

**MINUTES
REGULAR MEETING
AUDIT COMMITTEE**

OCTOBER 19, 2011

Committee Members Present: Council Members Diane Hofstede, Betsy Hodges, Sandy Colvin Roy; Minneapolis Park & Recreation Board Representative Mark Oyaas; Citizen Members Darrell Ellsworth and Stephanie Woodruff (Quorum 4)

Chair Hofstede called the meeting to order at 9:33 a.m. in Room 317, City Hall, a quorum being present.

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- 1. Bank Account Reconciliation, Bank Account Access and Automated Clearing House (ACH) Transactions Review:**
 - a) Review Internal Audit Report.**
 - b) Direct staff to publish the report.**

Magdy Mossaad, Internal Auditor for the City, reviewed the report and findings.

Committee discussed: Audit Findings and Management Action Plan No. 5, *US Bank Authorized Signature*, suggesting that staff compile a document detailing what accounts would need to be changed over, etc., for tracking purposes, which could be reviewed and monitored on an ongoing basis to make sure signatory information is kept current; and Audit Finding and Management Action Plan No. 2 *Remote CEO Portal Login*, and asked about exposure to risk relating to computer accessibility of accounts, i.e., are City employees able to access City accounts from non-City sanctioned laptops or computers - is access completely secure?

LeaAnn Stagg, Interim Controller, and Kevin Carpenter, Chief Financial Officer, responded to the signatory issue, stating they do have monitoring in current procedures and typically on an annual basis would be reviewing those, with all being changed when City personnel changes.

Regarding remote CEO portal login, staff does not have exact particulars for the exact number of transactions that are done remotely but noted that budget operations were performed from one building. This tool would be limited to emergency use only. Staff has not, to date, used the Wells Fargo remote CEO portal, but felt it appropriate to continue to research the tool and if appropriate within City control, use that in the future.

Susan Trammell, Assistant City Attorney/City's Ethics Officer, addressed the Minnesota Government Data Practices Act and Open Meeting Law relating to the security topic raised and purposes for a meeting to go into closed session. The Minnesota Government Data Practices Act, Section 13.37, defines security data as including government data, the disclosure of which would be likely to substantially jeopardize the security of information, possessions, individuals or property against theft, tampering, improper use, attempted escape, illegal disclosure, trespass or physical injury. Security data is classified as non-public data under the Minnesota Data Practices Act and the topic raised, if committee would go into further, would involve security data as defined by that statute. Discussions related to security data

may be held in a closed session pursuant to Minnesota Statutes 13D.05. She advised the committee would need to vote to close the meeting, with the time and the place of the closed meeting announced and procedures for the same.

At 10:05 a.m., Hodges moved that the committee move into closed session for the purposes of discussing the issues raised in bank account reconciliation, bank account access and automated clearing house transactions review, security systems procedures facilities, services of the treasury division and finance department, as disclosure of the information to be discussed would pose a public safety danger and compromise the safety measures of the City.
Adopted upon a voice vote.

It was announced that the Audit Committee would convene in closed session in Room 315, City Hall.

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Room 315 City Hall
Minneapolis, Minnesota
October 19, 2011 - 10:12 a.m.

The Committee met pursuant to Minnesota Statutes 13D.05.
Council Member Diane Hofstede in the Chair.

Audit Committee Members Present - Council Members Diane Hofstede, Betsy Hodges, Sandy Colvin Roy; Minneapolis Park & Recreation Board Representative Mark Oyaas; Citizen Members Darrell Ellsworth and Stephanie Woodruff.
Also Present - Magdy Mossaad, Internal Auditor; Kevin Carpenter, Chief Financial Officer; LeaAnn Stagg, Director of Treasury and Interim Controller; Susan Trammell, Assistant City Attorney; Casey Joe Carl, City Clerk; and Irene Kasper, City Clerk's Office.

The Committee discussed the matter of security issues relating to the Bank Account Reconciliation, Bank Account Access and Automated Clearing House (ACH) Transactions Review report from the City's Internal Audit Department from 10:12 a.m.- 11:15 a.m.

At 11:15 a.m., Hodges moved that the meeting be opened.
Adopted upon a voice vote.

The closed session of the Audit Committee meeting was tape recorded with the tape on file in the office of the City Clerk.

Casey Joe Carl, City Clerk

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The Audit Committee meeting reconvened in Room 317, City Hall at 11:19 a.m.

Committee Members Present: Council Members Diane Hofstede, Betsy Hodges, Sandy Colvin Roy; Minneapolis Park & Recreation Board Representative Mark Oyaas; Citizen Members Darrell Ellsworth and Stephanie Woodruff.

Continued –

1. Bank Account Reconciliation, Bank Account Access and Automated Clearing House (ACH) Transactions Review:

- a) Review Internal Audit Report.
- b) Direct staff to publish the report.

Colvin Roy moved to direct staff to amend the report relating to Management Action Plan No 2. *Remote CEO Portal Login*, by amending language to read as follows: "Treasury/Finance management believes that fully utilizing the remote access and/or non-City computer transactional capabilities of the CEO portal and future banking products, given that there is a highly functioning security set-up and with appropriate dual controls, ~~may be appropriate and should not be unduly restricted to emergency situations.~~

Adopted upon a voice vote.

Ellsworth moved to direct staff to amend the report relating to Management Action Plan No. 1 *Limits Commercial Electronic Office (CEO) Transaction and Authorization*, to add language to read that as the new CFO continues his analysis of the Finance Department in the roles and responsibilities within that Finance Department, which includes the Treasury area, that further analysis be put forth on the number of users being able to move funds for the City and then assessing those user's limits as well. Adopted upon a voice vote.

Hofstede moved to receive and file the report, and direct staff to publish the report. Adopted upon a voice vote.

2. City of Minneapolis Cash Collection and Handling Review:

- a) Review Internal Audit Report.
- b) Direct staff to publish the report.

Magdy Mossaad reviewed the report and recommendations.

Hofstede moved to receive and file the report and direct staff to publish the report. Adopted upon a voice vote.

Absent - Hodges and Colvin Roy.

3. Operating Impacts of Proposed 2012 Budget on Audit Plan.

Magdy Mossaad reviewed the materials which had been distributed.

The consensus amongst committee members was that the detailed discussion about operating impacts should happen after the 2012 budget had been finalized.

There was no action taken.

4. 2011 Audit Plan Review.

Item #4 was postponed by unanimous consent.

5. Audit Workshop Report.

Casey Carl, City Clerk, reviewed the workshop report which contained the points/positions discussed at the Audit Committee's workshop of September 29, 2011, as the committee had agreed that no actions would be taken at the workshop, but would formalize points and agreements that were reached of consensus. Additionally distributed was a draft letter, authored by Vice-Chair Woodruff, as part of actions steps discussed during the workshop, which addressed concerns about the Mayor's 2012 budget proposed for the Internal Audit Department, reflecting the position of the City's Audit Committee, which was offered for comments/suggestions. The staff recommendation was to ratify points listed as numbers one and two in the workshop report, and to vote separately on number three, the draft letter.

Hofstede moved to receive and file the report from the workshop, thereby ratifying items one and two.

Adopted upon a voice vote.

Absent - Colvin Roy and Ellsworth.

Committee discussed: the draft letter relating to the 2012 budget, noting that Council Member Hodges is Chair of the Ways & Means/Budget Committee, and the budget was not before the Mayor, but was before the City Council's Ways & Means/Budget Committee; appropriateness of three council members of the independent Audit Committee taking a vote on a letter that would be before them as council members serving on the City's Ways & Means/Budget Committee during budget presentation; a quorum issue that may be present.

It was agreed that the signature line of the subject letter would be reformatted to indicate signature by Stephanie Woodruff, as an outside director and Vice-Chair of the Audit Committee only, so as to not reflect a formal action on behalf of the Audit Committee.

There was no further action.

The meeting adjourned at 11:53 a.m.

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