

**Office of the Comptroller
Report of Audit Activities
February 2007**

This Report of Audit Activity by the Office of the Comptroller includes the major audits conducted in 2006, 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.

Table 1 summarizes the 10 audits undertaken in 2006. Six audits were completed and issued and four audits are underway with reports to be issued early this year.

Two major audits of the Department of Public Works were issued in 2006. The **Audit of DPW Procurement Activities** found adequate procedures for public works and professional service contract procurement. Eight recommendations were made to enhance documentation, reporting and procurement monitoring. The **Audit of DPW Emerging Business Enterprise and Residents Preference Program Compliance** found general compliance with program requirements. Seven recommendations were made to improve program reporting and to apply EBE requirements to all DPW contracts. The implementation status for these recommendations will be monitored and reported in subsequent audit activity reports.

Two major audits of the Milwaukee Police Department were undertaken in 2006 at the request of Aldermen. The report on the **Audit of MPD Overtime** should be issued around April of 2007 and the report on the **Audit of the MPD Crime Data System** should be issued around May 2007. Consulting assistance on these audits is being provided by the Police Executive Research Forum, a national law enforcement advocacy and standards setting organization.

In addition to audit activity, 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 October 17, 2006.

Table 2 summarizes the 24 major audits from 2005 back to 2002 that were reported as having unimplemented recommendations in our last Report of Audit Activities. The success in implementing these recommendations varies.

It appears that none of the 5 recommendations in the **2005 Audit of the Westside Housing Cooperative Property Rehabilitation Project** have yet been implemented. Two of the recommendations are expected to be implemented in 2007 when the Department of Neighborhood Services assumes responsibility for inspecting the grant funded property rehabilitation work. The Department of Administration did not respond to several requests for an update on the status of implementing the recommendations of this audit.

The Departments of City Development and Public Works report that 6 of the 8 recommendations in the **2005 Audit of Tax Incremental District 48** have been implemented.

**Office of the Comptroller
Report of Audit Activities
February 2007**

It appears that none of the 4 recommendations in the **2005 City Information Technology Security Risk Assessment** have yet been implemented by the Department of Administration. DOA reports some activities aimed at improving IT security. However, a centralized, comprehensive and thorough security program has not yet been implemented.

The Department of Public Works reports substantial progress on implementing or addressing 7 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.

In 2004 a follow-up audit was conducted on a **2001 Audit of Community Development Block Grant Program Monitoring by the Department of Administration**. DOA has previously reported that 8 of the original 9 recommendations have been implemented. However, in 2006 DOA did not respond to several requests for an update on the remaining recommendation to study the long-term impact of grant funded activities on affected neighborhoods. Previously, DOA indicated that funding for this study would be requested.

The two recommendations in the **2004 Audit of Family Medical Leave Act (FMLA) Utilization** have not yet been implemented. DER does not support the recommendation to centralize review and monitoring of FMLA in DER. Also, DER has not yet implemented the recommendation to create a new payroll code to track FMLA leave.

The Milwaukee Water Works has implemented or adequately addressed all 6 of the recommendations from the **2003 Audit of Municipal Services Billing and Collections by the Water Works**.

It appears that none of 6 recommendations in the **2003 Audit of the Police 3rd District Capital Project** have been fully implemented. However, the Departments of Administration and Public Works report that progress has been made on the recommendations.

The Health Department reports that 5 of the 9 recommendations in the **2002 Audit of City Restaurant Regulation** have been implemented, with some progress made on the remaining recommendations. However, no implementation has yet occurred regarding the audit recommendation to post serious health code violations on the City's website and/or at the affected restaurants.

The Assessor has adequately addressed all 6 of the recommendations in the **2002 Audit of City Assessor Real Estate Tax Exemption Process**.

Table 3 lists 8 major audits planned for 2007, including audits of City cashing operations, audits of the security of City computer networks, an audit of commercial and industrial property assessments, and an audit of the City sewer maintenance fund.

Office of the Comptroller
 Report of Audit Activities
 February 2007

Table 1: Major 2006 Audits

Audit	Date Issued	Audit Scope	Audit Objectives	Audit Conclusion of Status	Recommendation Status
1	Targeted for 5/07	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.	Audit work is underway. Assistance is being provided by a police consulting firm, the Police Executive Research Forum (PERF).	Recommendation status will be reported in future Audit Activity Reports.
2	Targeted for 4/07	Audit of MPD Overtime (Consultant Assisted)	Develop comprehensive descriptive data on the overtime. Identify causes and drivers for the overtime. Evaluate MPD overtime management. Evaluate the potential for overtime reduction.	Audit work is nearly complete. Audit results will be summarized and audit report preparation will begin in 1/07. Assistance is being provided by a police consulting firm, the Police Executive Research Forum (PERF).	Recommendation status will be reported in future Audit Activity Reports.
3	Targeted for 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.	Audit work is complete. A detailed audit report outline has been sent to DPW for review and comment. A draft of the full report will be available for formal DPW response around end of 1/07, to be followed by release of the audit.	Recommendation status will be reported in future Audit Activity Reports.
4	Targeted for 2/07	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.	Audit work is complete. A draft report has been sent to DCD for review and comment, to be followed by release of the audit.	Recommendation status will be reported in future Audit Activity Reports.
5	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.	Recommendation status will be reported in future Audit Activity Reports.

Office of the Comptroller
Report of Audit Activities
February 2007

Table 1: Major 2006 Audits

Audit	Date Issued	Audit Scope	Audit Objectives	Audit Conclusion/Status	Recommendation Status
6	6/19/06	Audit of NIDC Loan Portfolio	Determine whether 2005 loan balances in the NIDC loan ledger are accurate, documented and sufficient for the City financial statements.	The NIDC loan balances are accurate. No recommendations.	No recommendations.
7	5/31/06	Audit of Treasurer Cash Shortage	Conduct a cash count to substantiate a \$32,700 cash shortage identified by Treasurer staff.	The Treasurer was informed by letter that the audit verified that \$32,700 was missing from a cashier's cash drawer. No new recommendations. Earlier audit recommendations apply.	No new recommendations.
8	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.	Recommendation status will be reported in future Audit Activity Reports.
9	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.	Recommendation status will be reported in future Audit Activity Reports.
10	1/17/06	Audit of 2005 W-2s	Evaluate accuracy and completeness of W-2s. This is an annual audit.	W-2s for 8,782 employees, reporting \$363.3 million, were accurate and complete. No recommendations.	No recommendations.

Office of the Comptroller
Report of Audit Activities
February 2007

Table 2: Major Prior Years Audits with Pending Recommendations

Audit	Date Issued	Audit Scope	Audit Objectives	Audit Conclusion or Status	Recommendation Status
1	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.	The Court appears to have implemented 3 of the 5 recommendations. Funds are budgeted in 2007 for the security improvements called for in the remaining recs. Comptroller will continue to monitor status.
2	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 the 5 recommendations have not yet been implemented. Recs 1 and 2 are expected to be addressed in 2007 when DNS assumes responsibility for rehab property inspections. DOA did not respond to several requests for a status update. Comptroller will continue to monitor status.
3	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 recommendations. Comptroller will continue to monitor status.
4	9/30/05	Audit of Treasurer's Internal Controls Over Cashiering Activities	Determine whether cash receipts are properly and timely secured and deposited. Determine whether cash transactions are accurately and timely recorded. Evaluate cash controls. This is usually an annual audit.	Cash is properly and timely secured, deposited and recorded. Cash controls are generally adequate, but could be strengthened to meet banking industry standards. The audit makes 7 recommendations.	The Treasurer appears to have implemented all 7 recommendations, including implementation actions taken subsequent to the May, 2006 cash audit.

Office of the Comptroller
 Report of Audit Activities
 February 2007

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Audit	Date Issued	Audit Scope	Audit Objectives	Audit Conclusion or Status	Recommendation Status
5	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, committed the City to unlimited liability. Both governments met their respective EBE/DBE and RPP goals. The audit makes 8 recommendations.	DCD and DPW report that 6 of the 8 recommendations have been implemented or adequately addressed. Comptroller will continue to monitor status.
6	7/15/05	Audit of Contracts with Former City Employees	Determine whether former City employees now working under contract are properly classified as contractors exempt from payroll taxes. Determine whether the contracts adequately protect City interests.	No improper contractor classifications were identified. Some contracts did not include sufficient language to protect City interests. The audit makes 4 recommendations.	DOA appears to have implemented all 4 recommendations.
7	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 yet been implemented. DPW indicates it is working with the Condominium Association toward addressing the recs. Comptroller will continue to monitor status.

Office of the Comptroller
 Report of Audit Activities
 February 2007

Table 2: Major Prior Years Audits with Pending Recommendations

Audit	Date Issued	Audit Scope	Audit Objectives	Audit Conclusion or Status	Recommendation Status
8	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 that the 4 recommendations have not yet been implemented. DOA reports undertaking some activities aimed at improving IT security. However, a centralized, comprehensive and thorough security program, as recommended, has not yet been implemented. Comptroller will continue to monitor status.
9	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 4 of the 8 recommendations. Comptroller will continue to monitor status.
10	3/16/05	Audit of Milwaukee Fire Department Intergovernmental Agreements	Evaluate compliance with two intergovernmental agreements: Fire Suppression and Ambulance Service Agreement with West Milwaukee, and Regional Hazardous Materials Response Team Services Agreement with the State.	The Fire Department provided the services and received the compensation called for in the agreements. However, billing and collection procedures should be improved. Also, certain documentation required from West Milwaukee had not been obtained. The audit makes 3 recommendations.	The Fire Department appears to have implemented or adequately addressed all 3 recommendations.

Office of the Comptroller
Report of Audit Activities
February 2007

Table 2: Major Prior Years Audits with Pending Recommendations

Audit	Date Issued	Audit Scope	Audit Objectives	Audit Conclusion or Status	Recommendation Status
11	2/1/05	Audit of the City Residential Real Estate Assessment Process	Evaluate compliance with State requirements and professional standards for City residential assessments. Evaluate accuracy of assessment data and uniformity of assessments. Evaluate controls over the automated CAMA assessment system.	Residential assessment accuracy meets or exceeds State requirements and assisted process is well administered and controlled. The lowest valued one-third of properties were assessed slightly above market, while the upper two-thirds were slightly below market. The audit makes 4 recommendations.	The Assessor appears to have implemented or adequately addressed all 4 recommendations.
12	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 (MFLS). Evaluate the cost basis and billings for the agreements.	MPL and MFLS generally complied with the agreements. The audit makes 5 recommendations, including that MPL should use its marginal costs when negotiating new agreements.	The Library appears to have implemented 2 of the 5 recommendations. MPL disagrees with the rec to calculate the marginal cost of providing Resource Library services to non-City residents. Comptroller will continue to monitor status.
13	1/5/05	Review of Business Improvement District 8 Grants	Review and comment on the Business Improvement District (BID)-8 2003 audited financial statements. Determine whether BID-8 grants to businesses were properly approved by the BID Board and adequately documented.	The financial statements received an unqualified opinion from the auditors and raised no concerns. Twenty-one grants totaling \$164,600 were provided in 2003 and 2004. Approval for 1 grant was not documented. The review makes 2 recommendations.	DCD indicates that the BID 8 Board terminated its grant program and the recommendations are no longer needed.
14	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.	It appears DPW has adequately addressed 2 of the 12 recommendations and made substantial progress on another 5 recs. Comptroller will continue to monitor status.

Office of the Comptroller
Report of Audit Activities
February 2007

Table 2: Major Prior Years Audits with Pending Recommendations

Audit	Date Issued	Audit Scope	Audit Objectives	Audit Conclusion or Status	Recommendation Status
15	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.	DOA appears to have implemented 8 of the 9 recommendations. DOA did not respond to several requests for an update on the status of the rec to study the long-term impact of grant funded activities on affected neighborhoods. Comptroller will continue to monitor status.
16	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 the recommendation to centralize review and monitoring of FMLA. DER has not yet implemented the rec to improve FMLA tracking and the Comptroller will continue to monitor status of that rec.
17	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.	DPW appears to have implemented 6 of the 9 recommendations. Comptroller will continue to monitor status.
18	10/16/03	Audit of Police 3 rd District Capital Project (Consultant Assisted)	Evaluate the capital project to construct a new 3 rd 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 that none of the 6 recommendations have been fully implemented. DPW and DOA report progress toward addressing the recs. Comptroller will continue to monitor status.
19	5/9/03	Audit of Municipal Services Billings and Collections by the Water Works	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.	Water appears to have implemented or adequately addressed all 6 recommendations. Although the rec to enforce disconnection notices has not been implemented, Water continues to post delinquencies to the tax roll. Water believes disconnection of water service would render residential properties uninhabitable.

Office of the Comptroller
Report of Audit Activities
February 2007

Table 2: Major Prior Years Audits with Pending Recommendations

Audit	Date Issued	Audit Scope	Audit Objectives	Audit Conclusions	Recommendation Status
20	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.	DCD appears to have implemented 8 of the 9 recommendations. Comptroller will continue to monitor status.
21	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.	Health appears to have implemented or adequately addressed 5 of the 9 recommendations and made some progress on the remaining recommendations. However no action yet on posting serious health code violations. Comptroller will continue to monitor status.
22	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 appears to have implemented 1 of the 4 recommendations and intends to address the remaining 3 during installation of a new License System, planned for 2007. Comptroller will continue to monitor status.
23	3/15/02	Audit of the Department of Public Works 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.	DPW appears to have implemented 11 of the 12 recommendations. DPW has not sent timely Tow Lot deposit information to the Treasurer, as recommended. Comptroller will continue to monitor status and intends to conduct an audit of Tow Lot cashing in 2007.
24	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.	The Assessor and DCD appear to have adequately addressed all 6 recommendations.

Office of the Comptroller
 Report of Audit Activities
 February 2007

Table 3: Major Planned 2007 Audits

Audit	Audit Start	Audit Scope	Audit Objectives
1	1/07	Audit of 2006 W-2s	Evaluate the accuracy and completeness of the W-2s. This is an annual audit
2	2/07	Audit of Tow Lot Cashiering	Evaluate cashiering controls. Determine whether cash and checks were deposited and recorded in a timely manner.
3	2/07	Audit of Property Tax Lottery Credit	Determine whether lottery credits on residential property tax bills are accurate and comply with eligibility requirements.
4	2/07	Audit of Health Clinic Cashiering	Evaluate cashiering controls. Determine whether cash and checks were deposited and recorded in a timely manner.
5	3/07	Audit of Water Cashiering	Evaluate cashiering controls. Determine whether cash and checks were deposited and recorded in a timely manner.
6	3/07	Audit of Commercial Property Assessment	Evaluate compliance with State requirements and professional standards for commercial property assessments. Evaluate accuracy of assessment data and uniformity of assessments. Evaluate controls over the assessment process.
7	3/07	Audits of IT Network Security	Follow-up on the IT security risk assessment with audits of the interconnected City department computer networks.
8	4/07	Audit of City Sewer Maintenance Fund	Identify the activities, revenues and costs of the Sewer Maintenance Fund. Select Fund aspects to be audited. Audit objectives to be determined.
9		Other Audits to be Determined	