



City of Minneapolis Internal Audit Department

Audit Committee - Special Meeting

May 25, 2011



Agenda

1. Timekeeping System Pre-Implementation Review
2. Questions
3. Procurement Process Review
4. Questions



Timekeeping System Pre-Implementation Review

Report # 2011-03



Background

- T&L is a module in the PeopleSoft Human Resources Information System (HRIS) that provides City employees the ability to report their timesheet online.
- T&L will be used by all City Departments and Boards except those Departments that currently use WorkForce Director (WFD).
- Prior to the implementation of T&L, approximately 70% of the City's employees would submit paper timesheets to the appropriate supervisor for approval. Once approved, the paper timesheets were sent to Central Payroll, where the data was manually entered into the payroll module in HRIS. Of those submitting paper timesheets, 23% were classified as exempt.



Background – Continued

The following benefits will be recognized through the implementation of T&L:

- Employees, through self-service, will be able to enter payable time equivalent to approximately \$208 million annually;
- Electronic time sheets;
- Standardizing payroll processes throughout the City; and
- Standardizing rules surrounding union contracts.

The implementation of T&L is expected to increase efficiency in and integrity of the timekeeping process. It will be rolled out in phases throughout the City and is anticipated to be fully implemented by the end of 2011.



Scope

Our audit work was related to verifying that adequate controls were in place prior to the implementation of the new timekeeping system. The scope of this review included the following areas:

- Training Plan
- Overall Test Plan and Quality Assurance (QA)
- End User Acceptance
- Security Testing
- Change Management

Objectives

Audit objectives were to ensure a successful implementation of T&L and to determine whether:

- Controls were appropriately designed in T&L;
- Process performers understood their roles in processing time reporting;
- The T&L system was tested to ensure it was functioning as intended; and
- End users were adequately trained on using T&L.



Summary of Findings and *Management Action Plans*

1. **Accountability for Exempt Employees' Time**

- Time entry was not required for exempt employees and management approval for the time entry was not required.
- *The T&L project management team has incorporated controls into the T&L module system to require each exempt employee below the Charter Department Head level to consistently enter time into their online timesheets and self approve; in addition, supervisory approval is required. Completed.*



Summary of Findings and *Management Action Plans*

2. Transfer of Knowledge to City

- The T&L project has been driven by outside consultants, therefore there is concern that the knowledge and expertise relating to T&L will not be transferred appropriately to City personnel.
- *T&L knowledge transfer sessions amongst appropriate BIS, HRTS, and Payroll staff are scheduled to be completed by June 30, 2011 and BIS knowledge transfer guidelines for appropriate projects will be developed by July 31, 2011.*



Summary of Findings and *Management Action Plans*

3. Initial Risk Assessment and Control Documentation

- There is no formal documentation in place to identify, assess, and mitigate risks for the T&L system implementation.
- *BIS, with Finance and HRTS, will develop a risk assessment and control documentation methodology for appropriate projects within budgetary and staffing constraints by December 31, 2011.*



Summary of Findings and *Management Action Plans*

4. Quality Assurance Activities

- The project manager responsible for the T&L implementation also performs some Quality Assurance activities when these duties should be segregated.
- *BIS will develop a quality assurance policy to require an independent Quality Assurance staff member, separate from the project implementation management team by August 31, 2011. The decision of hiring an independent consultant will be based on project complexity and cost within budgetary and staffing constraints.*



Summary of Findings and *Management Action Plans*

5. Project Management Tools

- Project management tools are inadequately maintained.
- *BIS will develop a policy to incorporate expectations relating to project management as part of its project plans within budgetary and staffing constraints by July 31, 2011.*



Summary of Findings and *Management Action Plans*

6. Stress Testing

- There was no stress testing performed before implementing T&L, as the City does not have the needed tools to perform such a test.
- *BIS will consider the use of stress testing tools as well as other options within budgetary and staffing constraints by December 31, 2011.*



Summary of Findings and *Management Action Plans*

7. User Acceptance Testing

- Reliance on User Acceptance Testing is based on verbal communication; no formal process is in place to require signed written acceptance of the end user who performed the test and accepted the test results.
- *BIS will establish formal guidelines to require end users to formally accept the new system based on project complexity and cost by September 30, 2011.*



Summary of Findings and *Management Action Plans*

8. Change Management

- Change management, the process for documenting changes to the project, was not formally utilized in the T&L implementation.
- *BIS will establish additional formal processes to ensure adequate change management is incorporated by July 31, 2011.*

Conclusion

Based on our review, we believe there are opportunities for improvements to address risk areas identified in this report. BIS, Finance and HRTS worked collaboratively with Internal Audit to develop action plans that effectively address these risk exposures. The risks identified in this report should not have a direct negative impact on the T&L system to commence as planned.

IA would like to extend our appreciation to the BIS, Finance and HRTS personnel who assisted and cooperated with us during this review.



Questions?



Procurement Process Review

Report # 2011-04

Background

The City Procurement processes include:

- Requests for Proposals (for professional services over \$50,000);
- Informal bids (purchase \$1,000 to \$50,000 in one year): Procurement collaborates with department management to select the lowest overall total cost from at least two proposals; and
- Formal bids - Official Publication (purchase over \$50,000 in one year): sealed bids are submitted to Procurement then the lowest qualified bidder is recommended to the Permanent Review Committee.



Background – Continued

The Procurement process results in establishing active contracts with the City's vendors.

- In 2010 there were approximately 4,400 active contracts.
- Total City payments in 2010 related to contractual services, operational expenses and capital expenditures were approximately \$416 million.



Scope

The Procurement Process Review included gaining an understanding of internal controls, including policies and procedures, through observation, inquiry, and limited testing surrounding the Procurement processes.

We performed, on a sample basis, testing of procurement processes and transactions within the period of January 2010 through March 2011.

Objectives

The review was performed to assess whether controls over the following processes are efficient and effective:

- Purchasing approval and authorization;
- Formal and informal bid processes;
- Requisitioning process, purchasing approval, and authorization;
- Change management (monitoring system post-approval changes made to purchases or receipts; and changes to authorization levels in PeopleSoft).



Summary of Findings and *Management Action Plans*

1. **Monitoring Compass Roles**

- Department and purchasing management do not monitor some purchasing system user roles.
- *Compass support, on behalf of Procurement Management and Central Requisitions Group (CRG) will provide a list of Department Approvers to Department Heads for their review and approval on a quarterly basis beginning June 1, 2011.*



Summary of Findings and *Management Action Plans*

2. Vendor Invoices

- There is no formal City policy to define expectations regarding processing requisitions properly, nor is there a procedure in place that defines expectations for various departments to regularly monitor incorrectly processed requisitions.
- *Finance Management will develop a formal policy surrounding the Central Requisitions process by September 30, 2011 and a Compass public query, made available to City departments, to identify invoices that did not follow the proper process quarterly beginning September 30, 2011.*



Summary of Findings and *Management Action Plans*

3. Requisition Coding

- Some departments submit purchase requisitions for processing with missing or incorrect coding information.
- *CRG will continue training and educating department requesters on the necessity of submitting correct coding with the requisition requests, and to respond in a timely fashion when insufficient or erroneous coding is submitted. Ongoing; re-evaluate on December 31, 2011*



Summary of Findings and *Management Action Plans*

4. Monitoring Post-Approval Edits

- There is no formal process to monitor post-approval changes made in the purchasing system during the procurement process.
- *Due to system limitations, Finance management will need more time to determine the needed enhancements to monitor the post-approval increases to purchase order number of units or unit price on a weekly basis over a predetermined threshold. This will be determined by October 1, 2011.*



Summary of Findings and *Management Action Plans*

5. Central Requisitions Group E-Mail

- Some departments submit requisitions to be processed directly to employees rather than the CRG e-mail address.
- *CRG personnel will continue to educate requesters on the importance of using the CRG e-mail address. On going; re-evaluate on December 31, 2011.*



Summary of Findings and *Management Action Plans*

6. Formal Bid Opening

- A sealed bid envelope with insufficient information was opened prior to the formal bid opening process.
- *The Procurement Department will review the process for receipt of unmarked bids by mail and in consultation with the City Attorney's Office, will establish additional procedures or include additional language in the bid documents by December 31, 2011.*

Conclusion

Based on our review, we believe there are opportunities for improvements that address risk areas identified in this report. Procurement and Finance management worked collaboratively with Internal Audit to develop action plans that effectively address these risk exposures.

IA would like to extend our appreciation to the Procurement and Finance personnel who assisted and cooperated with us during the review.



Questions?



Thank you

Internal Audit Department

Magdy Mossaad (612) 673-2056

magdy.mossaad@ci.minneapolis.mn.us