



**Audit of Milwaukee Water Works
Billing to Cash**

AYCHA SAWA
City Comptroller

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November 2022

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November 16, 2022

Honorable Cavalier Johnson, Mayor
The Members of the Common Council

Dear Mayor and Council Members:

The attached report summarizes the results of the Audit of Milwaukee Water Works (MWW) Billing to Cash. The scope of the audit was:

- Milwaukee Water Works billings, cash application, and cash handling from January 1, 2021 through June 30, 2022. Treasurer's Office billings and cash handling and accuracy of billing inputs are excluded from the audit.

The primary focus of the audit was to evaluate whether the internal controls in place over billing, cash application, and cash handling were designed adequately and operating effectively. The audit objectives were to:

- Determine if billing is accurate based on given inputs,
- Determine if cash is applied timely and accurately, and
- Determine if cash is handled properly.

The audit concluded that billing, cash application, and cash handling controls are adequately designed and operating effectively resulting in accurate billing, timely and accurate payment application, and proper safeguarding of cash.

Appreciation is expressed for the cooperation extended to the auditors by personnel of Milwaukee Water Works.

Sincerely,

Handwritten signature of Charles Roedel in black ink.

Charles Roedel, CPA, CIA
Audit Manager

CRR



Why We Did This Audit

Municipal billings are significant to City revenues.

Objectives

The objectives of the audit were to:

- Determine if billing is accurate based on given inputs
- Determine if cash is applied timely and accurately, and
- Determine if cash is handled properly.

Background

Milwaukee Water Works Division of the Public Works Department is an Enterprise Fund that is responsible for approximately 40% of the non-governmental revenues of the City of Milwaukee. Milwaukee Water Works bills for municipal services including: water service, water usage, Milwaukee Metropolitan Sewerage District (MMSD) sewer treatment service, MMSD sewer treatment usage, street lighting, solid waste, local sewerage, snow and ice removal, extra garbage cart, and storm water management. Water service area includes retail customers in Milwaukee, St. Francis, Greenfield, Hales Corners, and West Milwaukee, and wholesale customers Mequon, Thiensville, Menomonee Falls, Brown Deer, Butler, Shorewood, New Berlin, West Allis, Greendale, and the Milwaukee County Grounds. Milwaukee Water Works revenues were \$104M in 2021.

Audit Report Highlights

Audit of Milwaukee Water Works Billing to Cash

Overview

Billing, cash application, and cash handling controls are adequately designed and operating effectively resulting in accurate billing, timely and accurate cash application, and proper safeguarding of cash.

Results of Control Testing

Billing completeness and accuracy: Internal Audit randomly sampled volume transmissions from MV-RS to enQuesta and concluded that volumes were successfully transmitted from MV-RS to enQuesta. Additionally, Internal Audit judgmentally sampled each wholesale customer, a variety of setups, and a random sample, and concluded that bills were calculated accurately.

Payment application timeliness and accuracy: Internal Audit concluded through inquiry and observation that payments are applied timely and accurately.

Cash handling and safeguarding: Internal Audit observed the cashier setup and concluded that cash was adequately safeguarded. Additionally, Internal Audit selected a random sample of workdays and concluded that reconciliations are being performed.

I. Audit Scope, Objectives, and Methodology

Scope

Milwaukee Water Works billings, cash application, and cash handling from January 1, 2021 through June 30, 2022. Treasurer's Office billings and cash handling and accuracy of billing inputs are excluded from the audit.

Objectives

The objectives of the audit were to:

- Determine if billing is accurate based on given inputs,
- Determine if cash is applied timely and accurately, and
- Determine if cash is handled properly.

The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. Internal Audit believes that the evidence obtained provides a reasonable basis for the audit's findings and conclusions based on the audit objectives.

Methodology

Audit methodology included developing an understanding of the processes and controls over Milwaukee Water Works billing to cash. The audit program was developed using criteria outlined by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). These present a methodology for performing audits in accordance with professional standards as presented in Government Auditing Standards (also known as the "Yellow Book"), which was used as a reference and program development guide for the planning of this audit.

II. Organization and Fiscal Impact

Milwaukee Water Works Division of the Public Works Department is an Enterprise Fund that is responsible for approximately 40% of the non-governmental revenues of the City of Milwaukee. Milwaukee Water Works bills for municipal services including: water service, water usage, Milwaukee Metropolitan Sewerage District (MMSD) sewer treatment service, MMSD sewer treatment usage, street lighting, solid waste, local sewerage, snow and ice removal, extra garbage cart, and

storm water management. Water service area includes retail customers in Milwaukee, St. Francis, Greenfield, Hales Corners, and West Milwaukee, and wholesale customers Mequon, Thiensville, Menomonee Falls, Brown Deer, Butler, Shorewood, New Berlin, West Allis, Greendale, and the Milwaukee County Grounds. Milwaukee Water Works had revenues of \$104M in 2021, which excludes non-Milwaukee Water Works revenues that are on the municipal services bill.

III. Audit Conclusions

Billing, cash application, and cash handling controls are adequately designed and operating effectively resulting in accurate billing, timely and accurate payment application, and proper safeguarding of cash.

Billing

MV-RS is the system used to capture water volume data. Internal Audit received a weekly report of MV-RS volumes for the last week of the audit period due to information availability. From the MV-RS report, Internal Audit randomly sampled 30 volumes. Internal Audit then received a report from the billing system, enQuesta, to validate that MV-RS volumes were transmitted completely and accurately to enQuesta. Internal Audit concluded that volumes were successfully transmitted from MV-RS to enQuesta. Further, Internal Audit followed the volume through to the municipal services bills and concluded that volumes were complete and accurate in the municipal services bills.

Internal Audit judgmentally sampled 10 wholesale customers, 10 City of Milwaukee quarterly customers, 34 Milwaukee monthly customers, 10 suburban customers, nine West Milwaukee quarterly customers, 14 West Milwaukee monthly customers, and the random sample of 30 customers that was used in volume transmission testing. Wholesale customers were chosen due to the financial significance of the customers. The other judgmental selections were selected to increase coverage of billing setups (e.g., meter sizes). Internal Audit concluded that the bills were calculated and billed accurately.

Payment Application

Unapplied and misapplied payments are monitored on a daily basis. The Billing Department utilizes an overage report to identify misapplied payments. The report is distributed to cashiers who investigate, identify, and make the necessary adjustments. Additionally, cashiers research unapplied payments that may occur when checks with missing information are received via the mail. The cashiers investigate,

identify the correct account, and apply the payment accordingly. Internal Audit concluded through inquiry and observation that payments are applied timely and accurately.

Cash Handling and Safeguarding

Customers are able to pay their municipal services bill at the Milwaukee Water Works counter in the Zeidler Municipal Building Room 406. Internal Audit observed and evaluated the cashiering setup and concluded that cash is adequately safeguarded.

Cash is reconciled the following workday. Internal Audit randomly selected 15 workdays and concluded that cash reconciliations are being performed.



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Honorable Cavalier Johnson, Mayor
The Members of the Common Council

Dear Mayor and Council Members:

With this letter, the Office of the City Comptroller acknowledges receipt of the preceding report, which communicates the results of the Audit of Milwaukee Water Works Billing to Cash. I have read the report and support its conclusions. Implementation of the stated recommendations will help improve City processes.

As the City Comptroller, I was not involved in any portion of the work conducted in connection with the audit. At all times, the Internal Audit Division worked autonomously in order to maintain the integrity, objectivity, and independence of the audit, both in fact and in appearance.

Sincerely,

A handwritten signature in black ink, appearing to read "Aycha Sawa".

Aycha Sawa, CPA, CIA
Comptroller