

City of Minneapolis

Internal Audit Department

Report to the Audit Committee

Third Quarter 2011

September 21, 2011

Topics

- **Audit Plan: Budgeted vs. Actual Hours Update**
- **Staffing Update**
- **2011 Audit Follow-up Results**
- **2012 Internal Audit Budget**

Audit Plan: Budgeted vs. Actual Hours Update

Internal Audit Department has prepared a year-to-date comparison of budgeted hours as specified in the 2011 Audit Plan versus actual hours expended working on 2011 Audit Plan projects.

- As of September 16, 2011 the Internal Audit Department has completed 72% of the total hours included in the approved 2011 Audit Plan (4,211 of 5,830 hours).
- Actual project hours year-to-date (3,524) are less than planned project hours (3,720) by 196 hours (5%) due to the departure of one of the department's two Senior Internal Auditors and administrative time spent training a temporary Sr. Auditor. The Internal Audit department hired one full-time temporary employee to help compensate for the department's lost hours.

Staffing Update

- One of the two Sr. Auditors, Ginger Bigbie, has moved from Internal Audit to Treasury.
- Julie Schaller has accepted a temporary Sr. Auditor position.
- Internal Audit has started the recruiting process; however, the recruiting process has been placed on hold due to the Mayor's recommended budget that eliminated one of the two Sr. Auditor positions.

2011 Audit Follow-up Results

Summary of Follow-up Findings					
Report Name	Total Open Recommendations	Completed	On track	Of concern; unlikely to meet expected due date	Of concern; deadline has passed
2011-02: Police Scheduling and Time Reporting Review	6	4	2	0	0
2011-03: Timekeeping System Pre-Implementation Review	5*	5	0	0	0
2011-04: Procurement Process Review	5	1	4	0	0
2011-05: Ampco Contract Review	14	8	6	0	0
2011-06: Water Revenue Capture Review	13**	0	13	0	0
TOTALS	43	18	25	0	0

* All action plans were completed on or before the due dates.

**9 of the 13 recommendations were proposed by CDM, an outside consultant hired by Public Works.

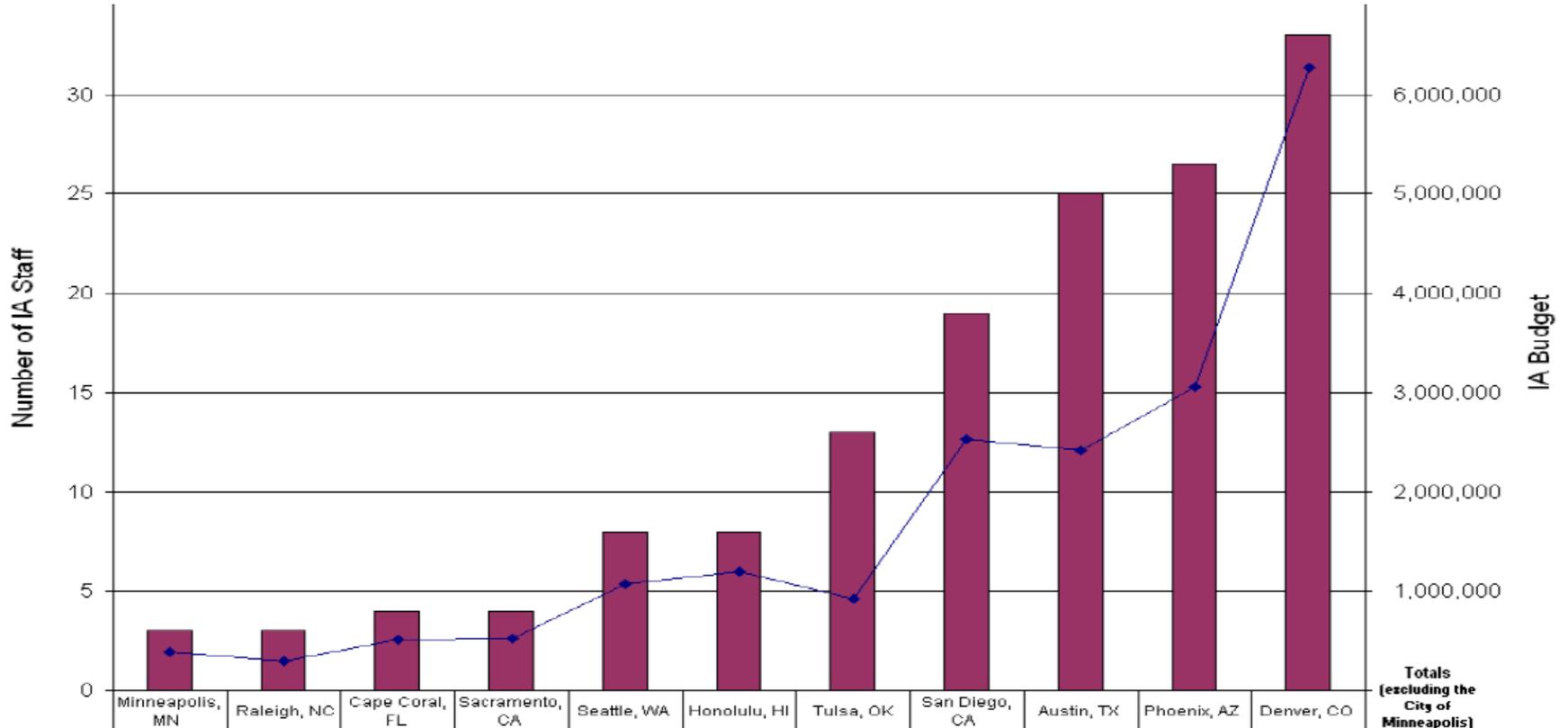
2012 Internal Audit Budget

- **IA Comparative Analysis**
- **City of Minneapolis Internal Audit
Function: Quality Assessment and
Recommendations**
- **IA's 2012 Budget Request**
- **Mayor's 2012 Recommended Budget**
- **IA Concerns**

IA Comparative Analysis

- To ensure IA's budget was comparable with other audit shops throughout the country and provides adequate coverage throughout the City of Minneapolis, IA conducted a comparative analysis based on information available from 10 Cities' Internal Audit departments.
- We compared the average total number of IA staff to the average total number of employees for the 10 cities.
- Additionally, we compared the average IA budget to the average total budget for the 10 cities.
- When applying these averages to the City of Minneapolis IA, we should employ approximately 10 FTEs with an IA budget of approximately \$1.2M.

Internal Audit (IA) Staffing and Budget Comparison with other Cities (based on 2010 budget information)



	Minneapolis, MN	Raleigh, NC	Cape Coral, FL	Sacramento, CA	Seattle, WA	Honolulu, HI	Tulsa, OK	San Diego, CA	Austin, TX	Phoenix, AZ	Denver, CO	Totals (excluding the City of Minneapolis)
Number of IA Staff	3	3	4	4	8	8	13	19	25	27	33	144
IA Budget	382,769	298,910	514,166	526,086	1,071,896	1,200,000	923,000	2,531,417	2,412,315	3,058,000	6,274,200	18,809,990
Total City Budget	1,283,257,679 e	620,381,649	444,375,491	363,837,000	4,300,000,000	1,800,000,000	560,039,000	2,500,000,000	2,887,726,000	3,526,044,000	2,072,852,000	19,075,255,140
Total City FTEs	5,055 f	3,833	1,370	3,081	10,500	8,810	3,957	10,572	5,640	15,837	10,851	74,231
Number of IA Staff to Total City FTEs (%)	0.06% *	0.08%	0.29%	0.13%	0.08%	0.09%	0.33%	0.18%	0.44%	0.17%	0.30%	
IA Budget to Total City Budget (%)	0.03% **	0.05%	0.12%	0.14%	0.02%	0.07%	0.16%	0.10%	0.08%	0.09%	0.30%	

Summary: To remain comparable with other audit departments and provide adequate coverage throughout the City of Minneapolis' departments, boards and commissions, based on the data above and calculations illustrated to the right, IA should employ approximately 10 FTEs with an Internal Audit budget of approximately \$1,265,000

* The City of Minneapolis' Internal Audit Department ranks lowest in relation to number of audit staff as a percentage of total City employees.

** The City of Minneapolis' Internal Audit Department ranks second lowest in relation to IA budget as a percentage of total City Budget.

City of Minneapolis IA Comparable FTE Calculation	
Number of IA Staff Totals a	144
Total City FTEs Totals d	74,231
$\frac{144}{74,231} = 0.194\%$ g	
Total City FTEs (Minneapolis) f	5,055
Ratio calculated above g x	0.194%
Proposed IA FTEs	9.81

City of Minneapolis IA Comparable Budget Calculation	
IA Budget Totals b	18,809,990
Total City Budget Totals c	19,075,255,140
$\frac{18,809,990}{19,075,255,140} = 0.099\%$ h	
Total City Budget (Minneapolis) e	1,283,257,679
Ratio calculated above h x	0.099%
Proposed IA Budget	\$ 1,265,412

City of Minneapolis Internal Audit

Function: Quality Assessment and Recommendations

- The 2009 Quality Assessment of the City of Minneapolis Internal Audit function states, “It is clear that Minneapolis Internal Audit is under-staffed and that the lack of resources impacts the audit coverage and level of assistance available to City officials and managers.
- ***Recommendation – Increase the size of the Internal Audit function by at least 2 FTE, possibly as many as 4, as soon as possible to ensure better audit coverage and to better identify and manage critical risks.***
- Staffing increases could be accomplished over time, if necessary, but it seems clear that the unit as it is currently configured cannot produce the type and quantity of work that the City needs and wants from its Internal Audit Department.”

IA's 2012 Budget Request

- IA proposed for its 2012 budget an amount totaling \$705K which includes two additional FTEs, consulting fees and two student interns. When asked to reduce the budget, IA removed its request for two additional FTEs and the total budget was reduced to \$599K.

Mayor's 2012 Recommended Budget

- The Mayor recommended a budget amount totaling \$377K.
- The budget eliminated one of the two Sr. Auditor positions, along with a reduction in consulting fees.

IA Concerns

- Internal Audit will do its best to serve the City of Minneapolis; however, with the budget reduction and the elimination of one of its two Sr. Auditor positions, the City's Internal Audit Department will suffer a **41% reduction** in its ability to perform audit projects. IA will be unable to provide adequate coverage throughout the City of Minneapolis, its Boards and Commissions and function may not be as effective as it should.
- I requests City leaders re-consider the staff and budget reduction recommended to ensure an effective IA is maintained.