



**Report of Audit
Recommendation Follow-Up
2018**

MARTIN MATSON
City Comptroller

ADAM FIGON
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City of Milwaukee, Wisconsin

March 2018

Table of Contents

Transmittal Letter	1
Overview	2
I. Follow-up Activity and Results	2
Recommendation Final Status Summary - Open/Closed	2
Implementation Status	4
Summary of Results	5
Management Commendations - Recommendation Resolution	5
II. Audit Follow-up – Standards and Procedures	6
Objectives, Scope, and Methodology	7
Risk Assessment	8
Appendix A: Recommendations Open/Closed by Department and Audit	9
Appendix B: Open Recommendations Implementation Status	11
Appendix C: Open Audit Findings, Recommendation Details and Risks	14
Comptroller’s Acknowledgment of Receipt	17

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March 6, 2018

Honorable Tom Barrett, Mayor
The Members of the Common Council
City of Milwaukee
Milwaukee, Wisconsin 53202

Dear Mayor and Council Members:

Per City Charter 3-16.5, which defines Internal Audit's periodic reporting requirements, Internal Audit has a responsibility to monitor and follow up on audit recommendations by ensuring audit findings are addressed and to aid in planning future audits. The enclosed report includes a summary of audit activities followed by a detailed account of follow-up procedures and results for the year ending December 31, 2017.

The scope for this year's follow-up activities included all recommendations issued in 2017, and all recommendations issued in previous years that remained open after the application of follow-up procedures. Implementation status is determined via updates and information provided by department management, as well as test procedures performed by Internal Audit.

Based on management's assertions and the results of the performed validation procedures, 16 audit findings (of 42 total) were closed in 2017 with 26 audit findings remaining open. Internal Audit will monitor all open audit findings through resolution.

Appreciation is expressed to City Management for the cooperation extended to Internal Audit and for the information provided and used to prepare this report.

Sincerely,

Adam Figon, MBA, CRMA
Audit Manager

AF:rk

Overview

This report includes information on the Internal Audit Division's follow-up activities and management's accomplishments through the year ended December 31, 2017. The intent of this report is to keep the Finance and Personnel Committee informed regarding the status of audit recommendations made by the Internal Audit Division. Provided is a summary of data, recommendations and status updates for all open recommendations. City leadership and management have made notable progress to implement the open audit recommendations.

I. Follow-up Activity and Results

Recommendation Final Status Summary – Open/Closed

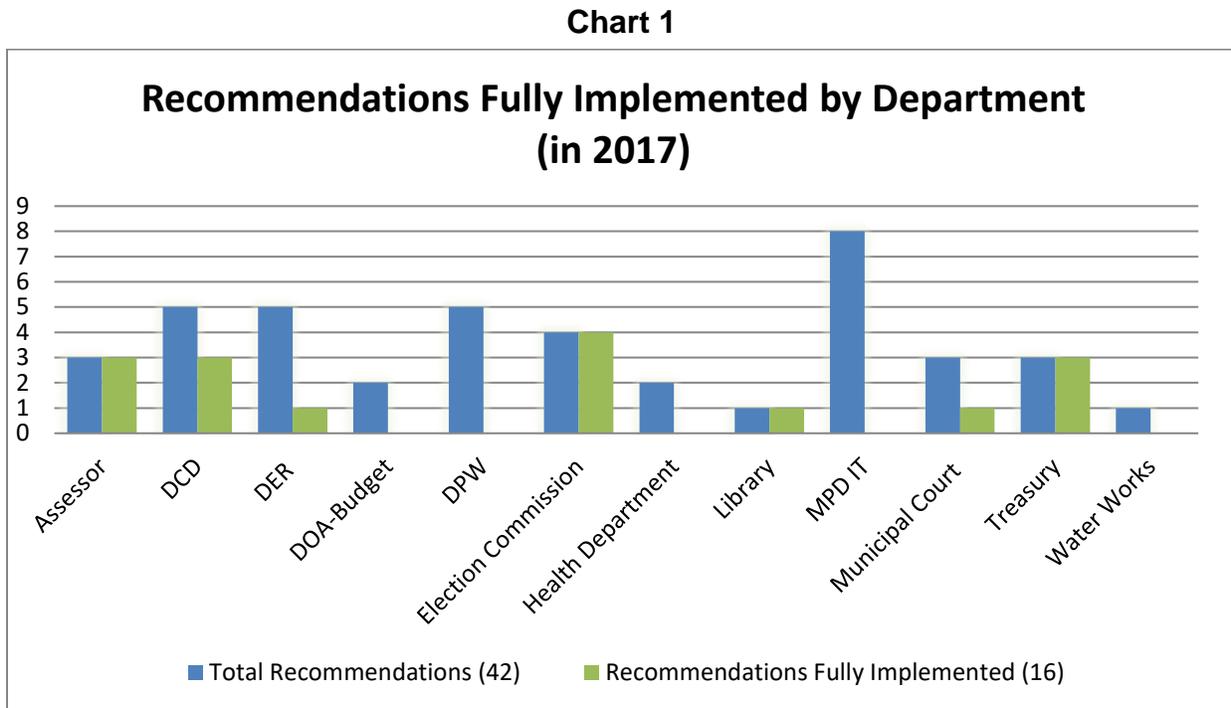
In 2017, the Internal Audit Division issued four reports that included 16 recommendations in total. As Table 1 indicates, there were 26 additional open recommendations from audit reports issued prior to 2017, resulting in 42 total open recommendations targeted for follow-up monitoring activities in 2017. Based on management's assertions and the Internal Audit Division validation procedures, 16 of the 42 total open recommendations were closed as of December 31, 2017.

Table 1 – Summary of Audit Recommendation Status at December 31, 2017

Audit Year	Recommendation Disposition			
	Total	Fully Implemented	Open as of 12/31/17	Percent Fully Implemented
2013	3	2	1	67%
2014	6	2	4	33%
2015	9	7	2	78%
2016	8	5	3	63%
2017	16	0	16	0%
Total	42	16	26	38%

A detailed summary of recommendations that were initially reported and subsequently resolved, by department and audit title, are presented in Appendix A.

Additionally, the number of fully implemented/closed recommendations, by department, is presented in Chart 1 below.



A detailed summary of the open recommendations per department is provided at Appendix C.

Physical Security Assessment

The City of Milwaukee engaged Titus consulting to perform a formal physical security audit of the City Hall Complex (City Hall, Zeidler Municipal Building, and the 809 Broadway building). A Physical Security Assessment Audit was performed in late 2015 with eight recommendations reported as of February 8, 2016. This assessment provided a roadmap of protective measures for the municipality in areas including, but not limited to, communication, security, monitoring, preparedness, and a greater understanding of potential weaknesses. Due to the sensitive nature of the subject matter, detailed information and recommendations identified have not been included in this report; and the eight recommendations are not included in the totals noted above. All eight recommendations are in progress, but none are complete as of this report date. The Internal Audit Division will monitor the reported recommendations through resolution.

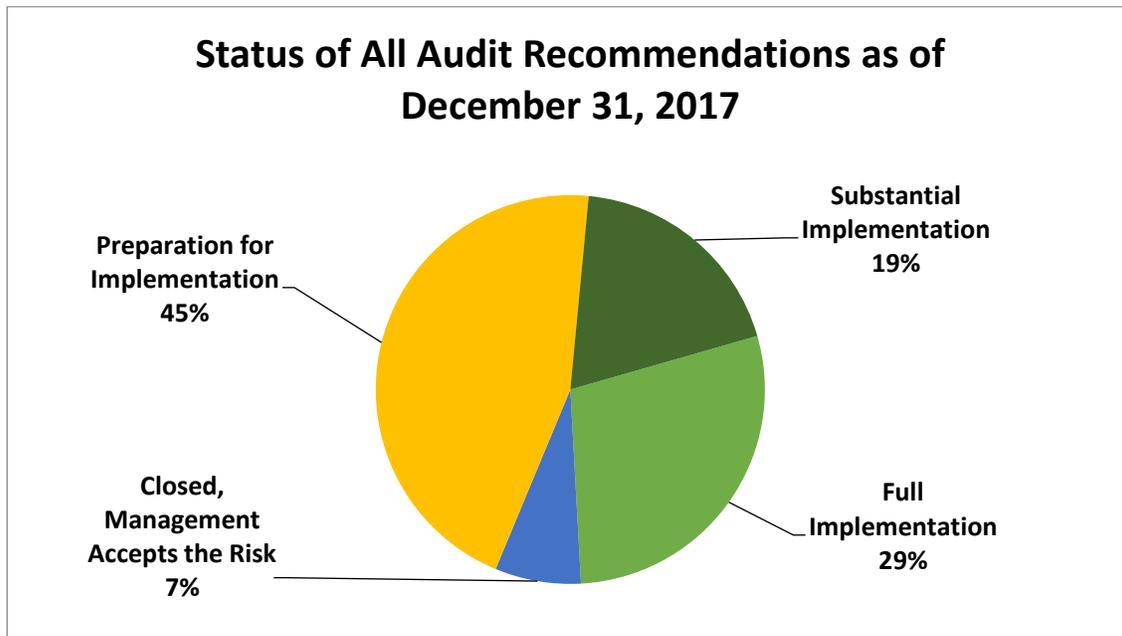
Implementation Status

The implementation status of all audit recommendations, is monitored and periodically updated throughout their lifecycle. The recommendations are classified according to the Action Plan Maturity Model (or scale) developed by the risk advisory consultant Sunera, LLC¹ as follows:

1. Insignificant Progress
2. Planning Stage
3. Preparation for Implementation
4. Substantial Implementation
5. Full Implementation
6. No Longer Applicable
7. Management Accepts Risk of Not Taking Action

The implementation status for the 42 total recommendations is illustrated in Chart 2. In 2017, 48% of the open recommendations were fully or substantially implemented.

Chart 2



¹Goldberg, Danny. "Unit VI: Audit Follow-up." Internal Audit Best Practices and Fundamental Principles [Seminar]. Pewaukee, WI. 16 February 2011.

Detailed information about the implementation status of the 26 open recommendations is provided at Appendix B.

Summary of Results

Of the 26 open recommendations as of December 31, 2017, 18 are past management's initial target completion date, with seven outstanding for greater than one year. Though management has worked expeditiously to fully implement recommendations in 2017, many remain open due to the following:

- The time requirements for an implementation can be significant due to its complexity (system upgrades, cross training, etc.);
- Key positions are vacant (staff and management turnover);
- Information receipts from third party vendors or departments/parties external to the implementing department are pending.

However, the Internal Audit Division does express appreciation for the efforts demonstrated by department management in 2017, which resulted in many open recommendations progressing towards full implementation.

Initial and revised target dates for the 26 open recommendation can be referenced in Appendix B.

Management Commendations – Recommendation Resolution

For the audits identified in Table 2 below, management's outstanding remediation efforts and collaboration with the Internal Audit Division has resulted in significant progress toward implementation and full implementation (closure) of audit recommendations in 2017. These implementation efforts demonstrate each department's commitment to the mitigation of risks and the development of more efficient and effective City operations.

Table 2 – Management Commendations

Department/Division	Audits or Projects
Assessor’s Office	<ul style="list-style-type: none"> ▪ Audit of System Backup and Recovery Controls for the City of Milwaukee Datacenters ▪ Audit of Department Performance Measurement Controls
Department of City Development	<ul style="list-style-type: none"> ▪ Audit of DCD In Rem Property Management and Disposition
Department of Employee Relations	<ul style="list-style-type: none"> ▪ Audit of Department of Employee Relations Tuition Reimbursement Program
Election Commission	<ul style="list-style-type: none"> ▪ Audit of Election Commission Administration Process Controls and Compliance
Milwaukee Police Dept. - IT	<ul style="list-style-type: none"> ▪ Audit of 9-1-1 System Application Controls
Milwaukee Public Library	<ul style="list-style-type: none"> ▪ Audit of the Milwaukee Public Library Cash Controls
Municipal Court	<ul style="list-style-type: none"> ▪ Audit of System Backup and Recovery Controls for the City of Milwaukee Datacenters ▪ Audit of System Vulnerabilities of City Datacenters
Office of the Treasurer	<ul style="list-style-type: none"> ▪ Audit of iNovah Application Controls
Water Works	<ul style="list-style-type: none"> ▪ Audit of System Backup and Recovery Controls for the City of Milwaukee Datacenters

II. Audit Follow-up Standards and Procedures

Reporting Requirements

The Internal Audit Division conducts performance audits and renders audit recommendations to improve the design and operational effectiveness of internal controls over City activities. The Internal Audit Division recommends actions to correct deficiencies and other findings identified during the audit, as well as to improve programs and operations when the potential for improvement in programs, operations, and performance is substantiated by the audit procedures and conclusions. In accordance with Charter Ordinance 3-16.5, the Internal Audit Division is required to submit an annual report of the success or failure of previously audited departments in implementing the recommendations of their audits.

Generally Accepted Government Auditing Standards

Generally Accepted Government Auditing Standards (GAGAS)² as promulgated by the Government Accountability Office (GAO) – Comptroller General of the United States, commonly referred to as the *Yellow Book*, provides a framework for conducting high quality audits with competence, integrity, objectivity and independence. The *Yellow Book* establishes follow-up as an integral part of the Internal Audit Division’s due professional care, as follows:

- Management of the audited entity is primarily responsible for directing action on and implementing recommendations.
- Government auditors should have a process that enables them to track the status of management’s actions on significant or material findings and recommendations from their prior audits.
- Due professional care also includes follow-up on known findings and recommendations from previous audits that could have an effect on the current audit objectives, in order to determine whether prompt and appropriate corrective actions have been taken.

This review was conducted in accordance with Generally Accepted Government Auditing Standards. Those standards require that the auditors plan and perform the audit (follow-up review) to obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions based on the objectives. The Internal Audit Division believes that the evidence obtained provides a reasonable basis for its findings and conclusions based on the follow-up review objectives.

Objectives, Scope, and Methodology

Objectives

The primary objective of this review was to evaluate the timeliness and adequacy of implementing recommendations made in previous audits. Through the performance of follow-up procedures, it

² GAO, Government Auditing Standards, GAO-12-331G (Washington, D.C.: December 2011).

can be determined whether Management has taken prompt and appropriate action to correct issues by implementing recommendations identified by the Internal Audit Division.

Scope

The scope of this year's follow-up review included:

1. All recommendations issued in 2017 for which sufficient time had lapsed to implement corrective action.
2. All recommendations previously issued that remained open after prior years' follow-up activity.

Methodology

To determine progress, the follow-up methodology includes monitoring the status of action steps on all recommendations from the time they are created until they have been implemented by management. Status monitoring and follow-up activity involve the following:

1. Identifying and evaluating the amount of progress made with regard to implementing the recommendations;
2. Working with management to obtain resolution when progress is not adequate; and
3. Compiling and reporting the results.

The extent of the follow-up procedures performed is based on the risk rating and materiality of an audit finding.

Risk Assessment

Risk can be viewed as anything that prevents the organization from achieving its objectives, and that generally may be mitigated through internal controls. The risk exposure created by open audit findings remains until corrective action has been taken.

The Internal Audit Division identified the various types and levels of risk associated with the remaining 26 open recommendations, and assigned each a risk rating of High, Medium or Low. The rating is based on the impact and likelihood of occurrence the risk posed via the identified finding. See Appendix C for recommendation, finding detail, and risk rating.

Appendix A

Recommendations Open/Closed by Department and Audit

(As of December 31, 2017)

Department	Audit Title, and Issue Date (Audits listed in initiation date range order per Table 1)	Recommendation Disposition			
		Open as of 01/01/17	Total Closed	Open as of 12/31/17	Percent Closed
Library	Audit of the Milwaukee Public Library Cash Controls, (9/13/2013)	1	1	0	100%
DER	Audit of the Department of Employee Relations Tuition Reimbursement Program, (9/25/2013) ▪ See Ref #3 on Appendix B & C	2	1	1	50%
Assessor	Audit of System Backup and Recovery Controls for the City of Milwaukee Datacenters, (7/31/2014)	1	1	0	100%
Municipal Court	Audit of System Backup and Recovery Controls for the City of Milwaukee Datacenters, (7/31/2014) ▪ See Ref #24 & #25 on Appendix B & C	2	0	2	0%
Water Works	Audit of System Backup and Recovery Controls for the City of Milwaukee Datacenters, (7/31/2014) ▪ See Ref #26 on Appendix B & C	1	0	1	0%
Municipal Court	Audit of System Vulnerabilities of City Datacenters, (9/26/2014)	1	1	0	100%
DPW	Audit of Public Works Contract Administration, (11/5/2014) ▪ See Ref #9 on Appendix B & C	1	0	1	0%
DCD	Audit of the Department of City Development In Rem Property Management and Disposition, (8/12/2015) ▪ See Ref #1 & #2 on Appendix B & C	5	3	2	60%
Election Commission	Audit of Election Commission Administration Process and Controls and Compliance, (11/3/2015)	4	4	0	100%
Treasury	Audit of iNovah Application Controls, (2/15/2016)	3	3	0	100%
Assessor	Audit of Department Performance Measurement Controls, (5/16/2016)	2	2	0	100%
DPW	Audit of Department Performance Measurement Controls, (5/16/2016) ▪ See Ref #10 on Appendix B & C	1	0	1	0%
Health Department	Audit of Department Performance Measurement Controls, (5/16/2016) ▪ See Ref #14 & 15 on Appendix B & C	2	0	2	0%

Appendix A

Recommendations Open/Closed by Department and Audit

(As of December 31, 2017)

Department	Audit Title, and Issue Date (Audits listed in initiation date range order per Table 1)	Recommendation Disposition			
		Open as of 01/01/17	Total Closed	Open as of 12/31/17	Percent Closed
DOA – Budget	Audit of Fund Carryover Compliance, (1/12/2017) <ul style="list-style-type: none"> ▪ See Ref #7 & #8 on Appendix B & C 	2	0	2	0%
MPD IT	Audit of 9-1-1 Systems Application Controls, (8/29/2017) <ul style="list-style-type: none"> ▪ See Ref #16 through #23 on Appendix B & C 	8	0	8	0%
DPW	Audit of Department of License Plate Recognition System, (11/15/2017) <ul style="list-style-type: none"> ▪ See Ref #11 through #13 on Appendix B & C 	3	0	3	0%
DER	Audit of Dependent Insurance Coverage Eligibility, (12/5/2017) <ul style="list-style-type: none"> ▪ See Ref #4 through #6 on Appendix B & C 	3	0	3	0%
Total		42	16	26	38%

Appendix B

Open Recommendations Implementation Status

(As of December 31, 2017)

Reference Number	Department	Audit Title, and Issue Date	Finding Summary	Implementation Disposition		
				Initial Target Date	Revised Target Date*	Status as of 12/31/17
1	DCD	Audit of the Department of City Development in Rem Property Management and Disposition, (8/12/2015)	Payment Monitoring and Enforcement	12/31/15	Estimated 12/31/18	Substantial Implementation
2	DCD	Audit of the Department of City Development in Rem Property Management and Disposition, (8/12/2015)	Trained Personnel	12/31/15	Estimated 12/31/18	Substantial Implementation
3	DER	Audit of the Department of Employee Relations Tuition Reimbursement Program, (9/25/2013)	Supporting Documentation	09/30/13	05/31/18	Substantial Implementation
4	DER	Audit of Dependent Insurance Coverage Eligibility, (12/5/2017)	Retention Controls	06/30/18	N/A	Preparation for Implementation
5	DER	Audit of Dependent Insurance Coverage Eligibility, (12/5/2017)	Periodic Review	03/31/17	12/31/18	Preparation for Implementation
6	DER	Audit of Dependent Insurance Coverage Eligibility, (12/5/2017)	Policy and Procedures	06/30/18	N/A	Preparation for Implementation
7	DOA - Budget	Audit of Fund Carryover Compliance, (1/12/2017)	Operating Fund Carryover Practices	03/31/17	04/30/18	Preparation for Implementation
8	DOA - Budget	Audit of Fund Carryover Compliance, (1/12/2017)	Capital Fund Carryover	03/31/17	04/30/18	Preparation for Implementation
9	DPW	DPW Contract Administration, (11/5/2014)	Payment Compliance Monitoring and Enforcement	01/31/15	Estimated 12/31/18	Preparation for Implementation

Appendix B

Open Recommendations Implementation Status

(As of December 31, 2017)

Reference Number	Department	Audit Title, and Issue Date	Finding Summary	Implementation Disposition		
				Initial Target Date	Revised Target Date*	Status as of 12/31/17
10	DPW	Audit of Department Performance Measurement Controls, (5/16/2016)	Policy and Procedures	01/31/17	12/31/18	Substantial Implementation
11	DPW	Audit of Department of Public Works License Plate Recognition System, (11/15/2017)	Policy and Procedures	01/10/18	N/A	Preparation for Implementation
12	DPW	Audit of Department of Public Works License Plate Recognition System, (11/15/2017)	Inventory Management and Safeguarding	01/10/18	N/A	Preparation for Implementation
13	DPW	Audit of Department of Public Works License Plate Recognition System, (11/15/2017)	System Password Use	06/01/18	N/A	Preparation for Implementation
14	Health Dept.	Audit of Department Performance Measurement Controls, (5/16/2016)	Training Personnel	08/31/17	12/31/18	Preparation for Implementation
15	Health Dept.	Audit of Department Performance Measurement Controls, (5/16/2016)	Policy and Procedure	08/31/17	12/31/18	Preparation for Implementation
16	MPD IT	Audit of 9-1-1 System Application Controls, (8/29/2017)	Access Monitoring	11/30/17	05/31/18	Preparation for Implementation
17	MPD IT	Audit of 9-1-1 System Application Controls, (8/29/2017)	Access Monitoring	11/30/17	05/31/18	Preparation for Implementation
18	MPD IT	Audit of 9-1-1 System Application Controls, (8/29/2017)	Password Administration	05/30/18	N/A	Substantial Implementation
19	MPD IT	Audit of 9-1-1 System Application Controls, (8/29/2017)	Application Change Management	11/30/17	05/31/18	Preparation for Implementation

Appendix B

Open Recommendations Implementation Status

(As of December 31, 2017)

Reference Number	Department	Audit Title, and Issue Date	Finding Summary	Implementation Disposition		
				Initial Target Date	Revised Target Date*	Status as of 12/31/17
20	MPD IT	Audit of 9-1-1 System Application Controls, (8/29/2017)	Application Change Maintenance	11/30/17	05/31/18	Preparation for Implementation
21	MPD IT	Audit of 9-1-1 System Application Controls, (8/29/2017)	Test, Training and Exercise Program	11/30/17	05/31/18	Preparation for Implementation
22	MPD IT	Audit of 9-1-1 System Application Controls, (8/29/2017)	Access Monitoring	02/18/18	05/31/18	Substantial Implementation
23	MPD IT	Audit of 9-1-1 System Application Controls, (8/29/2017)	Vendor Administration and Risk Management	02/1/18	02/22/18	Preparation for Implementation
24	Municipal Court	Audit of System Backup and Recovery Controls for the City of Milwaukee Datacenters, (7/31/2014)	Disaster Recovery	07/31/15	12/31/18	Substantial Implementation
25	Municipal Court	Audit of System Backup and Recovery Controls for the City of Milwaukee Datacenters, (7/31/2014)	Policy and Procedure	09/30/14	12/31/18	Substantial Implementation
26	Water Works	Audit of System Backup and Recovery Controls for the City of Milwaukee Datacenters, (7/31/2014)	Disaster Recovery	07/31/15	12/31/18	Substantial Implementation

*A Revised Target Date value of N/A indicates that the Initial Target Date is still in effect and did not require revision.

Appendix C

Open Audit Findings, Recommendation Details and Risks

(As of December 31, 2017)

Reference Number	Dept.	Audit Title	Finding Detail	Recommendation Summary	Risk Rating
1	DCD	Audit of the Department of City Development In Rem Property Management and Disposition	Payments for rent received by DCD In Rem Foreclosed Management section are forwarded to DCD Finance & Accounting section. The property management section does not log rent.	Payments should be collected by the Finance and Administration Division. Having payments sent directly to Finance and Administration would reduce the risk of lost or stolen checks. Management should start logging any payments received through the mail.	Medium
2	DCD	Audit of the Department of City Development In Rem Property Management and Disposition	The database specialist is responsible for sending out the Notice of Inspection letters. There is no back-up staff for the database specialist.	Cross-train a back-up for the Database Specialist to perform the processes of inspecting, marketing, and selling in rem properties.	Medium
3	DER	Audit of the Department of Employee Relations Tuition Reimbursement Program	Currently, the reasoning behind approval/denial of employee requests for tuition reimbursement are documented only if the discussion occurs through email. For analysis occurring in any other format, only the decision to approve or deny the request is documented.	Establish a process for documenting the analysis, discussions and noted resolutions regarding applications that may not be eligible for tuition reimbursement.	Low
4	DER	Audit of Dependent Insurance Coverage Eligibility	Proof of relationship documentation was only obtained and/or retained for 10 of 35 dependents sampled for review carried under the City's health and/or dental dependent benefits.	Enhance acquisition and retention controls over dependent insurance eligibility documents.	Low
5	DER	Audit of Dependent Insurance Coverage Eligibility	Periodic reviews of dependent eligibility requirements are not performed to verify that employee dependents remain eligible.	Perform periodic audit/review of dependent insurance eligibility requirements.	Low
6	DER	Audit of Dependent Insurance Coverage Eligibility	There are no comprehensive, formal documented procedures governing the dependent insurance coverage eligibility requirements processes.	Develop and implement procedures for dependent insurance coverage eligibility requirements.	Low

Appendix C

Open Audit Findings, Recommendation Details and Risks

(As of December 31, 2017)

Reference Number	Dept.	Audit Title	Finding Detail	Recommendation Summary	Risk Rating
7	DOA - Budget	Audit of Fund Carryover Compliance	<p>8 of 11 expired operating grants sampled were closed (or inactivated) after the 120 day closeout period.</p> <p>Year-end grant balance carryovers are not approved via Common Council resolution.</p>	<p>Operating Grants - The Budget Office should work with Revenue and Cost to update Ordinance 304-81 - Grant Projects and Programs.</p> <p>The Budget Office should coordinate with Revenue and Cost to update CO 304-81 to reflect the current carryover practices, which are not in violation of Wisconsin state statutes.</p>	Medium
8	DOA - Budget	Audit of Fund Carryover Compliance	<p>Sampled active projects with start dates in 2013 and 2014 are setup with project periods longer than the capital guideline carryover limit.</p> <p>No letter of capital guideline compliance.</p>	<p>Capital Projects - The Budget Office should work with General Accounting to update the capital guidelines.</p>	Medium
9	DPW	DPW Contract Administration	<p>In accordance with Section 7-14-2a of the City Charter, the General Specifications created January 31, 1992 requires each prime contractor, prior to the start of work, to furnish certificates which confirm the prime contractor has the types and amounts of insurance that are necessary.</p>	<p>Clarify liability insurance requirements within the DPW General Specifications. Management should revise Section 2.9.7 of the Department of Public Works General Specifications to accurately reflect the types and amounts of insurance actually accepted from prime contractors for construction contracts.</p>	Medium
10	DPW	Audit of Department Performance Measurement Controls	<p>There are no documented policies and procedures specific to performance measurement processes and controls.</p>	<p>Management should develop, document, and implement processes to periodically reassess and enhance their applicable performance measures.</p>	Low
11	DPW	Audit of Department of Public Works License Plate Recognition System	<p>There are no comprehensive, formal documented policies and procedures governing the license plate recognition system processes.</p>	<p>Develop and document policies and procedures over the License Plate Recognition system key processes and controls.</p>	Low

Appendix C

Open Audit Findings, Recommendation Details and Risks

(As of December 31, 2017)

Reference Number	Dept.	Audit Title	Finding Detail	Recommendation Summary	Risk Rating
12	DPW	Audit of Department of Public Works License Plate Recognition System	Keys to parking enforcement Jeep are stored in a lockable cabinet in Parking Operations; however, the lock on the cabinet is broken. The N-5 (AutoSites) and cell phones are not stored in lockable cabinets in Parking Operations.	Develop and implement controls over vehicle keys, cell phones and mobile devices.	Low
13	DPW	Audit of Department of Public Works License Plate Recognition System	The LPR system does not require a password to access the system.	Configure the License Plate Recognition system for compliance with the City Password Policy.	Low
14	Health Dept.	Audit of Department of Performance Measurement Controls	Formal, comprehensive backup training has yet to be provided, regarding both performance measure data collection and recalculation processes and controls.	Management should develop and document formal, comprehensive policies and procedures for performance measurement processes and controls, and implement cross-training for contingency purposes.	Low
15	Health Dept.	Audit of Department Performance Measurement Controls	There are no documented policies and procedures specific to performance measurement processes and controls.	Develop and implement a process for reassessing and enhancing published performance measures.	Low
16 – 23	MPD IT	Audit of 9-1-1 System Application Controls	Detail not included due to the sensitive nature of the subject.		Low
24 – 25	Muni. Court	Audit of System Backup and Recovery Controls for the City of Milwaukee Datacenters	Detail not included due to the sensitive nature of the subject.		Medium
26	Water Works	Audit of System Backup and Recovery Controls for the City of Milwaukee Datacenters	Detail not included due to the sensitive nature of the subject.		Medium

Martin Matson
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Special Deputy Comptroller

Rocklan Wruck, CPA
Special Deputy Comptroller

Office of the Comptroller

March 6, 2018

Honorable Tom Barrett, Mayor
The Members of the Common Council
City of Milwaukee
Milwaukee, WI 53202

Dear Mayor and Council Members:

With this letter, the Office of the City Comptroller acknowledges receipt of the preceding report, which summarizes the annual audit recommendation follow-up activities for the year ending December 31, 2017. I have read the report and support the activities detailed within.

As the City Comptroller, I was not involved in any portion of the work conducted in connection with the Report of Audit Recommendation Follow-up 2018. At all times, the Internal Audit Division worked autonomously in order to carry out follow-up activities.

Sincerely,

A handwritten signature in black ink that reads "Martin Matson". The signature is written in a cursive style.

Martin Matson,
Comptroller