

CITY OF MINNEAPOLIS

Audit Committee Meeting

May 24, 2016

Agenda

- Internal Audit Charter
- Staff Direction
 - Employee Separation Analysis
- Audit Reports
 - Neighborhood & Community Relations Department – Neighborhood programming and support evaluation
 - Move Minneapolis Transportation Management Organization Audit
- Auditor Update

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Internal Audit Charter

Internal Audit Charter

This audit charter is being proposed to the Audit Committee for consideration of adoption.

The audit charter is not meant to supersede the City Ordinance, rather be a document that further details the authority, scope and responsibilities of the Internal Audit Department



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Employee Separation Analysis

Employee Separation Analysis

Background

State and Federal laws do not mandate any paid leave benefits (with a few exceptions – military leave); however, state and federal laws will often dictate equality in how paid leave programs are offered and executed.

The City has 25 labor agreements and two Civil Service Commission rules that govern sick and vacation leave programs – making the administration of such programs a difficult task.

Employee Separation Analysis

Background, cont.

There is potential monetary value in unused accrued leave balances for employees that are separating employment or retiring from the City. Because of this monetary value and the fact that there are a series of stipulations, written policies, unwritten policies, and labor agreements, an inherent risk of employees trying to maximize the value of their accrued leave balances exists. The City should evaluate the situations that could and do occur and determine a suitable and equitable solution to disincentivize employees and supervisors from taking advantage of the system and lack of and inability for oversight.

Employee Separation Analysis

Sick and Vacation Leave Risks:

Supervisors allowing for employees to run their sick or vacation time out immediately prior to separating employment or retiring.

Employees taking scheduled vacation and/or sick leave and separating employment with the City immediately afterwards.

Employee Separation Analysis

Sick and Vacation Leave Risks:

An employee foresees not being able to accrue the minimum balance required for a severance payment instead begins using sick days as personal days.

Employees come in to work sick because they wanted to maintain their accrual levels and not lose the severance pay upon retirement or accrue more sick time to be able to sell some back to the City.

Employee Separation Analysis

Considerations:

The City should determine whether the current state of sick and vacation leave rules are adequate and commensurate to the demands of the employees and needs of the City.

The City should also do an inventory of policies around sick and vacation leave to determine gaps and ensure that supervisors have the appropriate understanding of these policies to encourage equitable practices and avoid the perception of preferential treatment.

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Neighborhood and Community Relations – Neighborhood Programming and Support Evaluation.

NCR Programming and Support Audit - Objective

Findings:

- Meeting overall expectations
- Providing assistance to neighborhood groups
- Facilitating the NCEC
- Communicating with City Council
- NCR Department Staff and NCEC organization

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Move Minneapolis Transportation Management Organization Audit

Move MPLS Audit - Background

Move Minneapolis is the forward-facing name of the Downtown Minneapolis Transportation Management Organization (DMTMO) and was founded in 1991 through City Council action.

The DMTMO advocates for a sustainable transit and transportation system that supports a growing and vital downtown Minneapolis.

The DMTMO is governed by a board of directors comprised of representatives from the downtown business, residential community, as well as several local government organizations.

Move MPLS Audit - Background

- Federal Grant Stakeholders
 - Federal Transit Administration – Granting Organization
 - Met Council – Direct Grant Recipient
 - City of Minneapolis – Grant Pass-through
 - DMTMO – Grant Sub-Recipient



Move MPLS Audit - Findings

1. The DMTMO's staff intentionally destroyed and altered documents required to be maintained under the CMAQ grant and to be supplied to auditors as required by the DMTMO contract with the City.

- Invoice alterations
- Computer hard drive file deletion



Move MPLS Audit - Findings

2. The DMTMO overbilled the CMAQ grant by \$50K (\$94 if consider profit sharing payments – finding 4) for services from vendors in order to create donations that were reported as part of the grant’s required in-kind 20% matching funds.

- **Routinely claimed amounts that exceeded the expenses incurred by the DMTMO and claimed 100% of donated items.**
- **Claimed expenses for reimbursement before incurring the expense.**

Move MPLS Audit - Findings

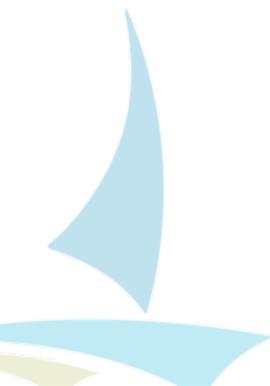
3. The DMTMO had a practice of back-dating invoices so that expenses submitted for grant reimbursement were included in the previous contract period and within contract period.



Move MPLS Audit - Findings

4. The DMTMO used erroneous payroll methods to over-billing for DMTMO staff time submitted under the CMAQ grant.

- **Projects outside their geographical area**
- **Payroll expenses related to obtaining their required 20% match**
- **Potential abuse of vacation and sick time**



Move MPLS Audit - Findings

5. The DMTMO failed to follow third party contracting requirements by not engaging in an open process related to bids and contracts and also failed to obtain contracts for services that contained the required language and rules under the Federal Transit Administration.

- **Nine contracts/agreements of the fourteen vendors tested. None contained the required FTA language.**
- **Failed to obtain bids when required**
- **Failed to document research into vendor pricing and sole source contracts.**

Move MPLS Audit - Questions



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Auditor Update

Audit Plan and Projects Update

Projects Completed:

- Employee Separation Analysis
- Neighborhood Programming and Support Audit
- DMTMO Third-Party Audit

Projects in Progress:

- CPED Loan Programs – Fieldwork Phase
- IT Projects Management – Reporting Phase
- License Plate Reader Readiness – Reporting Phase
- PeopleSoft Finance Access & Security – Fieldwork Phase
- PeopleSoft Web Portal – Reporting Phase
- Police Records Management Implementation Consultation – Planning Phase
- Procure to Pay – Fieldwork Phase

Projects Not Started:

- Civil Rights Contract Compliance
- MPD Third-Party Audit
- Park and Recreation Board Worker Safety
- Police Body Camera Pre-Requirement Review

2016 Audit Plan Update

Project Name	Project Type	Description
Civil Rights Contract Compliance	Audit	Review of the processes and regulations in place for Civil Rights contracting requirements and review the execution consistency and accuracy of the respective processes.
Employee Separation Analysis Completed	Audit	Analysis of the risks within the employee sick and vacation leave benefits, with a focus on employment separation and retirement.
IT Projects Management	Consultation	Determine if the City has adequate project management processes and tools to guide system implementations.
License Plate Reader Pre-requirement Review	Consultation	Determine if the License Plate Reader system and related processes meet the standards as included in the State Legislature.
MPD Vendor Audit	Audit	Audit of a Minneapolis Police Department Vendor for psychological services provided to officers.
Off-Street Parking Operator Deferred	Audit	Evaluate the service level agreements and City's and vendor's adherence to the contractual requirements.
Park and Recreation Worker Safety	Audit	Determine if the Park and Rec Board has practices and procedures in place to both prevent injuries and adequately address injuries that do happen.
PeopleSoft Finance Access	Audit	Determine the adequacy of access controls for the PeopleSoft Financial module.

2016 Audit Plan Update, cont.

Project Name	Project Type	Description
PeopleSoft Web Portal Security	Audit	Determine the adequacy of security controls for the PeopleSoft web portals.
Police Body Camera Pre-Requirement Review	Consultation	Determine if the Body Camera system and related processes meet the standards as included in pending State Legislature. Contingent on legislation being passed.
Accounts Payable Procure to Pay	Audit	Evaluate key processes and controls around payment timeliness, accuracy and fraud, vendor file maintenance and various controls from requisition to disbursement.
Transportation Management Org. Completed	Audit	Third-party governance audit including, but not limited to grant compliance.
CPED Loan Lifecycle (2015)	Audit	Assess the people, process and technology risks involved in CPED loaning, managing, collecting, and monitoring funds.
ELMS Implementation (2015)	Consultation	Consult on various process and control additions and modifications.
NCR Neighborhood Programming and Support (2015) - Completed	Program Audit	Outsourced evaluation of NCR neighborhood programming and support.
Police Records Management System Implementation (2015)	Consultation	Identify risks with the configuration and implementation of a new records management system during implementation.

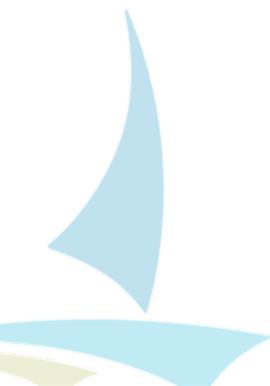
State Auditor Findings Update

The 2014 State Auditor Report identified 10 findings related to financial statements audited in accordance with government auditing standards. 9 findings have been corrected. The 2015 State Auditor Report will be published in June 2016 and while some of the findings below have been corrected, a different variation of the finding may exist for 2015.

<u>Finding</u>	<u>Status</u>
• Bank Reconciliations: 2013-001	Corrected
• Loan C Documentation: 2013-002	Corrected
• Audit Adjustments: 2014-001	Corrected
• Capital Asset Reporting Process: 2014-002	Corrected
• Network and System Access Termination: 2014-003	Corrected
• Identification of Federal Awards: 2011-002	Corrected
• Subrecipient Monitoring: 2011-004	Corrected
• Cash Management: 2014-004	Corrected
• Procurement, Suspension and Debarment: 2014-005	Corrected
• Prompt Payment of Invoices: 2009-001	Ongoing

Audit Findings Follow Up – Prior Team

- There are two outstanding findings from the prior audit team.
 - Four findings were incorporated into findings from the Records Management audit.
 - One finding was incorporated into a finding from the State Auditor.



Audit Findings Follow Up – 2015

The two audits in 2015 produced 26 findings

- Ten findings were published in the Records Management Audit; however, the Management Response Plan as presented by the City Clerk's Office included subsections to each finding. There are 22 subsections and these will be followed up on individually. Additionally, the Management Response Plan listed 16 Actions that need to be taken to remediate the audit findings. Each subsection includes multiple actions that when completed, will resolve the audit findings. Thus far, the action to Publish data inventory has been completed.
- 2 actions are expected to be completed at the end of Quarter 2 of 2016. Additionally, 4 actions are expected to be completed by the end of Quarter 3 of 2016.



Audit Findings Follow Up – 2015, cont.

Four findings were published in the HR Personnel File Maintenance Audit.

- HR is discussing their draft implementation plan with impacted Department Heads at the end of May, which will result in a final implementation plan for three of these findings. Though the plan is not complete, HR has partially completed the recommendations by installing a badge reader to control HR storage room access, and by providing training to I-9 Verifiers.
- The fourth finding, which is for the Park and Recreation Board, has two recommendations. The first of which is on track to be completed by the original implementation date of June 2016. The second recommendation has been delayed by three months and should be completed by September 2016.



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