

FISCAL REVIEW SECTION – LEGISLATIVE REFERENCE BUREAU

EXECUTIVE SUMMARY: 2008 Budget Summary – Comptroller’s Office

1. The 2008 Proposed Budget includes \$639,218 for the Professional Services account. This is a \$59,382 reduction in funding from the \$698,600 provided in the 2007 Budget. The proposed reduction will limit the Comptroller’s ability to hire outside consultants to assist in audits. (Page 2)
2. The Comptroller’s Office indicates the Audit Division’s use of outside consultants to provide the Comptroller’s Office and its staff auditors with technical consulting assistance in areas where staff does not have sufficient subject matter expertise program will be funded at a reduced level in 2008. (Pages 3 & 4)
3. Audits planned for 2008 include the following:
 - Audit of ITMD Data Center Physical Security
 - Possible Follow-up Audit to Jefferson Wells 2006 City WAN Audit
 - Audit of Commercial Property Assessments
 - Annual Audit of Treasurer Cashiering
 - Audit of Water Cashiering
 - Audit of Sewer Maintenance Fund
 - Audit of City Department IT Network Security
 - Audit of the Port
 - Audit of the Paving Program
 - Audit of Election Commission Absentee Ballot Processing (Pages 4 & 5)
4. For 2008, the Comptroller’s Office has requested \$728,000 in CDBG funding which will support the salaries and fringe benefits of certain positions in the Office. The proposed funding is \$675,000 for CDBG and \$89,000 for HOME. The Comptroller’s Office will need reprogramming fund of \$53,000 from CDBG and \$32,000 from HOME for necessary accounting and auditing services for these grants. (Pages 5)
5. The 2008 Proposed Budget provides funding for the 8 special purpose accounts that will be administered by the Comptroller. (Pages 5, 6 & 7)

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DEPARTMENTAL BUDGET SUMMARY: Comptroller's Office

Expense Category	2006 Actual	2007 Budget	% Change	2008 Proposed*	% Change
Operating*	\$ 5,374,999	\$ 5,578,279	4%	\$ 5,395,594	-3%
Capital	\$ -	\$ -	0%	\$ -	0%
Positions	67	66	-1%	66	0%

* includes O &M and non O & M Funded positions

Historical Information

1. In 1994, the Public Debt Commission approved modifications to the City's Official Statements to emphasize the City's commitment to minority participation in competitive bond offering.
2. In 1997, the Public Debt Commission approved the current Public Debt Amortization Fund (PDAF) balance and withdrawal policy. The policy utilizes measurements of non-self-sustaining (tax levy) general obligation (GO) debt outstanding as the basis for determining PDAF size and withdrawal parameters.
3. In 2001, the Common Council approved the Department of Employee Relations' recommendations regarding the reallocation for compensation for the majority of the positions in the Comptroller's Office. The reallocation was done to address the high employee turnover and difficulty in attracting candidates to fill accounting positions the Comptroller's Office was experiencing because of the nation-wide demand for accounting professionals.
4. The City implemented the Governmental Accounting Standards Board (GASB) Statement 34 in 2003 for its 2002 financial reporting. GASB 34 is intended to make financial statements more useful to its users.
5. The 2004 Budget consolidated the Public Debt Commission's budget with the Comptroller's Office budget.

Personnel

Vacancies

Assistant City Payroll Manager – Due to payroll system upgrade, the Comptroller's Office has temporarily delayed filling this position so the current payroll staff could focus on payroll processing and a system upgrade without the responsibility of training a new employee. After the system upgrade is completed, the Comptroller's Office plans to work on filling this position.

Information System (IS) Auditor Senior – This IS auditor position became vacant in August 2004. The Comptroller's Office and DER were unsuccessful at finding a qualified candidate at the current salary grade. The 2007 and 2008

budgets transfers a portion of the funding for this position to the professional services account so that outside information technology consultants can be hired to assist the Comptroller's Office on IT audits.

Auditor Lead – This position became vacant in July 2007 and the Comptroller's Office is working with DER to fill the position as soon as possible.

Administrative Assistant II – Filling this position has been temporary delayed. However, this position is the receptionist for the Comptroller's Office which is a necessary function for the Comptroller's Office

Three Auditing Specialists – Two of these positions have been vacant since 1999 with a portion of their funding transferred to the professional services account and used to hire outside consultants that assisted the Comptroller's Office on the major City audits. The third position became vacant in May 2007 and the Comptroller's Office is working with DER to fill this position as soon as possible.

Management Accounting Specialist-Sr. – This position has been vacant since April 2007 and will be filled as soon as possible. Although this position works with grants, it is not grant funded.

Operating Expenditures

Professional Services

The 2008 Proposed Budget includes \$639,218 for the Professional Services account. This is a \$59,382 decrease in funding from the \$698,600 provided in the 2007 Budget.

The itemized expected expenditures for 2008 Professional Services Account are as follows:

Debt Issuance Expenses	\$ 397,200
Audit Services	117,018
Payroll & Financial System	60,000
Accounting Issues	50,000
Miscellaneous Services	<u>15,000</u>
Total	\$ 639,218

The \$59,382 decrease in funding for professional services from the funding provided in 2007 is primarily due to a reduction in the funding for consulting services. The 2008 Proposed Budget reduction will result in a \$47,982 reduction funding for Auditing Services. Based on transferring the salaries of 3 vacant auditing positions, the Comptroller's Office had requested \$165,000 for auditing services. The proposed reduction will the limit the Comptroller's ability to hire outside consultants to assist in audits.

Other Operating Services

In the 2008 Proposed Budget, \$99,500 is provided in the Comptroller's Office for Other Operating Services. This is a slight decrease (\$1,000) in funding from the \$100,500 provided in the 2007 Budget.

The itemized expected expenditures for 2008 Other Operating Services Account are as follows:

Comprehensive Annual Financial Report	\$ 15,000
Accounting Training	17,000
PeopleSoft Training	10,300
Other Training	1,000
Public Debt Training & Rating Agencies Visits	6,500
Equipment Maintenance	11,700
Payroll Key punching	35,000
YES Program	1,250
Miscellaneous	<u>1,800</u>
Total	\$ 99,550

Auditing

As shown on page 2 and 3, the Comptroller's Office Audit Division's use of outside consultants to provide the Comptroller's Office and its staff auditors with technical consulting assistance in areas where staff does not have sufficient subject matter expertise will be funded at a reduced level in 2008.

The use of outside consultants has allowed the office to successfully complete some audits that may not have been possible without this consulting assistance. As in the previous years, two auditing specialist positions will remain vacant to offset the cost of audit related consulting services.

In recent years, examples of audits using outside consultants include the following: In 2003, the office issued an audit of the MPD 3rd District Capital Project, utilizing assistance from a national consulting engineering firm. In 2005 the Comptroller issued a Security Risk Assessment of City computer networks, with technical consultant assistance. During 2006 and early 2007 an outside engineering consultant assisted on the audit of the City Canal Street Capital Project, issued in March 2007. During 2006 and the first half of 2007 law enforcement consultants assisted on audits of MPD overtime and the MPD Crime Data System, issued in June and July 2007. A construction industry consultant is currently assisting the Comptroller's Office on an audit of the Wisconsin Avenue Streetscape Project. Also, an information technology consultant is assisting on an IT security audit of external connections to City computer networks. Both of these consultant assisted audits are expected to be issued in 2007.

The preliminary Comptroller's Office audit plan for 2008 includes several audits that will require consulting assistance. Consultants will likely be involved in the following audits, although the specific consulting tasks have not yet been determined.

- Audit of Commercial Property Assessments
- Audit of the Sewer Maintenance Fund
- Audits of IT Network Security
- Audit of the DPW Paving Program

The table below shows the audits the Comptroller's Office completed in 2006.

Audits Completed in 2006	
<i>Subject</i>	<i>Date Issued</i>
Audit of 2005 W-2s	1/17/06
Audit of DPW Resident Preference and EBE Programs	2/16/06
Audit of DPW Procurement	4/6/06
Audit Treasurer Cash Storage	5/31/06
Audit of NIDC Loan Portfolio	6/19/06
Audit Comparison of Employee and Vendor Files	letter issued 10/6/06
Cable Television franchise	(support throughout the year)
TID support, including reviews of contracts, resolutions and payments throughout the year.	
Accounting support throughout the year, including the police trust account, mobile home billings, and parking permit reconciliations	

The table below shows the audits the Comptroller's Office completed in 2007.

Audits Completed in 2007	
<i>Subject</i>	<i>Date Issued</i>
Audit of BID Loans	2/21/07
Audit of Canal Street Capital Project	3/2/07
Audit of payroll non-discretionary bonuses	3/12/07
Audit of 2006 W-2s	5/30/07
Audit of MPD Overtime	6/18/07
Audit of MPD Crime Data System	7/19/07
Review of MPD Pole Camera Funding	8/1/07

The following audits are currently being conducted or are planned for 2007:

- Audit of Lottery Tax Credit
- Audit of Treasurer Cashiering
- Audit of Wisconsin Ave Streetscape Project (Jefferson Wells)
- Audit of Tow Lot Cashiering
- Audit Hotline Annual Report
- Audit of the Recycling Program
- Audit of External Connections to City WAN (Jefferson Wells)
- Review of Capital Project Closeouts
- Audit of Health Clinic Cashiering
- Cable Television franchise support throughout the year
- TID support throughout the year, including reviews of contracts, resolutions and payments
- Accounting support throughout the year, including the police trust account, mobile home billings, and parking permit reconciliations

The following audits are currently being conducted or are planned for 2008:

- Audit of 2007 W-2s
- Audit of ITMD Data Center Physical Security
- Possible Follow-up Audit to Jefferson Wells 2006 City WAN Audit

- Audit of Commercial Property Assessments
- Annual Audit of Treasurer Cashiering
- Audit of Water Cashiering
- Audit of Sewer Maintenance Fund
- Audit of City Department IT Network Security
- Audit of the Port
- Audit of the Paving Program
- Audit of Department Coordination Real Property Services
- Audit of Election Commission Absentee Ballot Processing
- Audit Hotline Annual Report
- Cable Television franchise support throughout the year
- TID support throughout the year, including reviews of contracts, resolutions and payments

CDBG Funding

For 2008, the Comptroller's Office has requested \$728,000 in CDBG funding to support the salaries and fringes for CDBG accounting and auditing services that are performed by a staff of 11 full-time positions and one part-time intern. The proposed funding is \$675,000 for the CDBG. The Comptroller's Office will need reprogramming fund of \$53,000 from CDBG for necessary accounting and auditing services for the CDBG grant.

Activities performed exclusively by the CDBG funded staff of the Comptroller's Office include:

- Perform preliminary reviews for newly funded agencies and financial site reviews for existing funded agencies in accordance with the requirements of the Federal government's Office of Management and Budget (OMB).
- Determine the amount of issue, monitor and control operating cash advances to subrecipient agencies.
- Review, comment, and follow-up on OMB's mandated audits of subrecipient agencies.
- Prepare financial statements and the Single Audit Report.
- Determine, prepare and submit the listing of Federal Cash Transactions and the Quarterly Reconciliation of the City's lines of credit with the Federal Government.

The Comptroller's Office has also requested \$121,000 in HOME funds, which will be administered by the Department of Administration, as a reimbursable for the fiscal oversight the Office provides to the HOME program. The proposed funding is \$89,000 for HOME. The Comptroller's Office will need reprogramming fund of \$32,000 from HOME for necessary accounting and auditing services for the HOME grant.

Special Purpose Accounts

Special purpose accounts are not included in departmental budgets, but expenditure authority over such accounts is typically extended to a department via Council resolution. The 2008 Proposed Budget provides funding for the 8 Special Purpose Accounts that will be administered by the Comptroller:

Annual Payment to DNR (\$7,100): The \$7,100 is the same amount as provided in the 2007 Budget. This account represents a refund to the State Department of Natural Resources (DNR) of its payment-in-lieu-of-taxes to the City for the operation and maintenance of the Havenwoods property. The City has agreed to return each annual payment to the DNR for park operations and maintenance costs.

Boards and Commissions Reimbursement Expense (\$20,000): The \$20,000 is \$2,000 less than the amount provided in the 2007 Budget. This account funds the reimbursement of private citizens who serve on City boards and commissions for expenses related to their service. Reimbursement is set at \$20 per meeting, with a maximum of 12 meetings a year. Members of the Board of Assessment receive \$60 per meeting and members of the Administrative Review Board receive \$180 per meeting. Members of other City boards and commissions are paid through departmental administrative funds.

Care of Prisoners Fund (\$167,000): The \$167,000 is \$13,000 less than the amount provided in the 2007 Budget and is based on The Comptroller's annual analysis of recent data for this account. This account funds the costs of reimbursing the County for transporting and housing costs of persons convicted of City violations and sentenced to the House of Corrections. For several years there has been a dispute between the City and Milwaukee County over the method of determining the appropriate per diem rate to be charged for boarding prisoners at the House of Corrections. Absent an agreement with the County as to the appropriate method for resolving the dispute, the City Attorney has recommended the City's current practice of only allowing charges specified in a 1964 Court decision related to this issue.

Contribution Fund-General (\$1,900,000): The \$1,900,000 is an increase of \$200,000 from the amount of funding that was provided in 2007. The amount reflects growth in Federal assets forfeiture funds, extension of the Library Foundation resolution, and continuing trend of departments seeking contributions to fund special projects. This account provides expenditure authority for any contribution received during the year. Expenditures are made in accordance with Section 304-24 of the Milwaukee Code of Ordinances. This account has a revenue offset, and therefore, does not have a tax levy impact.

Firemen's Relief Fund (\$133,000): This is a \$16,000 increase from the \$117,000 that was provided in the 2007 Budget. This account helps defray the costs of the Fire Department Relief Association, established under Section 20-18 of the City Charter. The Association provides assistance to injured or fatally injured firefighters and their families. Funding is set per Charter, and represents 1/8 of the State Aids for Fire Insurance Premiums ("Fire Dues").

Low Interest Mortgage Program (\$7,500): This is the same amount that was provided in the 2007 Budget. The Low Interest Mortgage Program Enterprise Fund was closed at year-end 1996 and all-outstanding mortgages transferred to the General Fund. No new loans have been made since 1985 and the General Obligation debt used to finance the mortgages has been retired. There are approximately 11 mortgages with an outstanding value of approximately \$92,444. This account provides expenditure authority for servicing fees, insurance and foreclosure costs associated with those mortgages. This special purpose account will require annual appropriations until the remaining mortgages are paid. The Comptroller's Office estimates 2008 revenue of \$30,000 from mortgage interest, which should decline as mortgages are repaid.

MMSD-Sewer User Charge Pass Through Less Cost Recovery from Sewer User Charge (net of \$1): This account provides authority to administer the billing of MMSD sewer user charges by the City. The account is revenue offset.

Reserve for 27th Payroll (\$1,500,000): This account is used for the accrual of extra days' salary costs beyond the annual standard of 26 pay periods. City employees are paid bi-weekly with the salary and wages recorded for full pay periods only. A 27th pay period occurs once every 11 years, most recently in 2005. The accruals are made in accordance with Generally Accepted Accounting Principles. Funding this SPA annually avoids a huge tax levy impact every 11 years when funds are required for the 27th pay period. The next year where 27 payrolls occur is 2016.

Departmental Revenues

The 2008 estimated revenue for the Comptroller's Office is a \$85,000 decrease from the 2007 estimate. The decrease is related to a reduction in reimbursable debt issuance costs.

Category	2006 Actual	2007 Budget	% Change	2008 Proposed	% Change
Charges for Services	\$560,043	\$545,000	-2.7%	\$460,000	-15.6%

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