

¹ Planned 10% additional hours for salaried employees.

² Approximately 40% administrative time for Director and 10% for Senior Auditor.

Carry-over Projects from 2012

No.	Review Name	Current Status	Carry-over Hours
1	Accounts Payable Review	In-progress	30
2	Application Security Review	In contracting phase	30
3	General Ledger Review	In-progress	30
Total Hours			90

Definitions

- **Risk-based:** Audits to be performed due to risk rating generated from the annual risk assessment.
- **Discretionary Hours/Special Projects:** Time reserved for unplanned projects, special requests and unplanned expansion of scope in scheduled audits/reviews.
- **Follow Up on Outstanding Audit Issues:** Quarterly follow up with owners of previously identified control issues to assess progress toward resolution.
- **Carry-over Projects from Prior Year:** Time needed to close open projects from prior year.
- **Annual Risk Assessment:** Meetings with key stakeholders, update and confirmation of the risk assessment, auditable unit risk profile and Internal Audit plan.
- **External Quality Assessment Review (Peer Review):** A required quality assessment as stated in the International Professional Practices Framework (IPPF) promulgated by The Institute of Internal Auditors.