

**MINUTES
REGULAR MEETING
AUDIT COMMITTEE**

JANUARY 25, 2012

Committee Members Present: Council Members Diane Hofstede, Barbara Johnson, Betsy Hodges; Minneapolis Park & Recreation Board Representative Mark Oyaas; Citizen Member Stephanie Woodruff (Quorum 4)
Committee Members Absent: Citizen Member Darrell Ellsworth

Chair Hofstede called the meeting to order at 9:30 a.m. in Room 317, City Hall, a quorum being present.

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1. Adopted agenda.

Oyaas moved adoption of the agenda.
Adopted upon a voice vote.
Absent - Johnson and Ellsworth.

2. Accept Minutes of the Regular Meeting of December 7, 2011.

Hofstede moved acceptance of the minutes.
Adopted upon a voice vote.
Absent - Johnson and Ellsworth.

3. Update on audit activities: Risk Assessment and Two-Year Internal Audit Plan (2012-2013) (Action Taken 12/7/2011: Internal Auditor directed to report back at next meeting with proposed Two-Year IA Plan in lieu of Three-Year IA Plan).

Jake Claeys, Senior Internal Auditor/Department of Internal Audit, presented the Risk Assessment and Two-Year Internal Audit Plan.

Committee discussed:

- Carry-over of 2011 projects, requesting that those be listed in the 2012 plan so there would be a better idea on overall coverage for the year;
- The risk profile supporting document developed by KPMG and the external risk factors relating directly to the financial integrity of the city as being the focus of the audit department;
- The proposed plan's impact on the Finance Office staff, i.e. three reviews scheduled for 2012, and how the audit process may have an impact on the work Finance can get done on a day-to-day basis while gathering the information for auditing in the timeframe laid out;
- The proposed plan's Public Works/Fleet Management review, i.e. charges to other departments rolls into an internal/managerial debate, and the financial risks involved in Fleet Management as opposed to others listed on the proposed plan (such as the 2013 proposed review of Regulatory Services/Inspections, Permits and Licensing Operations);

- The scope of 2012 and 2013 audit plans and identified risks for determining which plans to approve for what timeframe (for discussion at next meeting);
- Moving the proposed 2013 review for Vendor-Contract Management/Excel Energy, Inc Franchise Agreement into the 2012 Audit Plan, considering the expiration of the current contract.

Johnson moved that the external risk factor "Airport Noise" be removed from the Risk Profile supporting document.

Mr. Claeys updated the staff recommendation to approve the audit plan with the changes proposed adding more language on the carry over projects. He also clarified that the 2012 plan was in no particular order. Once the plan was approved, Mr. Mossaad would meet with the department head to consider time that works best within their department's time and resources.

Johnson moved a) approval of the 2012 Audit Plan review for CPED-Development Finance/Development Loans Review and Public Works/Fleet Management, which would also include the work for audit hours listed in the 2012 Audit Plan as 1) Discretionary House/Special Projects; 2) Follow-up on Outstanding Audit Issues; 3) Carry-over Projects from prior year; 4) Annual Risk Assessment; 5) External Quality Assessment Review (Peer Review) and 6) Administration Reporting and Presentations; and b) to request that Mr. Mossaad meet with Kevin Carpenter/Finance Department and Otto Doll/BIS to determine which audit reviews need to move forward most quickly and which can be handled within the departments' capacity, particularly in the Finance Department.

Hodges moved to divide Johnson's motion so as to consider approval of the review for CPED-Development Finance/Development Loans Review and Public Works/Fleet Management separately.

Adopted by unanimous consent.

Hofstede called the question on approval of the 2012 Audit Plan review for Public Works/Fleet Management.

Adopted upon a voice vote.

Nays - Hodges.

Absent - Ellsworth.

Hofstede called the question on approval of the 2012 Audit Plan review for CPED-Development Finance/Development Loans Review.

Adopted upon a voice vote.

Absent - Ellsworth.

Johnson moved to amend motion "b" by including a direction to staff to consult with Public Works to consider whether it makes sense to move the Xcel Energy, Inc Franchise Agreement review to the work plan for 2012.

Adopted upon a voice vote.

Absent - Ellsworth.

Hodges moved to direct Audit, CPED and the other departments listed on the 2012 Audit Plan to create an assessment of the number of staff hours within the department that would be necessary to conduct these audits.

Adopted upon a voice vote.

Absent - Ellsworth.

It was suggested that in the future, Finance Department staff attend the Audit Committee meetings as a regular course of business, as well as any departments associated with proposed audit reviews.

Johnson's motion relating to removing airport noise from the risk profile document was adopted upon a voice vote.

Absent - Ellsworth.

Johnson moved to adjourn at 10:23 a.m.

Adopted upon a voice vote.

Absent - Ellsworth.

Submitted by: Irene M. Kasper, Council Committee Coordinator/City Clerk's Office