

FISCAL REVIEW SECTION – LEGISLATIVE REFERENCE BUREAU

EXECUTIVE SUMMARY: 2009 Budget Summary – Comptroller's Office

1. The 2009 Proposed Budget includes \$599,360 for the Professional Services account. This is a \$36,840 decrease in funding from the \$636,840 provided in the 2008 Budget. (Pages 2 & 3)
2. The Comptroller's Office's 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 continue to be funded in 2009. (Pages 3 & 4)
3. Audits planned for 2009 include the following:
 - Audit of the West Pointe Condo Project
 - Audit of the Solid Waste Sanitation Program
 - Audit of IT Network
 - Audit of the Sewer Maintenance Fund (consultant assisted)
 - Audit of IT Change Management or Backup and Recovery (Pages 5 & 6)
4. For 2009, the Comptroller's Office has requested \$733,000 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. However the Comptroller's Office has been informed that the Mayor's recommended CDBG allocation could be \$158,000 less than the amount requested. (Page 6)
5. The 2009 Proposed Budget provides funding for the 8 special purpose accounts that will be administered by the Comptroller. (Pages 6, 7 & 8)

RESEARCH AND ANALYSIS SECTION – LEGISLATIVE REFERENCE BUREAU

DEPARTMENTAL BUDGET SUMMARY: Comptroller's Office

Expense Category	2007 Actual*	2008 Budget*	% Change	2009 Proposed*	% Change
Operating*	\$ 5,135,131	\$ 5,395,594	5%	\$ 5,483,015	2%
Capital	\$ -	\$ -	0%	\$ -	0%
Positions	66	66	0%	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 Relation's 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

2 - Information System (IS) Auditor Senior positions – One IS auditor position has been vacant since August 2004 and there is no current plan to fill it. The 2009 budget transfers 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 future IT audits. The second IS auditor position has been vacant since April 2008. A request to fill this second

position was submitted but has not yet been approved by the Finance and Personnel Committee. Recruitment will begin as soon as it is authorized for filling.

2 - Auditing Specialist positions: These positions have been vacant since 1999 and there is no current plan to fill them. Funding for these positions is budgeted in the professional services account and used for outside consultants that assist the Comptroller's Office on major City audits (See page 3)

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

Accounting Program Assistant I – This position is vacant due to a retirement. The position provides important clerical functions in account payables and the Comptroller's Office would like to expand the duties of this position into electronic record management.

Personnel Cost Adjustment

The Comptroller's Office's 2009 Personnel Cost Adjustment is increased to \$193,128 from the \$76,985 adjusted in 2008 and from \$79,681 in the Comptroller's request for the 2009 budget in May 2008. The Comptroller's Office was informed that the Mayor's recommended CDBG allocation could be \$158,000 less than the requested amount. According to the Comptroller's Office the increase in the 2009 Comptroller's personnel cost adjustment is being proposed by the Administration to offset a portion of the \$158,000 proposed reduction in CDBG funding for the Comptroller's Office.

Operating Expenditures

Professional Services

The 2009 Proposed Budget includes \$599,360 for the Professional Services account. This is a \$39,858 decrease in funding from the \$639,218 provided in the 2008 Budget.

The itemized expected expenditures for 2009 Professional Services Account are as follows:

Debt Issuance Expenses	\$ 381,200
Audit Services	160,000
Accounting Issues	50,000
Miscellaneous Services	<u>8,160</u>
	\$599,360

The \$39,858 decrease in funding for professional services from the funding provided in 2008 is due to the elimination of funding for FMIS consultants (\$60,000), a reduction in the funding for debt issuance expenses (\$16,000), and \$6,840 reduction in funding for miscellaneous services. These reductions are partially offset by an increase in funding for audit services (\$42,298).

Other Operating Services

In the Comptroller’s Office 2009 Proposed Budget, \$74,450 is provided for Other Operating Services. This is a \$25,100 decrease in funding from the \$99,550 provided in the 2008 Budget. The decrease is primarily due to the elimination of key punching costs (\$35,000). The Fire Department timecards are now on the City’s time entry system which eliminates the need for keypunching these timecards. It is anticipated that time card adjustments will be processed through the time entry system by 2009. Key punching will no longer be needed to process payroll. The reduction in key punching costs is partially offset by shifting debt issuance printing costs to this account (\$13,000).

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

Comprehensive Annual Financial Report	\$ 12,000
Debt Issuance Printing Costs	13,000
Accounting Training	17,000
PeopleSoft Training	9,300
Other Training	1,000
Public Debt Training & Rating Agencies Visits	6,500
Equipment Maintenance	10,000
YES Program	1,500
Miscellaneous	<u>4,150</u>
Total	\$ 74,550

Auditing

The use of outside consultants has allowed the office to successfully complete some audits that may not have been possible without this assistance. As in the previous years, auditing positions will remain vacant in 2009 to offset the cost of audit related consulting services.

During 2006 and early 2007 an outside engineering consultant assisted on an audit of the City Canal Street Capital Project, issued in March 2007. During 2006 and the first half of 2007 a law enforcement consultant assisted on audits of MPD overtime and the MPD Crime Data System, issued in June and July 2007. During 2007 a construction industry consultant conducted an audit of the Wisconsin Avenue Streetscape Project. Also, an information technology consultant conducted an IT security review of external connections to the City computer network. During 2008 a consulting engineer is assisting on an audit of

the street paving program, an appraisal consultant is assisting on an audit of commercial property assessments, an IT consultant is helping to develop an IT audit plan, and a CPA firm under contract is conducting an audit of Port of Milwaukee assets.

The preliminary Comptroller's Office audit plan for 2009 includes the following audits that will require consulting assistance.

Audit of the Sewer Maintenance Fund
Audits of IT Network Security

The following internal audits and other major assignments were completed in 2007.

First Quarter:

- Audit of City Loans to BIDs, issued 2/21/07
- Audit of the Canal Street Project, issued 3/2/07
- Audit of payroll non-discretionary bonuses, internal memo issued 3/12/07

Second Quarter:

- Audit of 2006 payroll W-2s, internal memo issued 5/30/07
- Audit of MPD Overtime (consultant assisted), issued 6/18/07

Third Quarter:

- Audit of the MPD Crime Data System (consultant assisted), issued 7/19/07.
- Review of MPD Pole Camera Funding, letter issued 8/1/07.

Fourth Quarter:

- IT Network Discovery and Enumeration Report (consultant conducted), issued 11/30/07
- Hotline Annual Report, issued 11/30/07
- Audit of East Wisconsin Avenue Repaving Project (consultant conducted), issued 12/10/07
- 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 internal audits and other major assignments were completed and are planned for 2008.

First Quarter (Actual):

- Audit of Tow Lot Cashiering, issued 2/8/08
- Audit of 2007 W-2s, internal memo issued 2/27/08

Second Quarter (Actual):

- Audit of Port Leases, letter issued 4/18/08
- Audit of the Recycling Program, issued 6/20/08
- Audit of Treasurer Cashiering, issued 6/25/08

Third Quarter (Actual and Planned):

- Audit of Property Tax Lottery Credits, letters issued 7/8/08
- Audit of Election Commission Absentee Ballot Voting

Fourth Quarter (Planned):

- Audit of Port Fixed Assets (consultant conducted)
- Audit of the Street Paving Program (consultant assisted)
- Audit of Commercial Property Assessments (consultant assisted)
- Hotline Annual Report
- 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, House of Corrections billings

The following internal audits and other major assignments are planned for 2009.

First Quarter (Planned):

- Audit of 2008 W-2s
- Audit of Water Cashiering

Second Quarter (Planned):

- Audit of Treasurer Cashiering

Third Quarter (Planned):

- Audit of the West Pointe Condo Project
- Audit of the Solid Waste Sanitation Program
- Audit of IT Network Security (consultant conducted)

Fourth Quarter (Planned):

- Audit of the Sewer Maintenance Fund (consultant assisted)
- Audit of IT Change Management or Backup and Recovery (consultant conducted)
- Audit of DPW Inventories
- Audit to be determined
- Hotline Annual Report
- 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, House of Corrections billings

CDBG Funding

For 2009, the Comptroller's Office has requested \$733,000 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. However the Comptroller's Office has been informed that the Mayor's recommended CDBG allocation could be \$158,000 less than the amount requested. The proposed Budget increases the Comptroller's personnel cost adjustment and decreases the Comptroller's 2009 professional services budget to offset the \$158,000 proposed reduction in CDBG funding for the Comptroller's Office. These two actions result in tax levy funding being used to partially fund positions that were previously funded with CDBG funding.

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 \$99,500 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 Comptroller's Office has been informed that the Mayor's recommended HOME allocation is about \$10,000 less than the amount requested.

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 2009 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 2008 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 the same amount as provided in the 2008 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 (\$78,000): 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. This amount is \$89,000 less than the \$167,000 provided in the 2008 Budget and is based on The Comptroller's annual analysis of recent data for this account. In 2007, the Comptroller's Office discovered that the House of Correction has been billing the City for some prisoners held at the County Jail. Since that time, the Comptroller's Office has been adjusting the County invoices to eliminate charges related to the Jail. This accounts for the significant decrease in the 2009 proposed budget. This billing issue is being referred to the City Attorney for review.

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 (\$2,100,000): The \$2,100,000 is an increase of \$200,000 from the amount of funding that was provided in 2008. The increase is based on contribution revenue resolution authority, growth in Federal assets forfeiture funds 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 (\$140,000): This is a \$7,000 increase from the \$133,000 that was provided in the 2008 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 (\$1,000): This is a \$6,500 reduction from the amount that was provided in the 2008 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 9 mortgages with an outstanding value of approximately \$63,409. 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 2009 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 2009 estimated revenue for the Comptroller's Office is a \$254,100 decrease from the 2008 estimate. The decrease is related to an accounting change that resulted in the elimination of charges to the Public Debt Commission.

Category	2007 Actual	2008 Budget	% Change	2009 Proposed	% Change
Charges for Services	\$249,070	\$460,000	84.7%	\$254,100	-44.8%