



Internal Audit Department

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General Ledger Accounting Review

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Date: July 31, 2013

To: Kevin Carpenter, Finance & Property Services Department (FPS)

Re: General Ledger Accounting Review

The Internal Audit Department (IA) conducted a General Ledger Accounting review within FPS of the City of Minneapolis (City). This review was included in the 2012 Internal Audit Plan.

Background

The City's Financial Accounting and Reporting function within Finance & Property Services (FPS) is responsible for General Ledger oversight, including posting and approving journal entries, city-wide compliance with United States Generally Accepted Accounting Principles (US GAAP), and preparation of the City's Comprehensive Annual Financial Report (CAFR). The CAFR is audited every year by the Minnesota State Auditor's Office; FPS is also responsible for follow-up for the action plans recommended by the State Auditors.

The City's general ledger contains all the accounts for recording transactions relating to the City's assets, liabilities, net assets, revenue and expenses. The general ledger works as a central repository for accounting data transferred from all sub-ledgers or modules (e.g. accounts payable, accounts receivable, cash management, fixed assets, purchasing and projects). The general ledger is the backbone of any accounting system which holds financial and non-financial data for an organization.

Objectives

The review was performed to assess the adequacy of controls over processes related to general ledger accounting and test operating effectiveness in the areas of journal entries, system interfaces, account reconciliations and system access.

Scope

This review included:

- Gaining an understanding of procedures/guidelines and controls over general ledger accounting (e.g. segregation of duties, authorization limits, system access and management monitoring);
- Reviewing a sample of journal entries for proper approval and adequacy of supporting documentation;
- Reviewing reconciliations for system interface, if applicable;
- Assessing the adequacy of training on emerging topics such as accounting and financial reporting; and
- Receiving an update on the 2011 State Auditor recommendations;

We performed, on a sample basis, testing of processes and transactions throughout 2012.

Conclusion

IA is pleased to acknowledge there were no reportable findings noted during this review. FPS provided a status update as of March 31, 2013 on the Management and Compliance Report for the year ended December 31, 2011, which is summarized in *Appendix A* to this report.

IA would like to extend our appreciation to FPS personnel who assisted and cooperated with us during the review.

Cc: Paul Aasen, City Coordinator's Office
Sandra Christensen, FPS
Connie Griffith, FPS
Mary Dunning, FPS

Abbreviations Used Throughout the Report	
CAFR	Comprehensive Annual Financial Report
City	The City of Minneapolis
FPS	Finance and Property Services Department
IA	Internal Audit Department
GAAP (US)	Generally Accepted Accounting Principles (United States)
IGR	Inter-Governmental Relations
FTE	Full-time employee

Appendix A

Update on the Management and Compliance Report for the Year Ended December 31, 2011 presented by the Finance Department to the Audit Committee at the May 22, 2013 meeting

2011 Management & Compliance Report

- Report issued July 27, 2012
- Included a Schedule of Findings and Questioned Costs
 - ✓ Findings related to the audit of the financial statements
 - Journal Entries
 - Permanent Improvement Capital Project Fund Adjustments
 - Previously Reported Items Resolved
 - Monitoring of Internal Controls
 - City Payroll Procedures
 - Findings and questioned costs related to Federal award programs
 - No questioned costs
 - Primarily issues of communication and dissemination of knowledge
 - Identification of Federal Awards
 - Equipment and Real Property Management
 - Financial Sub-recipient Monitoring
 - Requirements of Energy Efficiency and Conservation Block Grant Program
 - Finding related to compliance with State laws
 - Prompt Payment of Invoices

Action Plan Update and Next Steps

- Corrective Actions Taken
 - ✓ Had made corrections prior to the issue of the 2011 CAFR
 - ✓ Developed tools and queries to reconcile, monitor and assess reliability of processes and analyze data, fund balances and related accounting transactions
 - ✓ Documented policies and procedures and developed guidelines for fund management
 - ✓ Developed and provided training and education to Accounting and department staff on grant requirements, reporting, sub-recipient monitoring, billing and other issues
 - ✓ Worked with IGR to establish a grant users group that meets quarterly
 - ✓ Requested and received additional FTE in the Controller's group and IGR in 2013 to work on grant issues
 - ✓ Responded to requests from Federal agencies for information and action plans and resolved issues that came up
- Next steps
 - ✓ 2012 Financial Compliance Audit in process and just winding down
 - ✓ Expect 2012 CAFR and State Auditor's Management & Compliance Report to be issued in the next month
 - ✓ Report should reflect that we have resolved 2 to 3 of the findings from 2011 and that progress is being made on the remaining issues
 - ✓ Finance and Property Services staff to continue to work with the Office of the State Auditor, City Internal Auditor and City departments and staff to address issues they have identified and to further improve the City's accounting and financial reporting.