

**Summary of Audit of City of Milwaukee Leases
Finance and Personnel Committee Meeting April 27, 2005**

Audit Scope and Objectives:

The scope of the audit included all leases to which the City of Milwaukee is a party. The objectives of the audit were to:

1. Identify all leases which have been executed by City departments and verify that copies of all leases are available in City files.
2. Evaluate City departments' oversight of leases, including enforcement of compliance of lease terms.

The audit included a survey of all City departments to identify leases to which the City is a party. The audit also examined a limited sample of eight leases administered by five departments and divisions.

Audit Conclusions:

The audit survey identified 210 City leases. The audit disclosed that individual departments' lease files contain executed copies of all leases for which they are responsible. However, the City's central lease file does not include current executed copies of all City leases.

The examination of the audit sample disclosed that, generally, the City and its lessee/lessors complied with the terms of the sample leases. However, oversight of leases could be improved in certain instances. The audit found and corrected one case in which the City was overcharged by a lessor, resulting in a \$16,257 credit to the City. The audit also found one case in which a lessee has not paid City invoices for services pursuant to a lease of Port of Milwaukee property. City departments are occasionally failing to obtain copies of permits and licenses required by leases and to document the results of inspections of leased properties.

Audit Recommendations:

1. Consider scanning all leases into E-Vault, a centralized electronic record access system maintained by DOA-Document Services section.
2. Obtain copies of all permits and licenses required by leases.
3. Refer uncollectible accounts to the City's collection agent, the Kohn Law Firm.
4. Document the results of all inspections of leased properties.
5. Bill all tenants whose leases provide for City water use and other services.
6. Review rents for comparable properties when setting rental rates.
7. Amend lease agreements to reflect actual payment practices.
8. Review billings received to avoid overcharges.

We have asked the Department of Administration to assist in making all City departments aware of the audit recommendations to encourage more active oversight and management of leases.