



Office of the Comptroller  
December 12, 2003

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

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

Michael J. Daun  
Special Deputy Comptroller

Anita W. Paretti, C.P.A.  
Special Deputy Comptroller

To the Honorable  
the Common Council  
City of Milwaukee

Council Members:

Enclosed is our semiannual report of audit activities and status, pursuant to Common Council Resolution 020897. This report covers audits conducted during 2002 and 2003, and potential future audits.

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

Sincerely,

W. MARTIN MORICS  
Comptroller

**Office of the Comptroller Audit Activities and Status  
as of December 12, 2003**

This Report identifies audits conducted in 2002 and 2003 year-to-date, describing the audit scope, objectives and completion status of each for all "in-process" audits. For those audits completed, the Report also summarizes audit conclusions as well as the stated implementation status of audit recommendations. Table 1 lists the major audits completed in 2002; Table 2 identifies the 2003 audits. Potential future audits are listed in Table 3. In addition to the major audits identified in the Report, the Comptroller's internal auditors also conduct a variety of other audit activities not resulting in a formal audit report. These activities include pre-audit of Tax Incremental District (TID) payments, advising on the financial and audit provisions of City contracts, and advice and consultation regarding the cable television franchise matters.

As indicated in our first Audit Status Report, our Office has surveyed the implementation status of audit recommendations for completed audits. Audit status information in Tables 1 and 2 is that given our Office in writing by the audited City departments. Our Office has generally not verified the accuracy of this information, but may choose to perform audit activity in the future to accomplish this verification on a selected basis. For each completed audit listed in the above tables, a detailed spreadsheet is maintained including each audit recommendation. This process enables an on-going monitoring of the status of all audit recommendations. An example of this detailed recommendation tracking is provided for the 2002 Anti-graffiti Audit as Appendix A.

For audits completed in 2002, department responses indicate that many audit recommendations have been implemented. For example, the Department of Neighborhood Services took action to implement eight of ten major recommendations made in the Anti-graffiti Audit. Also, all 2002 audit recommendations regarding a Payroll system upgrade were implemented. But a substantial number of 2002 recommendations have yet to be adopted. For example, the City Clerk's Office made substantial improvements responding to a 1993 license - cash processing audit. However, none of four City Clerk License system recommendations from a 2002 audit have been implemented, apparently because the City Clerk intends to replace the current license system soon. Similarly, none of the 2002 audit recommendations from a real estate tax exemption audit have been implemented due to staffing and time constraints in the Assessors Office. Also, DCD did not respond to a request for information on its follow-up related to this audit.

For audits completed in 2003, department responses indicate few actions toward implementing the audit recommendations. There has been little implementation action for audits issued in the first half of 2003, the Audit of DCD Development Contracts Management and a Water Billings and Accounts Receivable Audit. For audits recently completed (Police District #3 Capital Project; Audit of "Procard" Usage; DPW Billing & Accounts Receivable Audit), insufficient time has elapsed to measure implementation effort or success.

Table 3 lists potential future audits. This Table includes two separate audits of billing, collection and accounts receivable systems that were previously suspended because of significant deficiencies that made these operations unauditable.

An audit of Port of Milwaukee accounts receivable was suspended in September 2001 when it was determined that billings were backlogged, none of the 2001 billings were recorded in the City FMIS accounting system, the billing system had not been reconciled with the City FMIS since 1998, and billing system reports were not available for audit. The Port is providing information on its progress in correcting these major deficiencies and is completing the installation of a new automated billing system. The audit is expected to resume in the first quarter of 2004 after the new billing system is in operation and the major deficiencies have been addressed.

An audit of Fire Department emergency transport billings was suspended in July 2003 when it was determined that the outside billing contractor unexpectedly terminated its contract and billings had not been processed since March. Fire has a new billing contractor and has been providing status information on its operational improvements. This audit is also expected to resume in the first quarter of 2004. The audit will include an assessment of current transport costs as well as the potential revenues associated with private ambulance service transport.

Potential audits are identified based on research by the internal auditors, suggestions by City staff, and formal requests made to the Comptroller. Potential audits include a compliance audit of the City's contract with the Federated Library System and an audit of the Management of the City's vehicle pool. Decisions on whether and when to schedule audits involve risk assessment, auditor availability, and whether outside consulting assistance is needed.

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Table 1: Major 2002 Audits

Audit	Date Issued	Audit Scope	Audit Objectives	Audit Conclusions	Recommendation Status
1	1/02	Audit of the DNS Anti-graffiti Program	Evaluate Program effectiveness.	The City has a strong Program, but better information and reporting is needed. The Audit makes 10 recommendations.	It appears 8 of 10 recommendations have been implemented. Recommendations to improve reporting on prosecution activities, and for a web site on prosecution information, have not been implemented. Comptroller will continue to monitor status.
2	2/5/02	Audit of 2001 Payroll W-2s	Evaluate accuracy and completeness of payroll W-2s. This is an annual audit.	W-2s for 8,909 employees, reporting \$328.6 million, were accurate and complete with few exceptions. No recommendations.	No recommendations.
3	2/5/02	Audit of the City Assessor Real Estate Tax Exemption Process	Evaluate the processing of tax exemptions.	The tax exemption process complies with Wisconsin statutes, but some properties are not returned to taxable status timely, and governmental property records are not accurate and complete. The Audit makes 6 recommendations	It appears none of the 6 recommendations have been implemented. Assessor states intention to pursue 2 of the 3 recs addressed to Assessor, as staffing and time permits. DCD appears to disagree with the 3 recs addressed to it and did not respond to a request for updated status information. Comptroller will continue to monitor status.
4	3/15/02	Audit of the DPW Tow Lot	Evaluate procedures and controls for fees, collections, and vendor payments. Also, evaluate vehicle security.	Procedures and controls are generally adequate, but some improvements are recommended. Vehicle security monitoring should be improved. The audit makes 12 recommendations.	It appears 6 of the 12 recommendations have been implemented, including the most important control recommendations. Comptroller will continue to monitor status.
5	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.	It appears none of the 4 recommendations have yet been implemented. The City Clerk plans to replace the License System, indicating that 3 of the recs. will be addressed by the new license system. The rec. on reconciliation of the License, Treasurer, and FMIS Systems also has not yet been implemented. Comptroller will continue to monitor status.

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Table 1: Major 2002 Audits

Audit	Date Issued	Audit Scope	Audit Objectives	Audit Conclusions	Recommendation Status
6	6/10/02	Audit of Treasurer 2001 Cashiering	Evaluate procedures and controls for cashiering and cash reporting. This is usually an annual audit.	Procedures and controls are generally adequate, but some improvements are recommended. The audit makes 5 recommendations.	All recommendations implemented.
7	8/29/02	Audit of Health Department 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.	MHD indicates that the audit recommendations have been or will be implemented. MHD indicates that a new more aggressive enforcement procedure has been implemented. MHD is checking the legal ramifications of posting inspection results on the internet to determine if rec 8 can be implemented. MHD has not yet provided a formal written audit implementation plan per rec 9. Comptroller will continue to monitor status.
8	11/26/02	Audit of the Peoplesoft Payroll System Upgrade to Version 8.3 (Consultant Assisted)	Evaluate the upgrade process, including upgrade controls, system security, test plans, test results, and data and software conversions. A consultant assisted in this audit.	The payroll upgrade project was well planned and executed. Periodic memos on audit conclusions and recommendations were issued to upgrade staff and department heads throughout the project. Final memo 11/26/02.	All recommendations pertaining to the upgrade have been implemented.

**Office of the Comptroller Audit Activities and Status  
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Table 2: Major 2003 Audits**

Audit	Date Issued	Audit Scope	Audit Objectives	Audit Conclusions or Status	Recommendation Status
1	1/29/03	Audit of 2002 Payroll W-2s	Evaluate accuracy and completeness of payroll W-2s. This is an annual audit.	W-2s for 8,792 employees, reporting \$331.9 million, were accurate and complete with few exceptions. No recommendations.	No recommendations.
2	3/11/03	Audit of DCD 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 that 6 of the 9 recommendations have not yet been implemented. DCD anticipates that all the recommendations will be implemented within the next year. Comptroller will continue to monitor status.
3	5/9/03	Audit of Water Department Billings and Collections	Evaluate billing and collection procedures and controls for municipal service bills.	Bills are accurate, but improvements are recommended in account administration and collections. The audit makes 6 recommendations.	It appears that 5 of the 6 recommendations have not yet been implemented. Comptroller will continue to monitor status.
4	6/29/03	Audit of Treasurer 2002 Cashiering	Evaluate procedures and controls for cashiering and cash reporting. This is usually an annual audit.	Procedures and controls are adequate. No recommendations.	No recommendations.
5	10/16/03	Audit of Police 3 <sup>rd</sup> District Capital Project (Consultant Assisted)	Evaluate the capital project to construct a new 3 <sup>rd</sup> 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.	Recommendation status will be reported in future Semiannual Reports.
6	11/20/03	Audit of Procard Transactions	Evaluate Procard administrative procedures and controls, and compliance with procurement policies.	The ProCard program is administered effectively, but improvements in controls are needed. The audit makes 25 recommendations.	Recommendation status will be reported in future Semiannual Reports.
7	11/25/03	Audit of DPW Billings and Collections	Evaluate procedures and controls for DPW billings and collections involving outside parties. Evaluate compliance with City billing policies.	Billing are generally accurate and complete, but improvements in controls are needed. Also, bills should be more timely. The audit makes 9 recommendations.	Recommendation status will be reported in future Semiannual Reports.

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Table 2: Major 2003 Audits

Audit	Date Issued	Audit Scope	Audit Objectives	Audit Conclusions or Status	Recommendation Status
8	Targeted for 1/04	Audit of Family Medical Leave (FMLA)	Evaluate DER and City department policies and procedures for granting and monitoring FMLA.	Audit is underway. A draft audit report should be issued to DER about year-end, with the final report issued around 1/04.	Recommendation status will be reported in future Semiannual Reports.
9	Targeted for 2/04	Audit of City Infrastructure Data	Identify and inventory available data on City infrastructure assets.	Audit is under way. A draft audit report should be issued to DPW about 1/04, with a final report issued around 2/04.	Recommendation status will be reported in future Semiannual Reports.
10	Targeted for 4/04	City Computer Security Risk Assessment (Consultant Assisted)	Evaluate policies, procedures, and controls for City local and wide area networks, at the request of ITMD.	Consultant is being engaged. Audit will start in 1/04, with a final report issued around 4/04.	Recommendation status will be reported in future Semiannual Reports.

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**Table 3: Potential Future Audits**

Audits	Audit Scope	Audit Objectives	Audit Status
1	Audit of Port Billings and Collections	Evaluate procedures and controls for Port billings and collections. Evaluate compliance with Port billing policies.	Audit was started in 2001 and was suspended when billings were deemed unauditale. Audit will be rescheduled when Port indicates that it has a functioning and auditale billing and collection system. Audit is expected to resume in first quarter 2004.
2	Audit of the Fire Department Emergency Transport Billings,	Determine the costs and revenues associated with emergency medical conveyances by Fire acting as backup for private ambulance companies, at the request of Ald. Nardelli. Evaluate procedures and controls for Fire billings and collections. Evaluate compliance with Fire billing policies.	Audit was started in 2003 and was suspended when it was learned that the outside billing contractor unexpectedly terminated the contract and ended all billing in 3/03. Audit will be rescheduled when Fire indicates it has a functioning and auditale billing and collection system. Audit is expected to resume in first quarter 2004.
3	Audit of Intergovernmental Cooperation Agreements	Evaluate contract performance and compliance for intergovernmental agreements between the City and other municipalities.	Contracts will be identified and assigned for audit as workload permits. Audit reports will be issued to administrative City departments upon conclusion of each audit.
4	Audit of Municipal Court Case Management System	Determine whether the system maintains complete, accurate, and timely information on cases. Determine whether system reporting is adequate.	Not yet scheduled. Background information will be obtained from Municipal Court for Comptroller decision on whether an audit is warranted.
5	Audit of DPW Sanitation	Evaluate Sanitation work crew scheduling and performance.	Not yet scheduled. Background information will be obtained from DPW for Comptroller decision on whether an audit is warranted.
6	Audit of DPW Forestry	Evaluate Forestry plant nursery inventory procedures and controls.	Not yet scheduled. Background information will be obtained from DPW for Comptroller decision on whether an audit is warranted.



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**Appendix A: Anti-graffiti Audit**

Rec #	Recommendation Summary	Response In Audit	Status
	Summarized from audit letter and report: "There is a need for better information concerning trends in the location and extent of graffiti over time and the law enforcement and prosecution aspects of the Program. The need for improved information in these areas prevents the Audit from making a conclusion on the specific level of success the Program has achieved."		Status report summary: It appears 8 of 10 recommendations have been implemented. Recommendations to improve reporting on prosecution activities, and for a web site on prosecution information have not been implemented. Comptroller will continue to monitor status.
	<b>Recommendations pertaining to above conclusion are bolded below:</b>		Status per department:
1	Anti-graffiti Policy Committee (AGPC) should maintain high level of leadership.	N/A	Implemented per department.
2	<b>AGPC should request an annual program status report and plan from participants DNS, DPW, MPD, Christian Center.</b>	Not addressed	Per DNS, AGPC did not see a need for annual status reports. Implemented per department.
3	<b>Participants should consolidate and streamline existing reports to AGPC. Possible enhancements include: Provide summary of prosecutions in courts.</b>	DNS creating mapping report to show trends. DNS under staffed for this.	Substantial improvement per auditors. Not addressed in response. Appears not implemented.
4	Consider complaint to abatement time goal.	DNS agrees.	Per DNS, goal is 7 days. Appears implemented per department.
5	<b>Consider establishing graffiti trends system.</b>	Not addressed	Per DNS, addressed by surveys. Appears implemented per department.
6	Other recs:		
a	Staff support for Spec Enf Insp.	Not addressed	Appears implemented per department.
b	Require billing detail from MCC and BIDs.	DNS agrees.	Per DNS, done.
c	Develop Anti-G policy and procedures manual.	DNS has manual.	Per DNS, done.
d	MPD should obtain digital camera and printer.	MPD has digital cameras.	DNS expanded manual. MPD response unclear.
7	Continue district surveys of graffiti incidents.	Not addressed	Per DNS, surveys continuing. Appears implemented per department.
8	MPD should consider offering rewards.	Not addressed	Per MPD, no budget for rewards. Considered, therefore, implemented.
9	MPD should consider web site list of prosecutions.	MPD says prosecutions can be obtained from Courts.	Per MPD, web site may be useful. Status unclear. Appears not implemented.
10	<b>MPD should monitor effects of Anti-G squad.</b>	MPD has a squad.	MPD is monitoring 2nd District squad. Appears implemented.