City of Milwaukee

Office of the Comptroller

W. Martin Morics, C.P.A.
Comptroller

Michael J. Daun
Deputy Comptroller

John M. Egan, C.P.A.
Special Deputy Comptroller

Craig D. Kammholz
Special Deputy Comptroller

July 29, 2009

To the Honorable
the Common Council
City of Milwaukee

Council Members:

Enclosed is our Report of Audit Activities, pursuant to Common Council Resolution 020897. The report covers audits being conducted during 2009 and audits from prior years where recommendations had not been fully implemented or sufficiently addressed. Implementation status is based on updates provided by City departments. The report also identifies future audits.

We would be pleased to discuss this report with you at your convenience, and before the appropriate Common Council Committee.

Sincerely,

Michael J. Daun

W. MARTIN MORICS
Comptroller

Room 404, City Hall, 200 East Wells Street, Milwaukee, Wisconsin 53202 - 3566 Phone: (414) 286-3321, Fax: (414) 286-3281

PACE Local 1-0318

Office of the Comptroller
Report of Audit Activities
July 2009

This Report of Audit Activities by the Office of the Comptroller includes the major audits conducted in 2009, as well as audits from prior years where recommendations had not been fully implemented or sufficiently addressed. The reported implementation status of audit recommendations is based on written updates provided by City departments. Our Office has generally not verified this status information, but may choose to perform audit activity in the future to accomplish this verification on a selected basis.

2009 Audit Activities

Table 1 summarizes the 9 audits underway in 2009. Four audits were completed and issued and five audits are targeted for issuance before year-end.

The **2009 Review of IT External Network Connections** is underway and being conducted by outside consultants and will assess the security of wired and wireless connections to the City's IT networks.

This audit is the first IT audit selected from a new IT audit plan developed in 2008 for the Office of the Comptroller by outside consultants.

The **2009 Audit of Commercial Real Estate Assessments** is underway with assistance from an outside consultant.

The **2009 Review of HUD IDIS Funding Shortage** was issued in February 2009. This review found that errors and omissions in the U.S. Department of Housing and Urban Development (HUD) Integrated Disbursement Information System (IDIS) understates the amount of Community Development Block Grant funding available to the City and has prevented the City from receiving $914,638 in approved entitlements. The report makes 3 recommendations.

In addition to these audits, the Office of the Comptroller operates the City's Fraud, Waste and Abuse "Hotline", under Common Council Resolution 040063. A report of Hotline activities was issued to the Common Council on February 2, 2009.

Prior Years Audit Implementation Status

Table 2 summarizes the 28 major audits from 2008 back to 2002 with unimplemented recommendations. The success in implementing these recommendations varies.

The creation of the City's new Capital Improvements Committee addresses 1 of the 5 recommendations in the **2008 Audit of DPW Residential Paving.** The status of the remaining recommendations will be reported in future Audit Activity Reports.

The **2008 Audit of Election Commission Absentee Ballot Processing** found that the Election Commission has made significant improvements in the processing of absentee ballots, including centralized processing of the ballots and full utilization of the Statewide Voter Registration System. The status of the audit's 8 recommendations will be reported in future Audit Activity Reports.

The City's new Recycling Task Force is addressing 1 of the 9 recommendations in the **2008 Audit of the City Recycling Program**. Recommendation status will be reported in future Audit Activity Reports.

The Milwaukee Police Department appears to have implemented or adequately addressed 3 of the 8 recommendations in the **2007 Audit of Milwaukee Police Department Crime Data System** and another 2 recommendations are partially implemented.

The Milwaukee Police Department appears to have implemented or adequately addressed 4 of the 10 recommendations in the **2007 Audit of Milwaukee Police Department Overtime** and another 2 recommendations are partially implemented.

The Department of Public Works appears to have implemented or adequately addressed 4 of the 8 recommendations in the **2007 Audit of the Canal Street Project**.

The Department of Community Development appears to have implemented or adequately addressed 3 of the 7 recommendations in the **2007 Audit of City Loans to Business Improvement Districts** and another 2 recommendations are partially implemented.

The Department of Public Works appears to have fully implemented or adequately addressed 7 of the 8 recommendations in the **2006 Audit of Public Works Procurement Activities** and partially implemented the remaining recommendation.

The Departments of Public Work and Administration appear to have adequately addressed 5 of the 7 recommendations in the **2006 Audit of Department of Public Works Emerging Business Enterprise and Residents Preference Program Compliance**.

The Community Development Grants Administration in the Department of Administration appears to have implemented or adequately addressed all 5 of the recommendations in the **2005 Audit of the Westside Housing Cooperative Property Rehabilitation Project**.

The Port appears to have fully implemented or adequately addressed 11 of the 12 recommendations in the **2005 Audit of Port of Milwaukee Billing, Collection and Accounts Receivable** and the last recommendation has been partially implemented.

It appears 3 of the 4 recommendations in the **2005 City Information Technology Security Risk Assessment** have not been implemented, while the last recommendation is partially implemented. The Departments of Administration and Public Works report

some activities aimed at improving IT security, but the City still lacks a comprehensive and effective information security program.

The Department of Public Works appears to have implemented or adequately addressed 9 of the 12 recommendations in the **2004 Audit of City Fleet Management**, and made substantial progress on another 2 recommendations. DPW is reporting to the Common Council annually on the fleet, as recommended.

The Departments of Public Works and Administration appear to have implemented or adequately addressed 4 of the 6 recommendations in the **2003 Audit of the Police 3rd District Capital Project** and the remaining 2 recommendations are partially implemented.

The City Clerk appears to have adequately addressed 1 of the 4 recommendations in the **2002 Audit of the City Clerk License System** and intends to address the remaining 3 recommendations with replacement of the automated License System, expected to be completed by the end of 2009.

Office of the Comptroller
Report of Audit Activities
July 2009

Table 1: Major 2009 Audits

Audit	Date Issued	Audit Scope	Audit Objectives	Audit Conclusion or Status	Recommendation Status
9	Targeted for 12/09	Audit of DPW Inventories	Evaluate inventory physical security, inventory management, and operating and accounting practices.	Audit work is underway. A draft report for DPW is targeted for 11/09 and final issuance in 12/09.	Recommendation status will be reported in future Audit Activity Reports.
8	Targeted for 12/09	Audit of Parking Fund Cash Controls	Evaluate DPW and contractor cash handling, cash accounting and internal controls. Evaluate DPW management of Parking cash.	Audit work will begin in 7/09. A draft report for DPW is targeted for 11/09 and final issuance in 12/09.	Recommendation status will be reported in future Audit Activity Reports.
7	Targeted for 11/09	Review of IT External Network Connections (Consultant Conducted)	Perform an external network security assessment and wireless review to identify and evaluate any IT security weaknesses in City systems.	Audit work should begin in 7/09. A draft report for departments is targeted for 10/09 and final issuance in 11/09.	Recommendation status will be reported in future Audit Activity Reports.
6	Targeted for 9/09	Audit of Commercial Real Estate Assessments (Consultant Assisted)	Evaluate the current assessment process to determine whether it meets WI Statute requirements and professional standards. Evaluate internal controls over assessments.	Audit work is underway. A draft report is targeted for 8/09 and final issuance in 9/09.	Recommendation status will be reported in future Audit Activity Reports.
5	Targeted for 9/09	Audit of Water Cash Controls	Evaluate the financial controls over the billing, collection and accounting for Municipal Service charges on the Water bill.	Audit work is complete. A draft report is targeted for 8/09 and final issuance in 9/09.	Recommendation status will be reported in future Audit Activity Reports.
4	3/19/09	Audit of 2008 W-2s	Evaluate accuracy and completeness of W-2s. This is an annual audit.	W-2s for 8,096 employees, reporting $381.7 million were accurate and complete.	No recommendations.

Office of the Comptroller
Report of Audit Activities
July 2009

Table 1: Major 2009 Audits

Audit	Date Issued	Audit Scope	Audit Objectives	Audit Conclusion or Status	Recommendation Status
3	3/13/09	Review of Port Fixed Asset Inventory (Consultant Conducted)	Review all Port capital assets for appropriate valuation and treatment in City accounting records.	Port capital asset listings required numerous corrections and substantial adjustments to City accounting records. The review report makes 7 recommendations.	Review findings resulted in adjustments to City accounting records. Status of recommendations for Port action will be reported in future Audit Activity Reports.
2	3/12/09	Audit of Treasurer Cash Controls	Evaluate cash controls. Determine whether cash is secure, deposited timely and accurately recorded. This is an annual audit.	Cash controls were enhanced since a theft by former teller and are now adequate. Cash is secure, deposited timely and accurately recorded. The audit makes 1 recommendation to reconcile banks accounts timely.	Recommendation status will be reported in future Audit Activity Reports.
1	2/16/09	Review of HUD IDIS Funding Shortage	Identify the cause of a discrepancy in available CDBG funds between the City FMIS and HUD IDIS.	The City FMIS accurately reflects CDBG transactions. Errors and omissions in the HUD IDIS resulted in a cumulative $914,638 understatement of available CDBG funds. The review report makes 3 recommendations.	Recommendation status will be reported in future Audit Activity Reports.

Office of the Comptroller
Report of Audit Activities
July 2009

Table 2: Major Prior Years Audits with Pending Recommendations

Audit	Date Issued	Audit Scope	Audit Objectives	Audit Conclusion or Status	Recommendation Status
28	12/8/08	Audit of DPW Residential Street Paving	Develop a descriptive street condition inventory and profile. Evaluate DPW programs for assessing street condition, determining repair or replacement needs and planning and scheduling work. Evaluate the street project approval process and the impact of City budgets.	City residential streets are on average in fair condition but getting worse. Nearly 21% of streets are in poor condition. The pace of pavement deterioration will likely accelerate should past levels of street maintenance and replacement continue. The audit makes 5 programmatic recommendations.	The City's new Capital Improvements Committee addresses one recommendation to provide ongoing paving program oversight. Recommendation status will be reported in future Audit Activity Reports.
27	10/14/08	Audit of Election Commission Absentee Ballot Processing	Evaluate WI Statute compliance. Evaluate City administrative procedures and controls for absentee ballots.	The Election Commission's new SOPs for absentee ballots appropriately incorporate the requirements of WI Statutes, the State Voter Registration System and City Ordinances. The audit found several areas where control procedures could be strengthened. The audit makes 8 recommendations.	Recommendation status will be reported in future Audit Activity Reports.
26	7/8/08	Audit of Property Tax Lottery Credits	Determine whether lottery credits on City property tax bills comply with WI Statutes.	Lottery credits totaling $9.5 million for 98,251 City residential properties were credited on 2006 tax bills. The audit found that $591,552 in credits for 6,053 properties (6.2% of total properties) may not comply with Statute requirements. The audit makes 2 recommendations.	The WI Department of Revenue responded that it would conduct a follow-up audit of Milwaukee lottery credits, as recommended in the City audit. Recommendation status will be reported in future Audit Activity Reports.
25	6/25/08	Audit of Treasurer Cashiering	Evaluate cash controls. Determine whether cash is secure, deposited timely and accurately recorded. Follow-up on prior recommendations. This is an annual audit.	Cash controls appeared adequate. Cash was secure, deposited timely and accurately recorded. The audit found that all recommendations from prior audits had been implemented. No new recommendations were made.	No recommendations.

Office of the Comptroller
Report of Audit Activities
July 2009

Table 2: Major Prior Years Audits with Pending Recommendations

Audit	Date Issued	Audit Scope	Audit Objectives	Audit Conclusion or Status	Recommendation Status
24	6/20/08	Audit of the City Recycling Program	Evaluate program compliance with applicable WI Statutes. Determine program cost and tax levy impact. Evaluate program performance and efficiency.	The program meets requirements of the DNR administrative rule. There is a potential for increased recycling participation and operational savings. The audit makes 9 recommendations.	The City's new Recycling Task Force is currently addressing one of the recommendations to study single stream recycling. Recommendation status will be reported in future Audit Activity Reports.
23	4/18/08	Audit of Port leases	Determine whether the Port is receiving proper rental payments from two lessees, as requested by the Board of Harbor Commissioners.	Rental payments by Milwaukee World Festivals, Inc. and Specialty Restaurants of Wisconsin for 2005-2007 were in accordance with lease requirements. Independently audited financial statements for both companies support the accuracy of the rental payments.	No recommendations.
22	2/27/08	Audit of 2007 W-2s	Evaluate accuracy and completeness of W-2s. This is an annual audit.	W-2s for 8,250 employees, reporting $371.5 million were accurate and complete	No recommendations.
21	2/8/08	Audit of DPW Tow Lot Internal Controls	Evaluate internal controls. Evaluate the accuracy of towing and storage fees. Evaluate changes in policies and procedures since the 2002 Tow Lot audit.	A few control weaknesses were identified and subsequently corrected during the audit. Financial and operational internal controls are now adequate. Vehicle towing and storage fees are accurate. DPW has not been timely in posting and reconciling Tow Lot revenues. The audit makes 2 recommendations.	Recommendation status will be reported in future Audit Activity Reports.
20	7/19/07	Audit of MPD Crime Data System (Consultant Assisted)	Determine whether the new system meets the needs of MPD and outside parties. Determine whether State crime reporting requirements are being met. Evaluate system implementation strengths and weakness.	Core functions of the Crime Data System are implemented and functioning. Crime data reporting to the State is timely and accurate. MPD encountered significant problems during implementation. Some important system functions are still not operational or underutilized. The audit makes 8 recommendations.	MPD appears to have implemented or adequately addressed 3 of the 8 recommendations and has partially implemented another 2 recommendations. Comptroller will continue to monitor status.

Office of the Comptroller
Report of Audit Activities
July 2009

Table 2: Major Prior Years Audits with Pending Recommendations

Audit	Date Issued	Audit Scope	Audit Objectives	Audit Conclusion or Status	Recommendation Status
19	6/18/07	Audit of MPD Overtime (Consultant Assisted)	Develop comprehensive descriptive data on overtime. Identify causes and drivers for the overtime. Evaluate MPD overtime management. Evaluate the potential for overtime reduction.	Milwaukee spends more on police overtime than its peer cities. Significant reductions in MPD overtime are possible with improvements in budgeting, planning and management. The audit makes 10 recommendations.	MPD appears to have implemented or adequately addressed 4 of the 10 recommendations and has partially implemented another 2 recommendations. Comptroller will continue to monitor status. Actions taken by MPD have substantially reduced dept. overtime costs.
18	3/2/07	Audit of the Canal Street Capital Project (Consultant Assisted)	Document entire project scope. Determine whether costs are appropriate. Evaluate budgetary and internal controls. Assess overall project management.	Project costs were reasonable with minor exception. Engineering and construction is of high quality. Significant weaknesses are noted in project estimation, budgeting and management. The audit makes 8 recommendations.	DPW appears to have implemented or adequately addressed 4 of the 8 recommendations. Comptroller will continue to monitor status.
17	2/21/07	Audit of Business Improvement District Loans	Evaluate DCD policies governing BID loans. Evaluate BID loan terms and whether they are consistently applied to BIDs. Evaluate loan collection procedures.	DCD maintains proper BID files, but BID expenditure accounts have not been sufficiently monitored and reconciled. BID loan provisions have not been uniformly applied. The audit makes 7 recommendations.	DCD appears to have implemented or adequately addressed 3 of the 7 recommendations and partially implemented another 2 recommendations. Comptroller will continue to monitor status.
16	4/6/06	Audit of DPW Procurement	Determine whether DPW procurements comply with legal requirements and sound practices. Determine whether DPW's procurement policies and procedures are followed.	DPW follows adequate procedures for formally bid public works contracts, but they are not documented. DPW procedures for formal professional service contracts are adequate and documented, but not always followed. Guidelines for lesser dollar procurements are adequate and generally followed. The audit makes 8 recommendations.	DPW appears to have implemented or adequately addressed 7 of the 8 recommendations and partially implemented the remaining recommendation. Comptroller will continue to monitor status.

Office of the Comptroller
Report of Audit Activities
July 2009

Table 2: Major Prior Years Audits with Pending Recommendations

Audit	Date Issued	Audit Scope	Audit Objectives	Audit Conclusion or Status	Recommendation Status
15	2/16/06	Audit of DPW Resident Preference and EBE Programs	Evaluate DPW's compliance with the program requirements, verify the accuracy of program reports, and identify possible program improvements.	DPW is substantially in compliance with RPP provisions. DPW and the EBE Office are adequately monitoring EBE participation in contracts, but improvements in program reporting are needed. The audit makes 7 recommendations.	DOA and DPW appear to have implemented or adequately addressed 5 of the 7 recommendations. Comptroller will continue to monitor status.
14	12/19/05	Audit of Municipal Court Cashiering	Evaluate cashiering controls. Determine whether cash and checks were deposited and recorded in a timely manner. Evaluate the reliability of the Court Information System.	Controls over cashiering are generally adequate, but could be strengthened. Cash and checks were properly and timely secured, deposited and recorded. The Court computer system is reliable. The audit makes 5 recommendations.	The Court appears to have implemented all 5 of the recommendations.
13	11/21/05	Audit of the Westside Housing Cooperative Property Rehabilitation Project	Evaluate compliance with grant regulations and contract requirements. Evaluate the property rehabilitation costs and work. Evaluate City administration and monitoring.	There was significant noncompliance with grant regulations and contract requirements. There is potential fraud in the WHC Project. City oversight of HOME grant projects needs improvement. The audit makes 5 recommendations.	CDGA appears to have implemented or adequately addressed all 5 of the recommendations.
12	10/4/05	Audit of Port Billing, Collection and Accounts Receivable	Determine whether billings are accurate, timely and in accordance with leases and the Port Tariff. Evaluate billing and collection controls and collection efforts.	Port billings are generally accurate and timely. However, Port tenants have not been billed for water usage. Receipts are accurately and timely recorded and deposited. Improvements are needed in controls, billing documentation and collection efforts. The audit makes 12 recommendations.	The Port appears to have implemented or adequately addressed 11 of the 12 audit recommendations and partially implemented the remaining recommendation. Comptroller will continue to monitor status.

Office of the Comptroller
Report of Audit Activities
July 2009

Table 2: Major Prior Years Audits with Pending Recommendations

Audit	Date Issued	Audit Scope	Audit Objectives	Audit Conclusion or Status	Recommendation Status
11	6/23/05	Review of 1000 Water Street Condominium Association Cost Allocation Charges	The City has condominium ownership of the parking structure at 1000 North Water Street. Review charges to the City by the Condominium Association.	Condominium expense allocations are not sufficiently supported and documented. Certain expense allocations do not conform to provisions of the condominium by-laws. The review makes 4 recommendations.	It appears that the 4 recommendations have not been implemented. DPW states that the Condominium Association has been unwilling to address the recommendations. Comptroller will continue to monitor status.
10	4/20/05	City Information Technology Security Risk Assessment (Consultant Assisted)	Conduct a high-level risk assessment of IT security in 10 major City departments. The risk assessment report includes a summary report by the Comptroller followed by the report from the consultant that conducted the assessment.	Some City departments have taken positive steps toward securing their computer systems. Nevertheless, serious security vulnerabilities exist, including critical vulnerabilities that could potentially compromise essential City services. The Comptroller's report makes 4 recommendations.	It appears that 3 of the 4 recommendations have not been implemented and one recommendation is partially implemented. While DOA reports activities aimed at improving IT security, the City still does not have an adequate IT security program. Comptroller will continue to monitor status.
9	3/31/05	Audit of City Leases	Identify all leases executed by City departments and verify that copies of the leases are available in City files. Evaluate department oversight of City leases, including enforcement of lease terms.	There were 210 City leases identified, 120 where the City is lessor (owner) and 90 where the City is lessee (renter). Department files contain copies of all leases. City lease oversight should be improved. Some departments failed to bill lessees in a timely manner. The audit makes 8 recommendations	City departments appear to have implemented or adequately addressed 7 of the 8 recommendations. Comptroller will continue to monitor status.
8	1/28/05	Audit of Milwaukee Public Library Agreements with Milwaukee County Federated Library System	Evaluate compliance with 5 agreements between MPL and the Milwaukee County Federated Library System (MCFLS). Evaluate the cost basis and billings for the agreements.	MPL and MCFLS generally complied with the agreements. The audit makes 5 recommendations, including that MPL should consider its marginal costs to provide MCFLS services when negotiating new agreements.	The Library appears to have implemented or adequately addressed 3 of the 5 recommendations. The Library disagrees with the recommendation to charge non-City residents for services. Comptroller will continue to monitor status.

Office of the Comptroller
Report of Audit Activities
July 2009

Table 2: Major Prior Years Audits with Pending Recommendations

Audit	Date Issued	Audit Scope	Audit Objectives	Audit Conclusion or Status	Recommendation Status
7	9/3/04	Audit of City Fleet Management	Evaluate policies, organization, management and controls for the purchase, assignment, use and repair of the City automobile and pickup truck fleet.	Based on actual miles driven in 2003, the audit disclosed that the vehicle fleet is too large, leading to excessive budget and very high cost per mile. The audit makes 12 recommendations.	DPW appears to have implemented or adequately addressed 9 of the 12 recommendations and has made substantial progress on another 2. Comptroller will continue to monitor status.
6	5/28/04	Implementation Status of 2001 Audit Recommendations for Community Block Grant Agency Program Monitoring	Examine the implementation status of the prior 2001 audit recommendations.	CBGA made significant progress in implementing the 9 prior recommendations, but further improvements were needed. No new recommendations.	DOA appears to have implemented or adequately addressed 8 of the 9 recommendations. The recommendation to study the long-term impact of funding on neighborhoods is on hold pending HUD's new requirements for performance based reporting. Comptroller will continue to monitor status.
5	3/9/04	Audit of Family Medical Leave Act (FMLA) Utilization	Evaluate Department of Employee Relations and City department policies and procedures for granting and monitoring FMLA.	FMLA data in the City payroll system is often incorrect or missing and is not reliable for determining department compliance with FMLA law. The audit makes 2 recommendations.	DER appears to have adequately addressed 1 of the 2 recommendations, but has not yet implemented the 2nd recommendation to improve FMLA tracking. Comptroller will continue to monitor status.
4	11/25/03	Audit of Department of Public Works Billings and Collections	Evaluate procedures and controls for DPW billings and collections involving outside parties. Evaluate compliance with City billing policies.	Billings are generally accurate and complete, but improvements in controls are needed. Also, bills should be timelier. The audit makes 9 recommendations.	DPW appears to have implemented 7 of the 9 recommendations. Comptroller will continue to monitor status.
3	10/16/03	Audit of Police 3rd District Capital Project (Consultant Assisted)	Evaluate the capital project to construct a new 3rd District Police Station and Data Communications Center and to install related technology.	Significant weaknesses found in City capital project management, but no financial irregularities. The audit makes 6 recommendations.	DOA and DPW appear to have implemented or adequately addressed 4 of the 6 recommendations and partially implemented another 2. Comptroller will continue to monitor status.

Office of the Comptroller
Report of Audit Activities
July 2009

Table 2: Major Prior Years Audits with Pending Recommendations

Audit	Date Issued	Audit Scope	Audit Objectives	Audit Conclusion or Status	Recommendation Status
2	3/11/03	Audit of Development Contract Management and Administration	Evaluate development contract administration for contracts with the City, RACM, and MEDC.	Contract administration is generally adequate to protect the City's financial interests, but some improvements are recommended. The audit makes 9 recommendations.	DCD appears to have implemented or adequately addressed 8 of the 9 recommendations. Comptroller will continue to monitor status.
1	4/15/02	Audit of City Clerk License System	Evaluate license system security and controls, and follow-up on the prior 1993 audit.	License system security and controls have been improved substantially since the 1993 audit. Some further improvements are recommended. The audit makes 4 recommendations.	The City Clerk has adequately addressed 1 of 4 recommendations and intends to address the remaining 3 during a replacement of the License System, expected to be completed by the end of 2009. Comptroller will continue to monitor status.

Ref: AuditActivitiesReport(7-9)