City of Milwaukee

Office of the Comptroller

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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 conducted during 2007 and audits from earlier 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,

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PACE Local 1-0318

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This Report of Audit Activities by the Office of the Comptroller includes the major audits conducted in 2007, 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.

2007 Audit Activities

Table 1 summarizes the 10 audits underway in 2007. Six audits were completed and issued and four audits continued into 2008 with their reports to be issued in the first half of this year.

Two major audits of the Milwaukee Police Department requested by Aldermen were started in 2006 and completed in 2007. The **2007 Audit of MPD Overtime** found that Milwaukee spends more on police overtime than its peer cities. This audit made ten recommendations for improving overtime budgeting, planning and management. The **2007 Audit of the MPD Crime Data System** found that the core functions of the Crime Data System were implemented and functioning. Also crime data reporting to the State was timely and accurate. However, some important System functions had not been implemented or were underutilized. This audit made eight recommendations for enhancing Crime Data System use and improving future MPD information technology projects. The status of these MPD audit recommendations will be reported in future Audit Activity Reports. Consulting assistance on the MPD audits was provided by the Police Executive Research Forum, a national law enforcement advocacy and standards setting organization.

The **2007 Audit of the Canal Street Project** is the third major audit conducted at the request of an Alderman. This audit of the $53 million Department of Public Works infrastructure improvement project in the City's Menomonee Valley was started in 2006 and complete in 2007. With the assistance of a consulting engineer, the auditors concluded that project costs are reasonable and that the constructed roadway, sewers and other infrastructure are of high quality. However, the audit also found significant weaknesses in project management and made eight recommendations for improving project cost estimation, budgeting and management. The status of these recommendations will be reported in future reports.

The **2007 Audit of City Loans to Business Improvement Districts** found that the Department of City Development maintains appropriate documentation on the BIDs, but that BID expenditure accounts are not sufficiently monitored and loan terms are not uniformly applied to the BIDs. The audit makes seven recommendations to improve BID administration and the status of these recommendations will be reported in future Audit Activity Reports.

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In addition to the issued audit reports, the Office of the Comptroller operates the City's Fraud, Waste and Abuse "Hotline", pursuant to Common Council Resolution 040063. A report of Hotline activities was issued to the Common Council on November 30, 2007.

In 2007 the auditors also completed audit planning risk assessments on City department cash receipts and major computer applications.

Prior Years Audit Implementation Status

Table 2 summarizes the 19 major audits from 2006 back to 2002 that were reported as having unimplemented recommendations in our last Report of Audit Activities. The success in implementing these recommendations varies.

The Department of Public Works appears to have fully implemented or adequately addressed 4 of the 8 recommendations in the **2006 Audit of Public Works Procurement Activities** and another 2 recommendations are partially implemented.

The Departments of Public Work and Administration appear to have adequately addressed 2 of the 7 recommendations in the **2006 Audit of Department of Public Works Emerging Business Enterprise and Residents Preference Program Compliance**. The status of the remaining recommendations on program reporting can be determined after the departments issue their EBE and RPP reports for 2007.

The Community Development Grants Administration in the Department of Administration appears to have implemented 4 of the 5 recommendations in the **2005 Audit of the Westside Housing Cooperative Property Rehabilitation Project**. CDGA has engaged the Department of Neighborhood Services to provide the contractor oversight recommended in the audit. The departments report that DNS now reviews and approves work plans and budgets prior to construction and inspects completed work before City payments are made. This is a substantial improvement in City control and oversight for the Housing Production Program.

The Port appears to have fully implemented or adequately addressed 8 of the 12 in the **2005 Audit of Port of Milwaukee Billing, Collection and Accounts Receivable** and another 3 recommendations are partially implemented.

The Departments of City Development and Public Works appear to have implemented or adequately addressed all 8 of the recommendations in the **2005 Audit of Tax Incremental District 48**.

It appears that none of the 4 recommendations in the **2005 City Information Technology Security Risk Assessment** have been fully implemented and only 1 has been 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 8 of the 12 recommendations in the **2004 Audit of City Fleet Management**. DPW is reporting to the Common Council annually on the fleet, as recommended.

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

The Health Department appears to have implemented all 9 recommendations in the **2002 Audit of City Restaurant Regulation**, including posting inspection reports on the City website.

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Table 1: Major 2007 Audits

Audit	Date Issued	Audit Scope	Audit Objectives	Audit Conclusion or Status	Recommendation Status
1	Targeted for 5/08	Preliminary Review (Phase 1) of Internet and wireless connections to City IT networks (Consultant Conducted Review)	Identify City IT devices and IT services that are exposed to the Internet using automated scans of the wired and wireless connections. Perform high-level evaluation of related security.	Review work is complete. Consultant's draft report was provided to DPW and ITMD in 12/07 and subsequent meetings have been held to discuss the scan results. The consultant report will be issued after DPW completes its follow-up review of the IT network connections.	Recommendation status will be reported in future Audit Activity Reports.
2	Targeted for 4/08	Audit of the City Recycling Program	Evaluate program compliance with applicable statutes. Determine program cost and tax levy impact. Evaluate program performance and efficiency.	Audit work is complete. A draft report will be provided to DPW in 3/08 for review and comment. The final report is expected to be issued in 4/08.	Recommendation status will be reported in future Audit Activity Reports.
3	Targeted for 4/08	Audit of Physical Security at DOA – ITMD Data Center	Determine whether the data center is secure and access restricted. Determine whether fire detection and suppression and backup electrical power are sufficient.	Audit work is complete. A draft report will be provided to ITMD in 3/08 for review and comment. The final report is expected to be issued in 4/08.	Recommendation status will be reported in future Audit Activity Reports.
4	Targeted for 4/08	Audit of the East Wisconsin Avenue Repaving Project (Consultant Conducted Audit)	Evaluate City construction contract risks and contract provisions. Determine the accuracy of contractor payments. Evaluate project administration	Consultant's draft report was provided to DPW for review and comment in 12/07. DPW responded in 2/08. The final report will be issued as soon as possible after a follow-up meeting with DPW.	Recommendation status will be reported in future Audit Activity Reports.
5	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.

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Table 1: Major 2007 Audits

Audit	Date Issued	Audit Scope	Audit Objectives	Audit Conclusion or Status	Recommendation Status
6	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.	Recommendation status will be reported in future Audit Activity Reports.
7	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.	Recommendation status will be reported in future Audit Activity Reports.
8	5/30/07	Audit of 2006 W-2s	Evaluate accuracy and completeness of W-2s. This is an annual audit.	W-2s for 8,141 employees, reporting $365 million, were accurate and complete. No recommendations.	No recommendations.
9	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.	Recommendation status will be reported in future Audit Activity Reports.
10	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.	Recommendation status will be reported in future Audit Activity Reports.

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Table 2: Major Prior Years Audits with Pending Recommendations

Audit	Date Issued	Audit Scope	Audit Objectives	Audit Conclusion or Status	Recommendation Status
1	10/6/06	Review of Employee Residency Data.	Review City payroll data for employees with a residence address outside the City.	DER was notified to review the status of 56 employees with addresses outside the City. Also, zip code and city data were not consistently formatted. The review makes 3 recommendations.	It appears that all 3 recommendations have been implemented or adequately addressed.
2	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.	It appears that DPW has implemented or adequately addressed 4 of the 8 recommendations and partially implemented another 2 recommendations. Comptroller will continue to monitor status.
3	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.	It appears that DOA and DPW have adequately addressed 2 of the 7 recommendations. Status of the remaining recommendations on program reporting can be determined after the 2007 EBE and RPP reports are issued by the departments. Comptroller will continue to monitor status.
4	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.	It appears the Court has implemented 3 of the 5 recommendations and expects to implement the remaining 2 recommendations soon. Comptroller will continue to monitor status.

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Table 2: Major Prior Years Audits with Pending Recommendations

Audit	Date Issued	Audit Scope	Audit Objectives	Audit Conclusion or Status	Recommendation Status
5	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.	It appears that CDGA has implemented or adequately addressed 4 of the 5 recommendations. The City Attorney is considering the final recommendation on possible claims against the project contractors. Comptroller will continue to monitor status.
6	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 8 of the 12 audit recommendations and partially implemented another 3 recommendations. Comptroller will continue to monitor status.
7	8/17/05	Audit of Tax Incremental District 48	Compare original and amended project plans. Identify actions increasing project scope and costs. and whether they were properly authorized. Identify City and State EBE/DBE goals and City Residents Preference Program (RPP) goals and accomplishments.	Changes in project scope and costs were identified. Contracts exceeded authorized spending throughout the project, with Common Council approval obtained after-the-fact. Some contracts, not submitted for Comptroller countersignature, had unlimited City liability. Both governments met their respective EBE/DBE and RPP goals. The audit makes 8 recommendations.	DCD and DPW appear to have implemented or adequately addressed all 8 recommendations.
8	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 so far the department has not been able to get the independent Condominium Association to address the recommendations. Comptroller will continue to monitor status.

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Table 2: Major Prior Years Audits with Pending Recommendations

Audit	Date Issued	Audit Scope	Audit Objectives	Audit Conclusion or Status	Recommendation Status
9	4/20/05	City Information Technology Security Risk Assessment (Consultant Assisted)	Conduct a high-level risk assessment of computer system 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 none of the 4 recommendations have been fully implemented, with only 1 being partially implemented. DOA reports some activities aimed at improving IT security. However, the City still does not have an adequate IT security program. Comptroller will continue to monitor status of this audit and will conduct other IT audits.
10	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 5 of the 8 recommendations and partially implemented another 1 of the recommendations. Comptroller will continue to monitor status.
11	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 did not respond to a request for an update on the status of the audit recommendations. The Library's last update in 2006 indicated that 2 of the 5 recommendations had been implemented. Comptroller will continue to monitor status.
12	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 has implemented or adequately addressed 8 of the 12 recommendations and has made substantial progress on another 3. Comptroller will continue to monitor status.

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Table 2: Major Prior Years Audits with Pending Recommendations

Audit	Date Issued	Audit Scope	Audit Objectives	Audit Conclusion or Status	Recommendation Status
13	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.	It appears DOA has 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.
14	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 does not support 1 of the recommendations to centralize review and monitoring of FMLA. DER has not yet implemented the 2nd recommendation to improve FMLA tracking. Comptroller will continue to monitor status.
15	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.	It appears DPW has implemented 7 of the 9 recommendations. Comptroller will continue to monitor status.
16	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, at the request of Ald. Murphy.	Significant weaknesses found in City capital project management, but no financial irregularities. The audit makes 6 recommendations.	It appears DOA and DPW have implemented or adequately addressed 3 of the 6 recommendations and partially implemented another 2. Comptroller will continue to monitor status.

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Table 2: Major Prior Years Audits with Pending Recommendations

Audit	Date Issued	Audit Scope	Audit Objectives	Audit Conclusions	Recommendation Status
17	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.	It appears 8 of the 9 recommendations have been implemented. Comptroller will continue to monitor status.
18	8/29/02	Audit of City Restaurant Regulation (State of Wisconsin Assisted)	Evaluate legislative compliance and effectiveness of the Health Department regulatory program. The Wisconsin Department of Health and Family Services assisted in the audit.	Health operates a strong professional program, but some significant improvements are recommended. The audit makes 9 recommendations. These recommendations include posting serious health code violations either on the City Website or at the restaurant.	It appears Health has implemented all 9 recommendations.
19	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 2008. Comptroller will continue to monitor status.

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Table 3: Major Planned 2008 Audits

Audit	Target Date	Audit Scope	Audit Objectives
1	Issued 2/08	Audit of 2007 W-2s	Evaluated the accuracy and completeness of the W-2s. This is an annual audit. No findings or recommendations.
2	4/08	Audit of Health Clinic Cashiering	Evaluate cashiering controls. Determine whether cash is secure, deposited timely, and recorded accurately.
3	5/08	Audit of Port Assets (Consultant Conducted Audit)	Review Port capital assets and determine proper accounting treatment for financial statement reporting.
4	5/08	Audit of Port leases	Determine accuracy of lease payments to the Port under 4 leases, as requested by the Board of Harbor Commissioners.
5	5/08	Audit of Treasurer Cashiering	Evaluate cashiering controls. Determine whether cash is secure, deposited timely, and recorded accurately. This is an annual audit.
6	5/08	Audit of Street Paving	Develop a descriptive profile on the condition of local streets. Evaluate the DPW program for assessing condition and planning paving work. Evaluate the project approval process and the adequacy program budgets.
7	7/08	Audit of Water Cashiering	Evaluate cashiering controls. Determine whether cash and checks were deposited and recorded in a timely manner.
8	9/08	Audit of Commercial Property Assessment	Evaluate compliance with State law and professional standards for commercial property assessments. Evaluate assessment accuracy and uniformity. Evaluate assessment controls.
9	9/08	Audit of Absentee Election Ballots	Evaluate State statute compliance. Evaluate City administrative procedures and controls for absentee ballots.
10	12/08	Audits of IT Network Security	Follow-up on the IT security risk assessment with audits of the interconnected City department computer networks.
11		Other Audits to be Determined	

Ref: AuditActivitiesReport3-08