

Internal Audit Department 2013 Budget Hearing

Department found on pages E135-E140 in budget book

Presentation to Ways and Means/Budget Committee
October 30, 2012

Internal Audit Department Program by Goal

- **A City that Works**
 - **Operational Excellence:** Use best practice methodologies, technology and quality programs to support all activities.
 - **Access to Information and Services:** Promote transparency to residents and enhance accountability of City decision makers.
 - **Talent Management:** Assess risks surrounding City processes including hiring and retaining of talented and motivated personnel.
 - **Culture that Fosters Innovation, Leadership and Collaboration:** Collaboratively develop action plans with City leadership to mitigate risks identified in audit reviews.
 - **Empowers Residents, Businesses and Visitors as Valued Partners:** Publish audit reports to inform the public about enhancements made to mitigate risks the City faces.
- **\$382K (2 FTE) recommended by the Mayor** (all funds come from General Fund).
- **An additional 50K was requested by Internal Audit for contingency, but was not included.**

Internal Audit

Mission & Vision

- **Our Mission** is to assist the City of Minneapolis to achieve its objectives. We serve the City of Minneapolis and the public interest by providing the Mayor, City Council, other City leaders and management with objective services to help minimize risks, improve internal controls, maximize efficiencies and effectiveness of operations, reduce cost, and strengthen accountability.
- **Our Vision:** *“With the support of the Audit Committee, we strive to provide world-class internal audit services to the City of Minneapolis and be regarded as a valued resource by City residents, leadership, management and employees.”*

<http://www.ci.minneapolis.mn.us/audit>

Impact of Recommended Budget on the City of Minneapolis

The recommended 2013 Budget (2 FTEs) did not restore the 1 full time equivalent (FTE) that was eliminated from the 2011 budget (3 FTEs). Impact to the City:

- Reduces the overall Internal Audit capacity by 41% compared to 2011.
- Reduces the ability to provide adequate audit coverage.
- Forces a reduction in scope and depth of risk areas addressed.
- Reduces Internal Audit's ability to perform fraud investigations (if fraud is suspected) or other special projects, as needed or requested.

Impact of Recommended Budget on the City of Minneapolis (cont.)

- The risk exposure to the City will be greater by not adequately covering high risk areas within the City Departments.
- Some areas requiring potential improvements will not receive the attention needed due to the lack of Internal Audit resources.
- Generally, when an organization's employees are reduced, priorities shift:
 - Primary Focus – Employees completing their work;
 - Secondary Focus – Employees adhering to internal controls;(The shift in priority increases the risk for errors and fraud, and the need for Internal Audit increases)

Recent or Planned Efficiencies

Internal Audit will continue to:

- Sponsor an internship program;
- Use automated audit software; and
- Use data mining tools.

Major Contracts in the Internal Audit Department

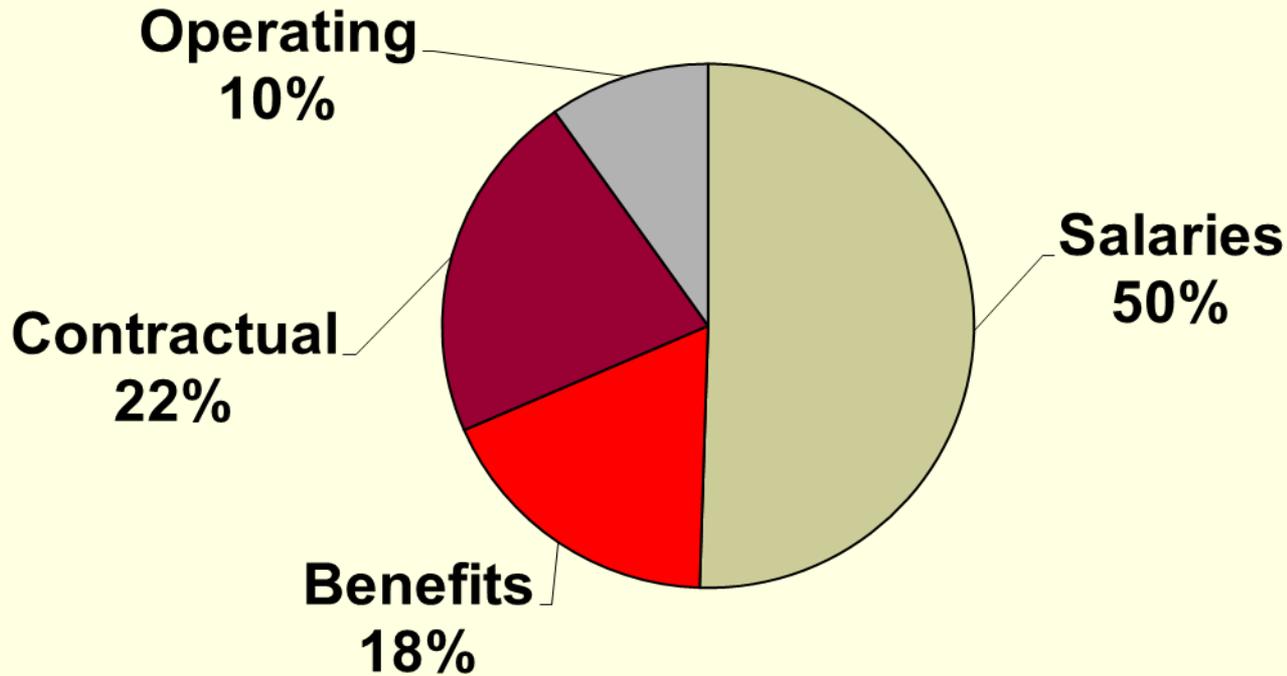
Internal Audit will need to contract outside consultants in areas where we lack relevant expertise (e.g. Information Technology or specialized areas).

Partnerships

To increase the value Internal Audit provides to the City, we are very interested in building internal partnerships with City leaders and management throughout City Departments.

Internal Audit Department – Mayor’s Recommended Budget Expenditures by Type (\$382,136)

The Internal Audit Department is entirely funded by the General Fund.



Benchmarking Resources

The Association of Local Government Auditors (ALGA) recently released a publication “Audit Shop Characteristics – 2013” that compared 276 local government audit shops. Among the results there were 80 audit shops for government entities with greater than \$1 billion operating budget. Only 3 of the 80 (3.75%) audit shops have less than 3 audit staff (*the City of Minneapolis Internal Audit Department is one of these 3 audit shops*).