



**Internal Audit Peer Review
Report for the Period
January 1, 2019 through
December 31, 2021**

AYCHA SAWA
City Comptroller

CHARLES ROEDEL
Audit Manager

November 2022

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Aycha Sawa, CPA, CIA
Comptroller

Bill Christianson
Deputy Comptroller

Toni Biscobing
Special Deputy Comptroller

Richard Bare, CPA
Special Deputy Comptroller

November 7, 2022

Honorable Cavalier Johnson, Mayor
The Members of the Common Council
City of Milwaukee
Milwaukee, WI 53202

Dear Mayor and Council Members:

The attached report communicates the results of our most recent external quality control review, also known as a peer review. For one week, a team of external government auditors were onsite to assess the Internal Audit Division's workpapers, policies and procedures, and reporting. The peer review team concluded that the Internal Audit Division's internal quality control system in place from January 1, 2019 through December 31, 2021 is suitably designed and operating effectively, and that we are in full compliance with Government Auditing Standards (GAS). This determination is the highest level of compliance provided by the Association of Local Government Auditors.

The reporting includes a companion letter noting areas where the Internal Audit Division excels including personnel development and quality assurance review. The peer review team also provided suggestions to further enhance our procedures and demonstrated adherence to GAS. Audit Management's response to these suggestions is attached.

The successful completion of this peer review allows us to report that the Internal Audit Division's work exhibits an outstanding level of quality per standards and conducts its operations autonomously. This provides city leadership, auditees, and the public reasonable assurance that each audit demonstrates objectivity, accuracy, and independence in both fact and appearance.

Please contact me if you have any questions about the peer review process and how the Internal Audit Division implements and maintains compliance with GAS.

Sincerely,

A handwritten signature in cursive script that reads "Charles Roedel".

Charles Roedel, CPA, CIA
Audit Manager



External Quality Control Review

of the
CITY OF MILWAUKEE
INTERNAL AUDIT DIVISION

Conducted in accordance with guidelines of the
**Association of Local Government
Auditors**

for the period from January 1, 2019, through
December 31, 2021



Association of Local Government Auditors

September 1, 2022

Charles Roedel, Audit Manager
200 East Wells Street
Milwaukee, WI 53202

Dear Mr. Roedel,

We have completed a peer review of the City of Milwaukee's Internal Audit Division for the period January 1, 2019, through December 31, 2021. In accordance with generally accepted government auditing standards peer review requirements, we followed the standards and guidelines contained in the *Peer Review Guide* published by the Association of Local Government Auditors (ALGA).

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine whether your internal quality control system was adequately designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States and applicable legal and regulatory requirements. Our procedures included:

- Reviewing the audit organization's written policies and procedures.
- Reviewing internal monitoring procedures.
- Reviewing a sample of audit engagements and working papers.
- Reviewing documents related to independence, training, and development of auditing staff.
- Interviewing auditing staff to assess their understanding of, and compliance with, relevant quality control policies and procedures.

Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case but does imply adherence in most situations. Organizations can receive a rating of pass, pass with deficiencies, or fail. The City of Milwaukee's Internal Audit Division has received a rating of pass.

Further, based on the results of our review, it is our opinion that the City of Milwaukee Internal Audit Division's internal quality control system was adequately designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* and applicable legal and regulatory requirements for audits during the period from January 1, 2019, through December 31, 2021.

We have prepared a separate letter offering suggestions to further strengthen your internal quality control system.

Vivian Walker
City of Tampa

Candice Lindstrom
Milwaukee County Office of
the Comptroller – Audit
Services Division



Association of Local Government Auditors

September 1, 2022

Charles Roedel, Audit Manager
200 East Wells Street
Milwaukee, WI 53202

Dear Mr. Roedel,

We have completed a peer review of the City of Milwaukee's Internal Audit Division for the period January 1, 2019, through December 31, 2021, and issued our report thereon dated September 1, 2022. We are issuing this companion letter to offer certain observations and suggestions stemming from our peer review.

We would like to mention some of the areas in which we believe your office excels:

- Management has developed a training program to allow entry-level Audit staff to gain the knowledge and skills for quality internal audits.
- Management has developed a quality assurance review process that will increase the compliance with standards on a project-by-project basis.

We offer the following observations and suggestions to help your organization achieve full compliance with *Government Auditing Standards*:

- **Standard 9.14** requires that auditors should include the "evidence-gathering and evidence-analysis techniques, in sufficient detail to allow knowledgeable users of their reports to understand how the auditors addressed the audit objectives." Additionally, the standard requires that auditors should, "when the results of sample testing significantly support the auditors' findings, conclusions, or recommendations, describe the sample design and state why the design was chosen, including whether the results can be projected to the intended population." Your internal policy describes documenting sampling methods in the working papers but not the report. Our review of working papers disclosed detail information for how testing would be completed. However, the report did not include the same level of detail. This standard was noted in the prior peer review.

We suggest that Audit Management incorporate the same level of details used to support the work performed in their planning documents when preparing their reports.

- **Standard 5.24** requires a policy and procedure to provide reasonable assurance that an "appropriate consultation takes place on difficult or contentious issues that arise among engagement team members in the course of conducting a GAGAS engagement." A discussion with Management indicated that there is no written policy or procedure for this standard.

We suggest that Management update their current policy to identify the actions to be taken if team members encounter "difficult or contentious issues."

- **Standard 8.27** requires auditors to "inquire of management of the audited entity whether any investigations or legal proceedings significant to the audit objectives have been initiated or

are in process with respect to the period under audit and should evaluate the effect of initiated or in-process investigations or legal proceedings on the current audit." Our review of working papers did not document that this type of inquiry was performed. However, Management did provide an example of this information being obtained because of the awareness of a recent event.

We suggest that Management incorporate a specific question during their entrance conference presentation that would identify any legal proceedings or investigations that may be pertinent to the audit objectives being discussed.

Standard 8.132 requires auditors to "prepare audit documentation related to planning, conducting, and reporting for each audit. Auditors should prepare audit documentation in sufficient detail to enable an experienced auditor, having no previous connection to the audit, to understand from the audit documentation the nature, timing, extent, and results of audit procedures performed; the evidence obtained; and its source and the conclusions reached, including evidence that supports the auditors' significant judgments and conclusions." Although it was an isolated occurrence, one audit lacked the required documents to comply with this standard.

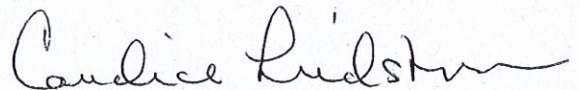
We acknowledge this was an isolated incident but suggest that Management develop a process for employees leaving the department to ensure required documentation is obtained in advance.

We extend our thanks to you, your staff, and the Comptroller for the hospitality and cooperation extended to us during our review.

Sincerely,



Vivian Walker
City of Tampa



Candice Lindstrom
Milwaukee County Office of
the Comptroller – Audit
Services Division



Aycha Sawa, CPA, CIA
Comptroller

Joshua Benson
Deputy Comptroller

Toni Biscobing
Special Deputy Comptroller

Richard Bare, CPA
Special Deputy Comptroller

September 1, 2022

Vivian Walker, CGAP, CICA
Senior Auditor
City of Tampa Internal Audit Department
315 E. Kennedy Blvd.
Tampa, FL 33602

Candice Lindstrom, MS
Lead Auditor
Milwaukee County Office of the Comptroller, Audit Services Division
633 W. Wisconsin Ave.
Milwaukee, WI 53203

Dear Ms. Walker and Ms. Lindstrom:

We have reviewed your external quality control review report dated September 1, 2022. We are pleased that the independent peer review team concluded that the City of Milwaukee Internal Audit Division's internal quality control system in place from January 1, 2019 through December 31, 2021 was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards*. This determination is the highest level of compliance provided by the Association of Local Government Auditors (ALGA).

We appreciate the review team's comments regarding areas in which the Internal Audit Division excels:

- Management has developed a training program to allow entry-level Audit staff to gain the knowledge and skills for quality internal audits.
- Management has developed a quality assurance review process that will increase the compliance with standards on a project-by-project basis.

In our efforts to continuously improve, we appreciate your observations and suggestions to further enhance our operations and demonstrated adherence to *Government Auditing Standards*, and provide the following responses:

1. Audit reports will explain in sufficient detail the evidence-gathering and evidence-analysis techniques to provide sufficient detail to stakeholders to understand how the Internal Audit Division addressed audit objectives. Additionally, the Internal Audit Division will add a requirement in our policies and procedures to describe sampling methods in audit reports.

2. Internal Audit will add a requirement in our policies and procedures to document contentious issues in whichever audit phase the issues occur.
3. Internal Audit added inquiry regarding pending investigations or legal proceedings to our Audit Risk planning document. Internal Audit will add inquiry of pending investigations or legal proceeding to our entrance conference presentations.
4. In regard to standard 8.132, as the peer reviewers note, the incident involving inadequate documentation and review of documentation was isolated. We will create a requirement in our policies and procedures to maintain up-to-date workpapers on the network drive.

We thank the peer review team for their professionalism, time, efforts, expertise, thorough review, and fairness. The City of Milwaukee Internal Audit Division will continue to benefit greatly from the peer review team's feedback and the ALGA peer review process.

Sincerely,

Charles Roedel

Charles Roedel, CPA, CIA
Audit Manager