



City of Minneapolis

Risk Assessment & Two Year Internal Audit Plan 2014-2015

Audit Committee Meeting Presentation
November 13, 2013

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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;
 - Department and board mission statements and business lines;
 - State Auditor Management and Compliance Report for the year end December 31, 2012; 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
Information Technology
Communication
Finance
HR
Inter-governmental Relations
Convention Center
Neighborhood & Community Relations
City Clerk
City Assessor
City Attorney
Civil Rights
Community Planning & Economic Dept.
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

2014 Audit Plan

Auditable Unit		Review Name	Audit Objectives	Scope	Audit Hours	Year
Discretionary Hours/Special Projects					250	
Follow-up on Outstanding Audit Issues					200	
Carry-over Projects from prior year					50	
Annual Risk Assessment					200	
Administration Reporting and Presentations					200	
Quality Assessment Review (Peer Review)					150	
1	City-wide	Land Management System Developing Process	To ensure adequate controls are built into the new system and the end-users needs are met.	System pre-implementation review.	200	
2	City-wide	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	2014
3	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.	200	2014
4	Finance	Purchasing Card Process and Control Review	Determine whether adequate and effective controls exist over Purchasing Cards.	Current policies and procedures. The current process and controls over a sample of City departments use of P-Cards.	250	2014
5	Finance & IGR	Grant Management Update	To ensure adequacy of controls in place to address external audit findings.	Managing grants - Citywide.	250	2014
6	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	2014
7	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.	150	2014

2014 Audit Plan Continued

Auditable Unit		Review Name	Audit Objectives	Scope	Audit Hours	Year
8	IT	Security controls over City's Smart Devices (iPads, smart phone, etc.)	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.	100	2014
9	IT	External and Internal Penetration Testing	Determine whether appropriate controls are in place to prevent and detect attack and penetration schemes from outside and inside the City's network. Assess internal policies, procedures and network access to determine whether access is appropriate, and user activity audit trails are available that assign accountability to individual users. <i>This review should be performed by an outside consultant(s).</i>	City of Minneapolis computer networks.	150	2014
10	Minneapolis Convention Center	Catering Services Contract Management Review	Determine whether controls are designed and functioning effectively to ensure vendor performance, accuracy of payments to the City and appropriate monitoring of contracts.	Contract effective during FY 2014. Contract oversight, performance measures and payments to the City.	250	2014
11	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	2014
12	Public Works	Inventory Control Review - Water Treatment and Distribution Services.	Determine whether adequate and effective controls exist over inventory related to the water treatment plant.	Inventory management including policies and procedures, proper authorization and monitoring.	250	2014
13	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	2014
14	CPED and Minneapolis Health Department	Restructuring of Regulatory Services	To ensure adequate internal controls were maintained after the re-structuring process.	Policies and procedures, availability of systems, systems access, and physical security.	300	2014
Grand Total 2014 Project Hours					4,500	

2015 Audit Plan

Tentative and subject to review and update before 2015 begins.

Auditable Unit		Review Name	Audit Objectives	Scope	Audit Hours	Year
Discretionary Hours/Special Projects					250	
Follow-up on Outstanding Audit Issues					200	
Carry-over Projects from prior year					0	
Annual Risk Assessment					200	
Administration Reporting and Presentations					200	
1	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.	300	2015
2	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	2015
3	IT	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	2015
4	City Wide	American Disability Act (ADA) Compliance	To ensure the City is in compliance with the ADA requirements.	All City owned, leased and/or managed facilities.	250	2015
5	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	2015
6	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	2015

2015 Audit Plan Continued

Tentative and subject to review and update before 2015 begins.

Auditable Unit	Review Name	Audit Objectives	Scope	Audit Hours	Year
7 HR	Medica Contract Review	Determine whether controls are designed and functioning effectively to ensure vendor performance, fair pricing and appropriate monitoring of contracts. <i>A part of this review might be performed by an outside consultant(s).</i>	Contract effective during FY 2014. Contract oversight, performance measures and payments to contractor.	500	2015
8 HR	Voluntary Employees' Beneficiary Association (VEBA) - WageWorks vendor monitoring	To ensure the accuracy of City employee balances, and sensitive/private information is adequately protected in the communication processes. <i>A part of this review might be performed by an outside consultant(s).</i>	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	2015
9 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	2015
10 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	2015
11 City-Wide	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.	300	2015
12 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.	300	2015
13 Risk Management and City Attorney's Office	Claims Process Review	Assess the design of controls for claims process and monitoring and sample test for operating effectiveness.	Selected key processes and controls based on audit planning and preparation covering FY 2013.	250	2015
Grand Total 2015 Project Hours				4,500	

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

- Capital Availability
- Citizen Needs
- Legislation
- Public Relations
- Political/Jurisdiction
- Terrorism
- Economy
- Natural Hazard/Catastrophe
- Regulatory

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"> ▪ Collections ▪ Credit ▪ Funding ▪ Financial Reporting ▪ General Ledger ▪ Investment Management ▪ Pension Fund ▪ Treasury ▪ Utility Billing 		
	<ul style="list-style-type: none"> ▪ Accounts Payable ▪ Budgeting Process ▪ Business Interruption ▪ Capital Budgeting ▪ Cash Management ▪ Compliance 		<ul style="list-style-type: none"> ▪ Consistency Management ▪ 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 ▪ Payroll ▪ Records Retention ▪ Segregation of Duties ▪ Tax Collections ▪ Vendor Management 	
	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 ▪ Availability ▪ Business Continuity / Disaster Recovery ▪ Change Management ▪ Data Integrity ▪ Infrastructure ▪ Reliability ▪ System Access 			

Available Hours Calculations

Internal Audit Department Staffing – Project Hours

Available Hours 2014-2015 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	40	80	229	557	1,731	76%
Sr. Auditor	2,080	208	2,288	88	120	40	80	229	557	1,731	76%
Total	6,240	624	6,864	264	400	120	240	1,373	2,397	4,467	65%
									Consultant's hours (expected)	0	
									Total available hours for team of three	4,467	

¹ Planned 10% additional hours for salaried employees.

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

Carry-over Projects from 2013

No.	Review Name	Estimated Carry-over Hours*
1	Outsourced Cash Handling Process Review	50
Total Carry-over Hours		50

*Conditional upon Audit Committee approval for including this review in the 2013 Audit Plan.

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.
- **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. “External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization.” The last quality assessment was performed in 2009.