



**DRAFT**

# City of Minneapolis

## Risk Assessment & 2014 Proposed Internal Audit Plan

Audit Committee Meeting Presentation

May 22, 2013

# Definition of Internal Auditing

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”

# Internal Audit Added Value

“Value is provided to help identify opportunities to achieve organizational objectives, identifying operational improvement, and/or reducing risk exposure through both assurance and consulting services.”

# Five Critical Tasks For Internal Auditing DRAFT

- Determine whether controls are adequate
- Suggest improvements to increase efficiency and effectiveness or to lower operating costs
- Determine whether policies and procedures are followed
- Determine whether laws and regulations are being obeyed
- Detect and investigate fraud or manipulation of records

# Leading class internal audit functions can help:

- Minimize and mitigate control risks and exposures.
- Advise management and enable management to focus on mission critical activities.
- Support increased accuracy of financial and reporting metrics and data.
- Support operational, financial, and IT improvement efforts.
- Identify operational and service delivery efficiencies.
- Identify contractual and regulatory improvements.
- Increase focus on anti fraud activities.

# Who We Serve

- Audit Committee
- City Council
- Mayor
- City Coordinator whom the Director of Internal Audit reports administratively
- Business Unit Executives
- External auditors and regulators
- Creditors
- Citizens and taxpayers
- Media
- Employees

# 2014 Budget Options

	<b>Approximate Budget</b>	<b>Estimated FTEs</b>
<b>Current</b>	<b>\$406,000</b>	<b>2</b>
<b>Option #1</b>	\$504,000	3*
<b>Option #2</b>	\$571,000	4

\* This is the original number of FTEs that was established in 2010 by the Mayor and City Council.

# 2014 Proposed Audit Plan based on 2 FTEs

*(Audit Plan will be affirmed in September 2013) – Current [\$406k]*

Auditable Unit	Review Name	Audit Objectives	Scope	Internal Audit Hours	Estimated Consulting Fees *
Discretionary Hours/Special Projects				350	
Follow-up on Outstanding Audit Issues				250	
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.	150	\$ 10,000
3 Finance & IGR	Grant Management Update	To ensure adequacy of controls in place to address external audit findings.	Managing grants - Citywide.	250	
4 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	
5 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	
6 Finance	Budget Reconciliations and Monitoring Review	To ensure management has timely information to help them monitor their budgets more efficiently and effectively.	General Ledger and Budget systems. Interview with end users and Finance IT Support team.	250	
<b>Total 2014 Project Hours based on 2 FTEs</b>				<b>2,650</b>	<b>\$ 10,000</b>

\* Estimate based on external consulting fees for a specialized area (i.e. Information Technology).

# 2014 Proposed Audit Plan

## Additional Projects based on 3 FTEs\* – *Option 1* [\$504k]

Auditable Unit		Review Name	Audit Objectives	Scope	Internal Audit Hours	Estimated Consulting Fees **
7	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.	HR processes in 2014 (including policies, current procedures, current practices, state and federal regulations, etc.).	450	
8	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.	75	\$ 10,000
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.	150	\$ 10,000
10	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 2014. Contract oversight, performance measures and payments to contractor.	350	
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).	250	
12	City Coordinator / IT	Business Continuity and Emergency Preparedness	Review of Business Continuity documentation, and evaluate the City readiness in the event of a disaster or business interruption. 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.	Evaluation of most recent business continuity plan and most recent tests performed by management. The City Business Continuity Plan, including IT Disaster Recovery Plan ( <i>Disaster recovery will be performed after the current contract with Unisys is rebid</i> ).	350	
13	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.	250	\$ 10,000
<b>Total 2014 Project Hours based on 3 FTEs</b>					<b>4,525</b>	<b>\$ 40,000</b>

\* This is the original number of FTEs that was established in 2010 by the Mayor and City Council.

\*\* Estimate based on external consulting fees for a specialized area (i.e. Information Technology).

# 2014 Proposed Audit Plan

## Additional Projects based on 4 FTEs – *Option 2* [\$571k]

Auditable Unit	Review Name	Audit Objectives	Scope	Internal Audit Hours	Estimated Consulting Fees *
14 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	
15 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.	250	
16 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	
17 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	
18 Regulatory Services	Inspections, permits and licensing revenue and cash handling review	Assess revenue capture and collection processes. Payment Card Industry compliance as appropriate. Assess security access controls over the system used. Determine whether cash handling controls are appropriate and in place, including online payments.	Revenue, cash handling and credit card processes as of January 1, 2014.	400	
<b>Total 2014 Project Hours based on 4 FTEs</b>				<b>5,975</b>	<b>\$ 40,000</b>

\* Estimate based on external consulting fees for a specialized area (i.e. Information Technology).

# 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.