

**MINUTES
REGULAR MEETING
AUDIT COMMITTEE**

DECEMBER 7, 2011

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

Committee Members Absent: Council Member Betsy Hodges and Citizen Member Darrell Ellsworth

Chair Hofstede called the meeting to order at 9:40 a.m. in Room 317, City Hall, a quorum being present.

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1. Adopt Agenda.

Woodruff moved adoption of the agenda.

Adopted upon a voice vote.

Absent - Hodges, Ellsworth.

2. Accept Minutes of the Regular Meeting of September 21, 2011, the Special Meetings of October 19, 2011 and November 16, 2011.

Hofstede moved acceptance of the minutes listed.

Adopted upon a voice vote.

Absent - Hodges and Ellsworth.

3. 2011 Financial Statement Audit Entrance: State Auditor's Overview of 2011 Financial Statement Audit.

Kevin Carpenter, City Finance Officer, introduced Connie Griffith, new controller for the City, as well as Rick Pietrick and Stephanie Erickson from the State Auditor's Office.

Rick Pietrick, Office of State Auditor/Audit Director, reviewed the Statement on Auditing Standards as set forth in the report, highlighting the audit type relating to recipients of American Recovery and Reinvestment Act funding being considered high risk and Governmental Accounting Standards Board (GASB) Statement No. 54 - *Fund Balance Reporting and Governmental Fund Type Definitions*.

Stephanie Erickson, Office of State Auditor/Staff Specialist, reviewed page three "*Overview of the planned scope and timing of the audit.*" She offered to report back with their final report, which request was confirmed by committee. Before getting in too deep in control testing, they will review the City's internal reports to make sure they do not duplicate efforts.

Colvin Roy moved to receive and file the report.

Adopted upon a voice vote.

Absent - Hodges and Ellsworth.

4. Grant Management Process Review: a) Review Internal Audit Report; b) Direct staff to publish the report.

Magdy Mossaad, Internal Auditor for the City, reviewed the PowerPoint presentation and conclusions.

Regarding Summary of Findings and Management Action Plan No. 1 *COMPASS Functionality*, committee discussed: how staff was tracking grants since the grants management module was not being used; the cost effectiveness of customizing COMPASS to support the grants management function versus that being performed manually; the need for expeditious and priority analysis of the grant management module, by end of December or January, and based on results/information, ensure proper controls are in place by March 31, 2012.

Susan Trammell, Assistant City Attorney, City's Ethics Officer, cited Section 17.90(c)(3) of the Minneapolis Code of Ordinances relating to Audit Committee scope and duties: "The audit committee shall review the audit reports directed to it and make recommendations to the city council on the appropriate course of action on any such audit reports." That clause means this committee would need to make a motion to forward this audit report to the city council with an added recommendation that the Finance Department be directed to do something other than what was stated in the audit report.

Hofstede moved to postpone the report to the next Audit Committee meeting and ask that Kevin Carpenter and any other members of the Finance Department attend for the discussion.

Adopted upon a voice vote.

Absent - Hodges, Ellsworth.

5. Update on audit activities.

Magdy Mossaad reported on upcoming items for the January, 2012 meeting: the audit plan for the next three years, the annual audit report on the activities completed, an update on action plans, two new audit plan reviews. The impact of the audit plan was also reviewed as relates to the potential reduction of the Audit Department to two FTEs.

Woodruff moved that the Internal Auditor be directed to report back to the next committee meeting with a two-year plan, in lieu of the existing three-year plan.

Adopted upon a voice vote.

Absent - Hodges, Ellsworth.

It was suggested it would be beneficial if Kevin Carpenter, as well as other members of the Finance Department staff, were invited to the second Audit Committee workshop in order to develop professional relationships in the informal setting.

There was no formal action; the verbal update was received and filed.

Announcements: The Risk Assessment and ~~Three~~Two-Year Internal Audit Plan will be discussed after the Minneapolis City Council adopts the 2012 budget.

The meeting adjourned at 11:01 a.m.

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