



City of Minneapolis Audit Committee

**September 19, 2012
Regular Meeting**

Internal Audit Department

Agenda



- **Fleet Management Review #2012-06**
- **Xcel Energy, Inc. Franchise Agreement Review #2012-07**
- **Second Quarter 2012 Update on Management Action Plans**
- **Status Update on 2012 Audit Plan**

Background

- **The Fleet Services Division (FSD) handles the acquisition, maintenance, disposal and contractual agreements of 1,300 units of equipment. The City's fleet primarily consists of vehicles including police cars, fire trucks, snow plows, sedans and pick-up trucks.**
- **The 2011 expense budget was approximately \$44.3 million. As of December 31, 2011, the Fleet Services Division had approximately \$806,000 of parts inventory.**
- **In 2011 FSD purchased fuel which amounted to approximately 1.7 million gallons (e.g. 59%-unleaded, 39%-diesel & 2%-E85) for use in performing operations.**

Fleet Management Review

#2012-06



Objective

The review was performed to determine whether controls are adequate to properly monitor FSD including fuel, inventory and financial charges to other departments.

Scope

This review included gaining an understanding of internal controls, current policies and procedures through observation, inquiry, and limited testing surrounding the FSD processes of maintenance, fueling, billing, and disposal. IA performed, on a sample basis, testing of processes and transactions for the period January 1, 2011 through July 31, 2012 and related expenses, expenditures and revenue. In addition, IA followed up on previous internal audit reports.

Fleet Management Review

#2012-06



Recommendations

1. **External Customers**
2. **Granting and Removing Fuel Access**
3. **Fuel Dispensing Practices**
4. **Benchmarking Fleet Shop Rates (mgmt. disagree)**
5. **Parts Inventory**
6. **Equipment Tracking**
7. **Fuel Can Accounts**
8. **Fuel Tank Locks (mgmt. completed the action)**

Fleet Management Review

#2012-06



Conclusion

Based on our review, we believe there are opportunities for improvements to address risk areas identified in this report. PW and Finance Department management worked collaboratively with IA to develop action plans. However, this report contains a disagreement (see #4 above).

IA would like to extend our appreciation to PW, FSD, Finance, Minneapolis Fire Department and Minneapolis Police Department personnel who assisted and cooperated with us during this review.

Xcel Energy, Inc. Franchise Agreement Review #2012-07



Objective

The review was performed to assess whether controls are designed and functioning effectively to ensure:

- Franchisee payments received are in accordance to the franchise agreement; and
- Processes or controls exist to communicate and/or address potential financial issues with Xcel as they arise, if any; and to verify a follow-up mechanism is in place.

Scope

This review included gaining an understanding of internal controls, including current policies and procedures, through observation, inquiry, and limited testing surrounding the processes listed above. We performed, on a sample basis, testing of the following processes and transactions for the period January 1, 2010 through July 31, 2012 and for the franchise agreement effective during FY 2012:

- Contract oversight; and
- Payments received from franchisee.

Xcel Energy, Inc. Franchise Agreement Review #2012-07



Recommendations

1. Franchise Agreement Monitoring
2. Certified Annual Statement (mgmt. disagree)

Xcel Energy, Inc. Franchise Agreement Review #2012-07



Conclusion

Based on our review, we believe there are opportunities for improvements to address risk areas identified in this report. Finance worked collaboratively with IA to develop action plans. However, this report contains a disagreement that Finance management decided no action was necessary.

IA would like to extend our appreciation to Finance and City Attorney's Office personnel who assisted and cooperated with us during this review.

2nd Q 2012 Update on Mgmt. Action Plans



Report Name	Department	Total Recommendations	Complete	On Track
2011-02: Police Scheduling and Time Reporting Review	Police	9	7	2
2011-05: Ampco Contract Review ¹	Public Works	14	13	1
2011-06: Water Revenue Capture Review ²	Public Works	13	9	4
2011-07: Bank Account Reconciliation, Bank Account Access and Automated Clearing House (ACH) Transactions Review	Finance	8	5	3
2011-08: Cash Collection and Handling Review	City-wide	7	6	1
2011-08: Cash Collection and Handling Review ³ (Not-Public)	City-wide	2	1	1
2011-09: Impound Lot Review	Public Works	7	6	1
2011-09: Impound Lot Review ³ (Not-Public)	Public Works	3	-	3
2012-01: Grant Management Process Review	City-wide	4	2	2
2012-02: External Penetration Assessment ³ (Not-Public)	IT	6	-	6
2012-03: Database Access Review ³ (Not-Public)	IT	3	-	3
Total		76	49	27
(Percentage of Total)		(100%)	(64%)	(36%)

¹ Four (4) of the 14 findings were discovered through audit work performed by Ampco's Internal Audit team.

² Nine (9) of the 13 recommendations were proposed by CDM, an outside consultant hired by Public Works.

³ This review included security data that the Minnesota Data Practices Act legally classifies as not public. To protect City resources and comply with the Act, information related to these recommendations have been withheld from this chart.

Status Update on 2012 Audit Plan



No.	Review Name	Department	Current Phase	Comments
1	Fleet Management	Public Works	Reporting	Report was presented to the Audit Committee on September 19 th .
2	Xcel Energy Inc.	Finance	Reporting	Report was presented to the Audit Committee on September 19 th .
3	Loan C	Finance/CPED	Fieldwork	Report is planned to be presented to the Audit Committee on October 31 st .
4	General Ledger	Finance	Fieldwork	Field work in progress.
5	Accounts Payable	Finance	Planning	In the process of contracting.
6	Application Security	IT/Finance/HR	Planning	In the process of selecting an IT consulting firm.