

**MINUTES
REGULAR MEETING
Minneapolis Audit Committee**

October 16, 2013

Committee Members Present: Council Member Diane Hofstede (Chair), Minneapolis Park & Recreation Board Representative Mark Oyaas; Citizen Members Stephanie Woodruff and Darrell Ellsworth (quorum 4)

Committee Members Absent: Council Members Betsy Hodges, Barbara Johnson

Chair Hofstede called the meeting to order at 9:33 a.m. in Room 317, City Hall, a quorum being present.

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1. Adopt Agenda.

2. Accept minutes of the regular meeting of July 31, 2013.

Hofstede moved adoption of the agenda and acceptance of the minutes.

Adopted upon a voice vote.

Absent - Hodges, Johnson.

3. 2014 Audit Plan Options:

Update report on Audit Committee options.

(Action Taken 7/31/2013: Directed staff to report back at next meeting with rate comparisons of "fully loaded" FTE vs. co-sourcing with consulting firm.)

Magdy Mossaad, Internal Auditor, reviewed a PowerPoint presentation on the rate comparison of fully loaded FTE versus a consulting firm. He added that the Mayor's recommended budget is returned to staffing of three FTEs for the audit department.

Hofstede moved to receive and file.

Adopted by unanimous consent.

4. State of Minnesota/Office of State Auditor Management and Compliance Reports:

a) The City of Minneapolis;

b) The Minneapolis Park & Recreation Board.

Rick Pietrick, Office of the State Auditor, provided an overview of the management and compliance reports for the City of Minneapolis and the Minneapolis Park and Recreation Board, which were prepared as a result of the audits and included the client or management responses and corrective action plans.

Hofstede noted that a series of meetings had been held with staff to discuss these reports prior to the committee meeting.

Regarding the City of Minneapolis report, Committee questioned that reconciliations were consistently noted.

Connie Griffith, Controller/Finance and Property Services, addressed interim controls and monitoring the internal control process, which is being worked on with the state auditors. She noted the complex accounting system and organization in the City's accounting structure, and the need to work on training and education.

Ellsworth moved an action to ensure that the finance department gets the appropriate resources needed to ensure that these reconciliation issues are not an on-going effort; that the finance department defines training curriculum/needs to help support the remediation of these issues that have been raised by the State of Minnesota audit team, which would include budgetary considerations.

Ms. Griffith noted she had been working with Kevin Carpenter, CFO for the City, about staffing, especially in the internal control areas, and some of the other parts of the organization to ensure that the City has adequate staff, and that training could be provided within the organization. She did not anticipate additional costs for training, as that is part of what they are going to incorporate into their plan for the rest of this year. Additional conversations about the structure of the organization would be more beneficial.

Ellsworth withdrew his motion.

Ellsworth moved that the finance department identify what is needed in the short term to help remediate these issues, whether it is a talent or subject matter expertise needed, in order to determine what the costs are so they can get special attention or a recommendation from the committee moving forward into the new budget year.

Committee discussed the grant management module.

Ms. Griffith stated the problem with the grants management module was that people have to put the right information in the system and the grants department is not getting the right information. The City has developed other procedures that will help identify grants timely for the state auditors, which has been the biggest problem. Other cities have been looked at as to how they tackle the grant reporting issue.

Ellsworth withdrew his motion.

There were no questions regarding the Minneapolis Park & Recreation Board management compliance report.

Hofstede moved to receive and file the reports.
Adopted by unanimous consent.
Absent - Johnson, Hodges.

- 5. Construction Contracts:**
a) Review Internal Audit Report of Final Payment and Closing Project Process;
b) Direct staff to publish the report.

Mr. Mossaad distributed and reviewed the construction contracts review report.

Committee discussed the projected costs associated with the recommendations, but what was missing was the potential benefit that can be received as well, which needed to be highlighted. Mr. Mossaad agreed to update the language to indicate that the value exceeds the cost.

Hofstede moved to receive and file the report and direct staff to publish the report.
Adopted upon a voice vote.
Absent - Johnson and Hodges.

6. 2013 Audit Plan Update.

Magdy Mossaad reviewed the 2013 audit plan document submitted.

There were no questions; the report was received and filed.

7. 2014 Audit Plan Update.

Magdy Mossaad reported the 2014 update would be presented at the November meeting.

The meeting adjourned at 10:42 a.m.

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