



Office of the Comptroller  
April 20, 2012

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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 that were conducted in 2011 and 2010, as well as audits from prior years where recommendations were not fully implemented or sufficiently addressed. Implementation status is based on updates provided by City departments, with procedures performed by our office to evaluate implementation status.

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

Sincerely,

MARTIN MATSON  
Comptroller

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This Report of Audit Activities by the Office of the Comptroller includes major audits conducted in 2011 and 2010, as well as audits from 2007 through 2009 if the prior Report of Audit Activities identified recommendations that had not been fully implemented or sufficiently addressed. Audits conducted before 2007 are not included in this report because audit recommendations from six or more years ago may not reflect the current business environment. The reported implementation status of audit recommendations is based on written updates provided by City departments, with procedures performed by our office to verify reported status. Unless otherwise identified below, our office performed inquiries and walkthroughs to assess the status of recommendations that departments reported to be fully implemented. *While our procedures identified several recommendations not fully implemented as reported, they were not sufficient to verify all recommendations reported as fully implemented actually were implemented.*

**2011 Audit Activities**

Table 1 summarizes 7 major audits issued in 2011. Four of these audits are discussed below.

The **2011 Audit of MPD Cash Handling Procedures** evaluated cash handling controls and procedures utilized by MPD, the timeliness and accuracy of deposits and accounting records, and controls over parking permit stock distributed to and sold by District Stations. MPD has fully implemented 2 of the 4 audit recommendations and plans to work with DPW to implement 2 that were not yet implemented.

The **2011 Audit of DPW Fleet Services Inventory** evaluated Fleet's inventory policies, procedures, internal controls, physical security over inventory, and the accuracy and completeness of inventory accounts and records. The report made 11 primary and 31 supporting recommendations. DPW reported that 7 of the primary recommendations were fully implemented and 4 partially implemented. Of the supporting recommendations, DPW reported that 21 were fully implemented, 7 were partially implemented, and DPW disagrees with 3 recommendations. Our office will evaluate the implementation status in 2012.

The **2011 IS Security Policy Audit** evaluated whether IS securities policies and guidelines are current, relevant and adhere to IS security best practices. DOA ITMD plans to implement 4 of the 5 audit recommendations and disagrees with 1 recommendation.

The **2011 Audit of City Treasurer Cash Controls** evaluated the adequacy of controls over cashiering, ACH transactions, and bank account reconciliations. The audit determined that cash transactions are recorded accurately and timely in the Treasurer's cashiering system and in FMIS. The Treasurer's Office appears to have fully implemented 7 recommendations and not yet implemented 1 of the 8 recommendations in the audit. Our office will evaluate the implementation status in 2012.

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In addition to the 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 November 14, 2011.

***Prior Years Audit Implementation Status***

Table 2 summarizes 14 audits issued from 2007 through 2010 with recommendations not yet fully implemented as of December 31, 2011, or not yet implemented when a Report of Audit Activities was last issued in July 2009. The success in implementing these recommendations varies. Seven audits from 2007 through 2010 are discussed below.

The **2010 Audit of IS Firewalls** evaluated whether the City's computing environment is sufficiently protected through the enforcement of firewall configuration best practices. The City has fully implemented the 3 audit recommendations.

The **2010 Audit of IS Disaster Recovery** determined that DOA ITMD has a documented Disaster Recovery Plan that includes all key components except annual testing. The audit further determined the Treasurer's Office and DPW do not have formal written plans. Of the 3 recommendations in the audit, ITMD has fully implemented 1, partially implemented 1, and has not yet implemented 1 recommendation.

The **2010 Audit of City Assessments for Commercial Property** found that the valuation methods utilized by the City Assessor's Office adhere to professional appraisal practices and are in full compliance with Wisconsin law. The City Assessor has partially implemented 3 recommendations and disagrees with 1 of the 4 audit recommendations.

The **2008 Audit of DPW Residential Paving** made 5 primary programmatic recommendations and 28 supporting recommendations. The creation of the City's Capital Improvements Committee implemented 1 primary recommendation, DPW has partially implemented 1, and DPW plans to implement the remaining 3 primary recommendations in 2012. DPW has fully implemented 2 of the supporting recommendations, partially implemented 1, disagrees with full implementation of 13, and has not yet implemented 12 of the 28 supporting recommendations.

The **2008 Audit of the City Recycling Program** made 9 recommendations to minimize cost and improve program utilization. DPW has fully implemented 7 recommendations and has partially implemented the remaining 2 recommendations.

The Milwaukee Police Department has fully implemented or adequately addressed 8 of 10 recommendations in the **2007 Audit of Milwaukee Police Department Overtime** and has partially implemented 2 recommendations.

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

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**Table 1: Major 2011 Audits**

Audit	Date Issued	Audit Scope	Audit Objectives	Audit Conclusion or Status	Recommendation Status
7	09/01/11	Audit of Health Dept. Cashiering Controls	Evaluate internal controls over collection of receipts, the reconciliation and deposit activities of cash receipts, and safeguarding of the receipts prior to deposit with the City Treasurer.	Cash controls in the Health Department are reasonable with room for improvement. The audit makes 6 recommendations.	Health Department has implemented 2 audit recommendations and partially implemented 4. Comptroller will continue to monitor status.
6	08/05/11	Audit of Water Works Cashiering Controls	Evaluate internal controls over cash collections and reconciliation procedures, timeliness and accuracy of deposits to the City Treasurer and bank, and timeliness and accuracy of recording of revenue to City's General Ledger.	Cash controls at Milwaukee Water Works are overall strong with minor improvements needed. The audit makes 6 recommendations.	Water Works has implemented or adequately addressed the 6 recommendations.
5	07/08/11	Audit of MPD Cash Handling Procedures	Evaluate cash handling controls and procedures utilized by MPD, timeliness and accuracy of deposits and accounting records related to cash receipts processed by MPD, and controls over parking permit stock and purchases processed by MPD.	Cash handling procedures and controls at MPD are for the most part sufficient and effective. Deposits and accounting records related to MPD cash receipts appear to be timely and accurate. Night parking permits are not reconciled. The audit makes 4 recommendations.	MPD has implemented 2 of 4 recommendations and will work with DPW to implement the remaining 2. Comptroller will continue to monitor status.

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**Table 1: Major 2011 Audits**

Audit	Date Issued	Audit Scope	Audit Objectives	Audit Conclusion or Status	Recommendation Status
4	06/24/11	Audit of DPW Fleet Services Inventory	Determine whether Fleet inventory accounts and records are accurate and complete. Evaluate Fleet's inventory policies, procedures and internal controls. Evaluate Fleet's inventory physical security, inventory management and oversight.	DPW has created an inventory internal control policy that generally provides good guidance for establishing procedures to reduce risks associated with managing and maintaining inventory. However, Fleet Services has not sufficiently implemented the policy. Improvements are needed in the areas of physical security controls, accuracy of inventory recordkeeping, internal controls over routine inventory transactions, and internal controls over non-inventory or special order item purchases. In addition, DPW does not have sufficient tools in place to monitor compliance with the inventory policy nor to ensure inventory is accurately recorded. The audit makes 11 primary programmatic recommendations and 31 supporting recommendations.	DPW Fleet reports that 7 of the primary recommendations were implemented and 4 were partially implemented. Of the supporting recommendations, DPW Fleet reports 21 were implemented or addressed, 7 were partially implemented, and they disagree with 3. Auditors will verify implementation status of recommendations in 2012. Comptroller will continue to monitor status.
3	05/20/11	IS Security Policy Audit	Evaluate whether the existing IS security policies and guidelines are current, relevant and adhere to IS security best practices.	The City's "Information Security Policies and Standards" and "Information Security Reference Manual" are generally in good operational standing but need to be updated on a more regular schedule. 4 out of 11 IS security control framework sections needed some form of update or improvement. The audit makes 5 recommendations.	DOA ITMD disagrees with 1 recommendation and has not yet implemented 4. Comptroller will continue to monitor status.

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**Table 1: Major 2011 Audits**

Audit	Date Issued	Audit Scope	Audit Objectives	Audit Conclusion or Status	Recommendation Status
2	04/07/11	Audit of City Treasurer Cash Controls	<p>Determine the adequacy of cashing controls, controls over wire transfers, ACH transactions, and bank account reconciliations. Determine whether cash transactions are recorded accurately and timely in the Treasurer's automated cashing system and FMIS. This is an annual audit.</p> <p>Evaluate accuracy and completeness of W-2s. This is an annual audit.</p>	<p>Cash controls in the Treasurer's Office are strong and the Treasurer's Office has implemented prior audit recommendations. Consequently, there are many preventive and detective controls in place. The computerized cashing system is utilized to receipt cash timely and accurately. Cash is deposited to the bank and transferred between accounts timely and appropriately. The audit makes 8 recommendations.</p> <p>2010 W-2s for 8,545 employees, reporting \$384 million in wages, and the associated computer files and reports were accurate and complete.</p>	<p>The Treasurer's Office appears to have implemented 7 audit recommendations, and has not implemented 1. Auditors will verify implementation status of recommendations in 2012. Comptroller will continue to monitor status.</p> <p>No audit recommendations.</p>
1	02/18/11	Audit of 2010 Payroll W-2s			

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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
14	12/22/10	Audit of IS Firewalls	Evaluate whether the City's computing environment is sufficiently protected through the enforcement of firewall configuration best practices.	DPW managed firewall rules were somewhat outdated but did not present a security risk. Firewall configurations that were obsolete or unnecessary were disabled or removed during the audit. The DPW managed firewalls are configured and managed using standards of efficiency and uniform logic. However, firewall owners (divisions) and firewall managers (DPW network infrastructure team) have not formalized what their responsibilities are regarding firewall management. The audit makes 3 recommendations.	The City has implemented the 3 recommendations.
13	11/19/10	Audit of IS Datacenters	Determine that the City's computing environment is sufficiently protected through the operational effectiveness of physical and environmental controls as defined by IS best practices.	The City's various datacenters are generally in good operational standing and physical, environmental and operating controls related to the datacenters are operating effectively with few exceptions. The audit makes 6 recommendations.	DOA ITMD has implemented 5 recommendations and not implemented 1. Comptroller will continue to monitor status.
12	11/09/10	Review of IT External Network Security (Consultant Assisted)	Determine that the City's computing environment is sufficiently protected through the proper configuration and maintenance of City computing devices, through proper enforcement of antivirus definitions and server hardening precautions as defined by IS best practices.	Of 22 vulnerabilities identified by a consultant in 2009, the audit determined only 2 of the original items remained unresolved, and all highest risk vulnerabilities were resolved. The audit makes 2 recommendations.	The City has implemented the 2 audit recommendations.

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Audit	Date Issued	Audit Scope	Audit Objectives	Audit Conclusion or Status	Recommendation Status
11	07/12/10	Audit of IS Disaster Recovery	Determine that the City has formal disaster recovery plans in place for possible technology outages and that these plans are tested periodically and contain enough detail to recover from a disaster situation.	ITMD has a documented Disaster Recovery Plan that includes all key components except annual testing. Treasurer's Office and DPW do not have formal written plans. The audit makes 3 recommendations.	DOA ITMD has implemented 1 recommendation, partially implemented 1 and has not yet implemented 1 recommendation. Comptroller will continue to monitor.
10	01/04/10	Audit of City Assessments for Commercial Property (Consultant Assisted)	Determine that commercial property assessments comply with Wisconsin statutes and TID commercial assessments are consistent with other commercial properties. Evaluate how commercial assessments compare with market values at time of sale. Evaluate the effect that alternative values of equalized value as calculated by WI DOR would have on the City, including the effect on levy limits.	The valuation methods followed by the City Assessor's Office for commercial property adhere to professional appraisal practices and are in full compliance with Wisconsin law. The total assessed value for commercial property that the City Assessor calculates is a more accurate estimate of fair market value than the equalized value calculated by WI DOR. The audit makes 4 recommendations.	Assessor disagrees with 1 recommendation and implementation is in process for 3 recommendations. Comptroller will continue to monitor status.
9	03/13/09	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 report makes 14 recommendations.	A follow-up audit of Port, Report released in March 2012, determined all recommendations were implemented.



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Audit	Date Issued	Audit Scope	Audit Objectives	Audit Conclusion or Status	Recommendation Status
8	12/08/08	Audit of DPW Residential Street Paving (Consultant Assisted)	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 on 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 primary programmatic recommendations and 28 supporting recommendations.	The reinstated Capital Improvements Committee addresses the primary recommendation to provide ongoing paving program oversight. Of the remaining 4 primary recommendations, DPW has partially implemented 1 and plans to implement 3 with the MATRIX program. Of 28 supplemental recommendations, DPW has partially implemented 1, has not yet implemented 12, and disagrees with full implementation of 13 recommendations. Comptroller will continue to monitor status.
7	10/14/08	Audit of Election Commission Absentee Ballot Processing	Evaluate WI Statutory 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.	The Election Commission has implemented the 8 recommendations.
6	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.	DPW has implemented or adequately addressed 7 recommendations and has partially implemented the remaining 2. Comptroller will continue to monitor status.
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.	DPW has implemented or adequately addressed both audit recommendations.

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Audit	Date Issued	Audit Scope	Audit Objectives	Audit Conclusion or Status	Recommendation Status
4	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 are underutilized. The audit makes 8 recommendations.	MPD has implemented or adequately addressed the 8 recommendations.
3	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 has implemented or adequately addressed 8 recommendations and has partially implemented the remaining 2 recommendations. Actions taken by MPD have substantially reduced overtime costs. Comptroller will continue to monitor status.
2	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 exceptions. Engineering and construction is of high quality. Significant weaknesses are noted in project estimation, budgeting and management. The audit makes 8 recommendations.	DPW has implemented or adequately addressed the 8 recommendations.
1	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 or reconciled. BID loan provisions have not been uniformly applied. The audit makes 7 recommendations.	DCD has implemented or adequately addressed 6 recommendations and partially implemented the remaining recommendation. Comptroller will continue to monitor status.