



Expansion of internal audits

Issue:

- DHS has the equivalent of 4.5 full-time internal auditors to monitor an approximately \$13.5 billion annual budget. Their work includes establishing and monitoring controls for procurement, risk management, payroll, grant expenditures, grant outcomes, system access controls, data security and employee investigations.
- Past audit and investigative activity has found controls lacking in various areas, including material (significant) understatement of accounts payable, inappropriate closure of child support cases, misuse of grantee funds and potential exposure of private data.

Proposal:

- This proposal would increase DHS' internal audit capacity, providing additional resources to monitor critical controls over financial reporting and grant funds, and provide adequate controls and oversight of the challenging and ever-changing risks related to data security.
- Additional internal audit resources are needed for oversight and input on the creation and monitoring of new controls and processes over financial expenditures, financial reporting, federal expense reimbursement, risk assessments, program eligibility and data security. The development of the Health Insurance Exchange and the systems modernization activities with significant changes to current process and controls will further strain DHS internal audit capacity.
- Five additional full-time auditors would be added to the Internal Audits Office.

Impact:

- Improving oversight of financial transactions will result in more accurate financial reporting, a significantly reduced risk of financial improprieties, and fewer audit findings by the Office of the Legislative Auditor. DHS has averaged approximately 10 findings per year over the last five years in its single (A-133) compliance audits.
- Strengthening oversight of grant activity will provide better outcomes for DHS clients by assuring that resources go toward the goals and objectives of the grant funds.

Fiscal impact:

- FY 2014: \$344,000
- FY 2015: \$323,000
- FY 2016: \$499,000
- FY 2017 \$499,000

Related information:

- Minnesota Management & Budget website: <http://www.mmb.state.mn.us/>

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