



# RISK ASSESSMENT to 2014 AUDIT PLAN CITY OF MILWAUKEE

INTERNAL AUDIT

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# What is a Risk Assessment?

- ▶ Understand all types of risk that the City as an organization faces
- ▶ This includes
  - Strategic risk
  - Operational risk
  - Compliance risk
  - Financial risk
- ▶ Prioritize the risks identified and understand how to address the risks – mainly through audits
- ▶ Are the risks already mitigated? Is there some process that already is being conducted to reduce the “inherent” risk? This would reduce risk rating.



# How will Internal Audit utilize the results?

- ▶ Risks utilized to understand what needs to be and can be mitigated through audits
- ▶ Help us consistently and constantly re-evaluate risks and mitigating controls at the City
- ▶ **Systematic and quantitative** based approach to evaluate departments to audit



# Definitions of Key Terms

- ▶ **Audit Universe** – entire City and departments
- ▶ **Risk Units** – specific departments and/or divisions that have processes with risk
- ▶ **Inherent Risks** –the probability of loss arising out of circumstances or existing in an environment, in the absence of any action to control the circumstances
- ▶ **Key Risks** – risks that, if realized, would be detrimental in operating the organization.



# Planning & Data Collection

- ▶ Evaluated organization structure to decide who to interview and survey
- ▶ Interviewed all department heads and deputies  
*57 interviewed*
- ▶ Surveyed mid-level management
  - ▶ *135 operations surveys sent*
  - ▶ *135 applications (IT) surveys sent*
- ▶ 93 operations responses received
- ▶ 81 application responses received



# Data Collection

- ▶ Collected data during the interviews
- ▶ Categorized and rated departments for **likelihood** and **impact** (to organization)
- ▶ Averaged and weighted categories used for prioritization of risk units
- ▶ Departments were further divided into smaller risks units (depending on processes etc. that can be audited)



# Risk (auditable) Units

- ▶ **Top 14 – Highest Risk** (scale 1–10, high = 8–10)
  - DOA – Budget & Management Division
  - DOA – IT Management Division
  - Dept. of City Development – 4 divisions
  - City Treasurer
    - Administrative & Fin Services divisions
  - Dept. of Public Works – Administrative Division
  - City Comptroller
    - Public Debt, Payroll, Gen Accounting, and Revenue & Cost



# Risks of the City

- ▶ Categorized risks into risk themes
- ▶ Risks identified through management and their answers in interviews
- ▶ Risks identified through audit staff
- ▶ Rated for **likelihood** and **impact**
- ▶ Used the risks to understand areas that need to be addressed at the City
- ▶ Over 200 risks identified – **26** risk categories





# 26 RISK THEMES

1. Budgeting Risks
2. Community Risks
3. Infrastructure
4. State/Federal Govt Impact on City Operations
5. Service Levels
6. Labor Laws
7. Vendor Risks
8. Fraud
9. Human Capital
10. IT Risk
11. Policy and Procedures
12. Performance Measurement
13. Data Security
14. Procurement Process Risk
15. Reputation
16. Process Effectiveness
17. Communication
18. Public Safety
19. Training
20. Compliance
21. Funding Risks
22. Poor Investments
23. Foreclosures
24. Governance
25. Human Error
26. Legal Liability



# Risk Assessment to Audit Plan

- ▶ Risks and auditable units' rankings utilized for the plan
- ▶ High risk departments are prioritized as necessary to audit annually in a 3 year audit plan (based on best practices)
- ▶ Scope and Objectives for each audit are selected based on the risks identified for those departments



# 2014 Audit Work Plan

(carried over from 2013)

1. Health AIX Database & LIS System Audit
  2. Duty Disability Review
  3. Back-Up Tape Processing Audit
  4. IT Asset Management Audit
  5. CRM System Application Audit
- ▶ Besides the Duty Disability Review, the IT audits were carried over due to loss of IT auditor and inability to hire as of January 2014.



# Priority–High Risk Audits

6. Audit of Payroll – City Comptroller
7. Audit of External and Internal Security Networks
8. Audit of Dep’t of Employee Relations – Staffing
9. Audit of Foreclosure Mgmt – Treasurer
10. Audit of iNovah System application – Treasurer
11. Audit of Procurement Contracts – DPW Admin



# Priority–High Risk Audits Cont'd

12. Audit of Citywide Policy Compliance – City Comptroller – Various Divisions
13. Audit of Budget and Management – DOA
14. Audit of Foreclosed Property Management – Dept. of City Development

*\*\*Will move on to medium risk audits once high risk is completed\*\**



# Medium Risk Audits

15. Audit of Open Records Requests – City Attorney
16. Audit of Inspections and Compliance with State Statutes – DNS
17. Audit of the TRACS Application – MPD
18. Audit of Area Plans Execution – DCD
19. Audit of City–Wide Disaster Planning – Office of Homeland Security
20. Audit of Operations Planning – MFD
21. Audit of Fields Inspections & Controls – MPD
22. Audit of Election Commission

*\*\*These audits will only be commenced after 1–14 are completed\*\**



# Medium to Low Risk Audits

- ▶ Audits numbered 23 to 54 on page 6–7 of report are all part of 3 year audit plan
- ▶ They are not feasible with current authority for staffing
- ▶ Best Practice dictates coverage of entire organization in 3 year audit plan
- ▶ With current staffing and resources the 3 year audit plan is feasible in 7 to 8 years.
  - request audit position (p.7 Audit Work Plan)



# Other Internal Audit Activity

- ▶ Re-evaluation of risks, modifying, planning for future years
- ▶ Follow-Up on previous audit recommendations from current and past years
- ▶ Fraud Hotline
  - management
  - marketing
  - policies & procedures refinement
- ▶ Periodic status reports to CC of Internal Audit progress throughout the year as dictated by charter ordinance (below)
- ▶ Completion of updates in order to be in compliance with Yellowbook including: policies and procedures update, passage of an audit charter (outlining audit requirements to CC) ordinance through Council, and detailed Internal Audit Charter.







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