2020

DEPARTMENT results minneapolis

Internal Audit

2019 department budget: **$0.9 million**

Performance summary

Enterprise priorities (page 3): Workforce diversity, Spending with diverse suppliers
Department priority (page 4): Audit and advisory services, Closing audit issues

Trend Key

- Year-over-year (YoY) increase by more than 5%
- Less than 5% YoY change
- YoY decrease by more than 5%
- No trend

Budget program	2019 Budget	Performance measure	2019 performance	Trend from prior year	Trend: Red/yellow/green
Internal Audit	$0.9M	1. Audits and consultations 2. New audit issues identified 3. Investigative events 4. Audit Issues Closed	1. 12 audits/consults concluded 2. 19 Audit issues identified 3. 8 investigative events 4. 49 audit issues closed	1. Increase 2. Decrease 3. Stable 4. Green	1. 🟢 2. 🔴 3. 🟡 4. 🟢

Enterprise Priorities

Workforce diversity

Spending with diverse suppliers

- **Does not meet** Citywide percent diverse spending of 16%
- **Does not meet** Citywide percent spending with minority-owned suppliers of 7%
- **Does not meet** Citywide percent spending with non-minority women-owned suppliers of 9%

Narrative section

Workforce diversity (2009-2019)

Internal Audit

Data for women and people of color is not shown when there are fewer than five people. This is recommended best practice so that data is not identifiable.

Summary

Total supplier spending* over selected years

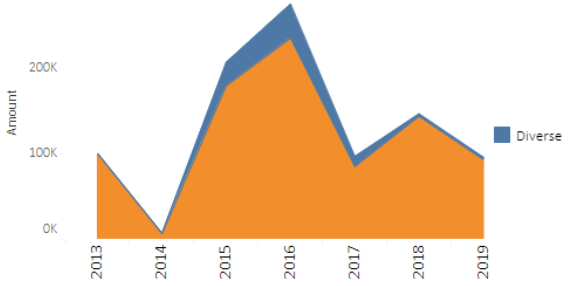
$96K

Amount spent with diverse suppliers over selected years

$3K (3%)

Minority-owned	*Non-minority women*
$0 (0%)	*$3K (3%)*

Share of diverse spending* (all years)



Department Priorities

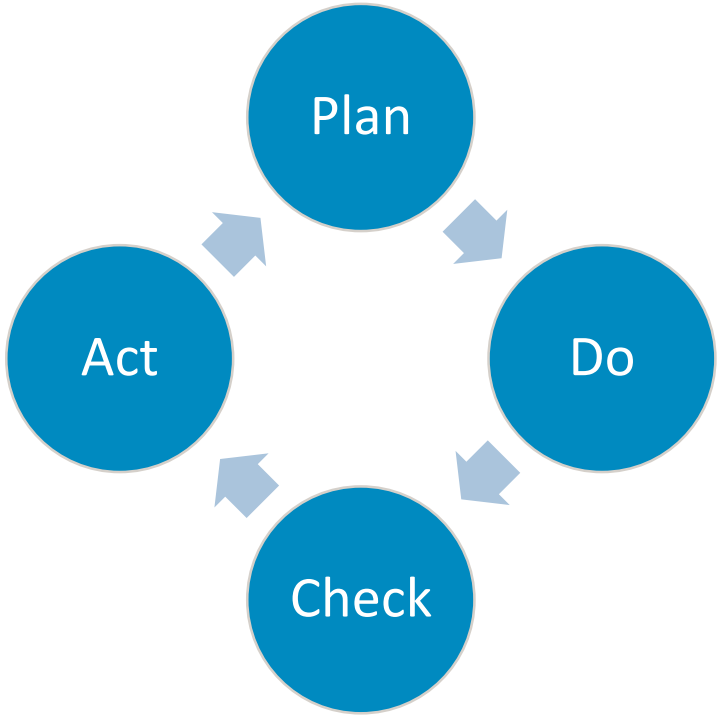
Priority 1. Increasing Citywide Audit and Advisory Services

- Internal audits are an independent ***assurance*** of management's control environment of the City's highest risk activities, programs and services. Auditors provide independent and ***objective*** review of governance, risk and control processes, and must also consider emerging risks and opportunities.
- Audits are prioritized by risk and value-add opportunity, enabling efficient and effective allocation of limited resources. Internal Audit contracts with one or more professional service providers for IT and cybersecurity audit services. A strong advisory role is key to maximizing the value of Internal Audit. Stakeholder expectations include providing **insight** on control effectiveness, change initiatives, enhancements to risk management, and other matters – including effectiveness and efficiency of operations. Special projects consist of short duration, targeted advisory activities that address more urgent risks in a shorter period of time.
- In 2019, Internal Audit prioritized broader coverage in audit services. Internal Audit increased the number of completed projects and city services impacted. Internal Audit worked on engagements that involved multiple departments. This allowed the department to increase the impact of projects.

Department Priorities

Priority 2. Closing Audit Issues

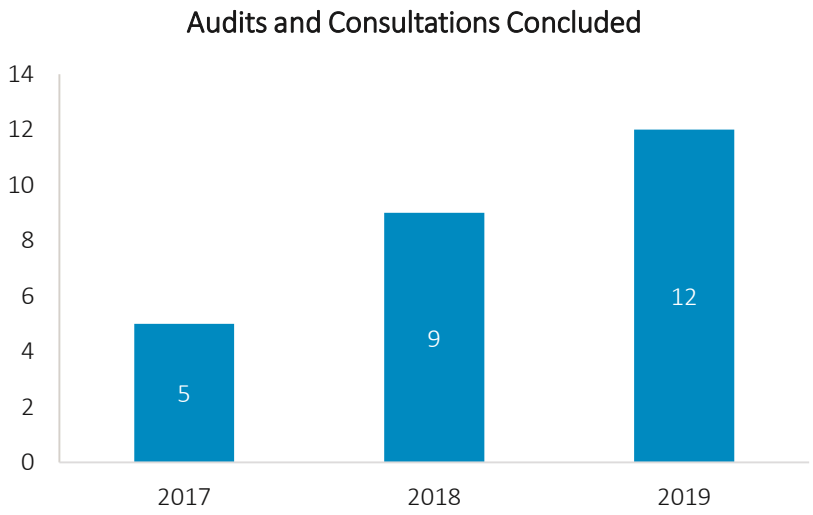
- During the audit process, Internal Audit identifies issues that present opportunities to strengthen risk management or improve process efficiency. When audit issues are identified, they are communicated to management responsible for the function, and management develops an action plan to address the issue. Management implements the plan, and Internal Audit follows up to determine whether the action sufficiently addresses the audit issue. If Internal Audit believes the action sufficient, we close the audit issue.
- Following up on audit issues represents a critical business function of Internal Audit. Identifying the audit issue is only the first step in ensuring gaps are remedied.
- In 2019, the department had over 70 open audit issues. The department prioritized following up and ensuring audit issues were remedied and closed. This led to a significant increase from 10 in 2018 to 49 in 2019.



Internal Audit Activities – Audits and Consultations

Program description: Internal Audit provides objective and independent assessment on the effectiveness and efficiency of City operations and reports results to the Audit Committee at public meetings. Through an annual risk assessment process, Internal Audit collaborates with management to identify program or department risks and expected controls to manage those risks. Risks may include financial, operational, information technology, reputation, regulatory, third party, and strategic risks. Internal Audit analyzes annual department/program risk assessment results to update the overall audit plan which must be approved by the Audit Committee. During an audit engagement, Internal Audit independently assesses the design and operating effectiveness of controls that mitigate key risks in scope for the audit. Internal Audit also provides consulting services upon management request but does not participate in management decision-making. Internal Audit conducts investigations when requested through the complaints management process.

Performance measures



Definition:

- The chart above indicates the number of audit and consultation reports by the department for 2017-2019.
- This metric illustrates the presence of Internal Audit activities across the City with opportunity to reduce risk and improve process effectiveness and efficiency.

2017

- MPD: 3 audits
- Finance: 1 audit
- MPRB: 1 audit

2018

- Public Works: 3 audits
- IT: 2 audits
- HR: 1 audit
- Park Board: 1 audit
- Convention Center: 1 audit
- City Attorney: 1 audit

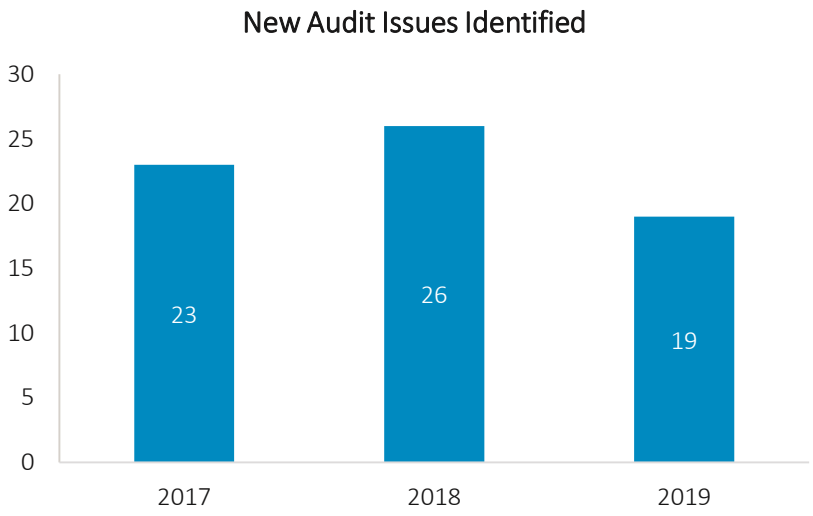
2019

- IT: 1
- Park Board: 1
- HR: 1
- Finance: 2
- Multiple Departments: 3
- MPD: 4 audits

Internal Audit Activities – Audit Issues Identified

Program description: During an audit engagement, a control gap or weakness may be identified which results in an audit issue. Audit issues remain open until management completes an agreed upon action plan to address the identified risk within a specified timeframe. In accordance with professional standards Internal Audit monitors the status of open audit issues and validates management's work once an audit issue is ready to be closed. The status of audit issues is reported at each Audit Committee meeting and any past due audit issues are highlighted. Consultations do not end in formal audit issues requiring a management response and are not reflected in this chart.

Performance measures



2017
- MPD: 13 issues
- MPRB: 10 issues
- Finance: 3 issues

2018
- Finance: 5 issues
- PW – Traffic: 5 issues
- Convention Center: 4 issues
- City Attorney: 4 issues
- PW – Water: 3 issues
- IT: 2 issues

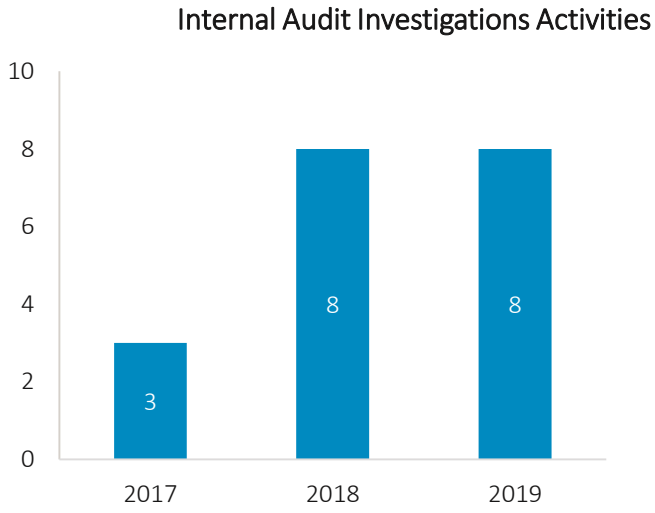
2019
- Finance: 9 issues
- Multiple Department: 6 issues
- MPD: 4

Definition:
- The chart above indicates the number of new audit issues identified by department for 2017 to 2019.
- This metric illustrates the extent of identified risks and opportunities to improve controls across the City.

Internal Audit Activities - Investigations

Program description: This program provides independent, objective, timely and reliable information to City Departments, Residents and Policy Makers regarding procedures and resources to consider fraud risk in audit engagements, and to investigate and report a suspected fraud event. While management and City leaders are ultimately responsible for fraud deterrence, internal auditors can assist management by determining whether the City has adequate internal controls and fosters a strong control environment.

Performance measures



Internal Audit does not disclose information related to investigative activities.

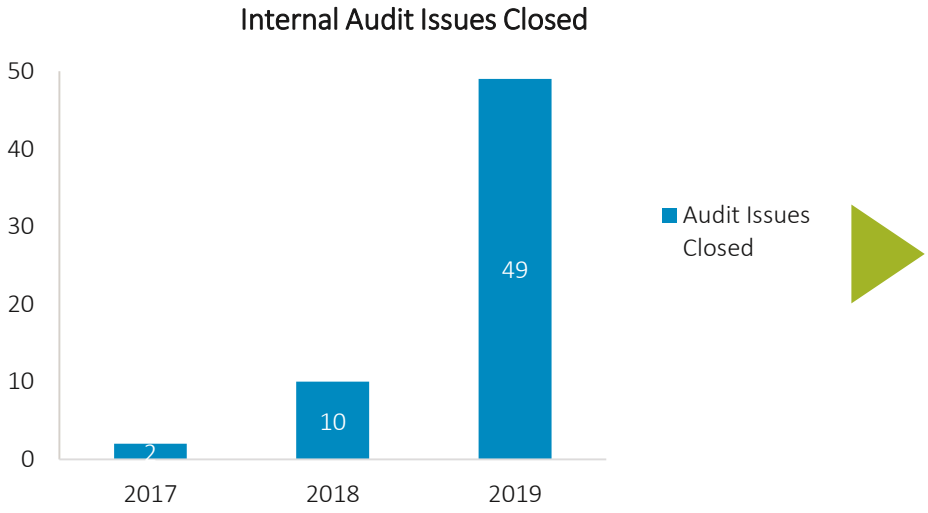
Definition:

- The chart above indicates the approximate number of Internal Audit investigation events.
- The metric demonstrates Internal Audit's participation in relevant investigations.

Internal Audit Activities – Audit Issues Closed

Program description: This program provides independent, objective, timely and reliable information to City Departments, Residents and Policy Makers regarding procedures and resources in audit engagements. While management and City leaders are responsible for addressing audit issues, internal auditors can assist management by determining whether the City has adequately addressed audit issues to strengthen the control environment.

Performance measures



2019

- City Attorney: 2
- Convention Center: 2
- Finance: 12
- IT: 5
- Meet Minneapolis: 1
- MPRB: 9
- MPD: 8
- Public Works: 9

Definition:

- The chart above indicates the approximate number of Internal Audit issues closed.
- This metric illustrates improved follow-up to ensure opportunities for future system or process errors or fraud are reduced.
- This metric was previously reported as “Internal Control Follow-up.”