City of Minneapolis
Audit Committee

Development Loans
(Loan C) Review #2012-08

November 14, 2012
Regular Meeting

Internal Audit Department

Development Loans (Loan C) Review #2012-08

Background

- CPED offers a wide range of loans and grants in a variety of programs offered through public agencies and community organizations around the Greater Minneapolis area. Some City loan assets are serviced externally while Loan C is CPED's internal loan servicing system. Loans being serviced in Loan C will normally fall under business development and preservation loans or loans made for single family or multifamily affordable housing development.
- As of December 31, 2011 the gross balance of Loan C type loans provided to recipients was approximately $241.7 million and the collectible amount of these loans was approximately $29.5 million. In 2011, CPED provided approximately 63 new loans with an approximate amount of $8.6 million.

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Objective

The review was performed to ensure processes and controls are in place to adequately grant, record and continually monitor outstanding loan balances due to the City.

Scope

This review included gaining an understanding of internal controls, including current policies and procedures, through observation, inquiry, and limited testing related to the overall management of granting, recording and monitoring processes with focus on a sample of development loans within Loan C. IA also performed, on a sample basis, testing of processes and transactions for the period from January 1, 2011 through September 30, 2012.

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Recommendations

1. Loan Files and Documents
   - Missing Files and Documents
   - File Appearance & Organization
   - Physical Security over Loan Files
2. Monitoring
   - Loan Monitoring
   - Segregation of Duties
   - MINS System Access & Functionality
3. Processes, Guidelines and Procedures
4. Record Retrieval & Return to Storage

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Conclusion

Based on our review, we believe there are opportunities for improvements to address risk areas identified in this report. CPED, Finance & Property Services (Finance) and the City Clerk's Office management worked collaboratively with IA to develop action plans.

IA would like to extend our appreciation to CPED, Finance and City Clerk's Office personnel who assisted and cooperated with us during this review.