



Office of the Comptroller

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January 11, 2006

To the Honorable  
the Common Council  
City of Milwaukee

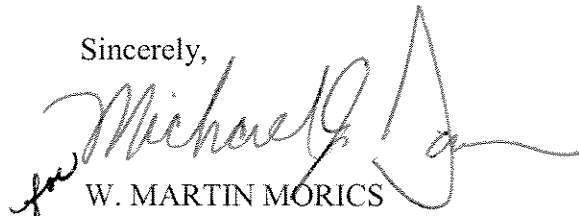
Council Members:

Enclosed is our Report of Audit Activities, pursuant to Common Council Resolution 020897. The report covers audits conducted in 2005 and audits currently planned for 2006.

This Report of Audit Activities does not update the current status of audited departments in implementing their respective audit recommendations. Our next report in July 2006 will cover the implementation status of completed audits.

We would be pleased to discuss this report with you at your convenience, and before the appropriate Common Council Committee.

Sincerely,



W. MARTIN MORICS  
Comptroller

**Office of the Comptroller  
Report of Audit Activities  
January 11, 2006**

This Report of Audit Activities by the Office of the Comptroller covers the major audits conducted in 2005 and audits currently planned for 2006.

Table 1 summarizes the twenty major 2005 audits. Three of these audits are still underway with reports to be issued in 2006. Seventeen audits were completed and issued in 2005.

Audits of Department of Public Works procurement activities and programs for Emerging Business Enterprise and Residents Preference were completed and reports are now being prepared for issuance in the first quarter of 2006.

Two audits of City capital projects were undertaken in 2005. An Audit of Tax Incremental District 48 was issued in August and an Audit of the Canal Street Capital Project is expected to be issued in mid 2006. An outside consultant will assist on the Canal Street Audit.

Three audits of cash receipt processing by City departments were issued in 2005. An Audit of Treasurer's Internal Controls over Cashiering Activities was issued in September, an Audit of Port Billing, Collection and Accounts Receivable was issued in October and an Audit of Municipal Court Cashiering was issued in December.

Three audits of transactions with other governmental entities were issued in 2005. An Audit of Library Agreements with the Milwaukee County Federated Library System was issued in January. An Audit of Fire Department Intergovernmental Agreements with West Milwaukee and the State was issued in March. An Audit of the County House of Correction Prisoner Per Diem Rate was issued in August.

The County Prisoner Per Diem Rate has been audited periodically for many years, always indicating that the rates charged by the County exceed what is allowable under a 1964 Wisconsin Supreme Court decision. As a result of the latest 2005 audit, the City Attorney's Office authorized a reduced per diem payment to the County of \$9.42 per prisoner boarding day rather than the \$20.60 rate charged by the County. This will result in an estimated 2006 City savings of \$380,000.

Major 2005 audits also include an Audit of the City Residential Real Estate Assessment Process issued in February, a consultant assisted City Information Technology Security Risk Assessment issued in April, and an Audit of the Westside Housing Cooperative Property Rehabilitation Project issued in November.

In addition to these audits, in August 2005 the Office of the Comptroller completed the first year of operating the City's Fraud, Waste and Abuse Hotline, pursuant to Common Council Resolution 040063. A report on this first year was issued November 2, 2005. The Hotline has proven to be a benefit by providing citizens with the means to report

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fraud, waste and abuse in City government and by establishing a process to follow-up on these contacts.

Table 2 lists ten major audits currently planned for 2006.

Three Police Department audits will be undertaken 2006. An Audit of the Police Crime Data System is expected to begin in February. Audits of Police Overtime and the Impact of the Police Burglar Alarm Response Policy are expected to begin sometime in March-June.

Depending on available time, additional audits will be added during 2006.

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Table 1: Major 2005 Audits

Audit #	Audit Issued	Audit Title	Audit Objectives	Audit Conclusion or Status
1	Targeted for 6/06	Audit of Canal Street Capital Project	Document entire Project scope. Evaluate budgetary and other internal project controls. Determine whether City costs are appropriate. Evaluate appropriateness of change orders. Assess overall project management.	Audit work is underway. A consultant will be retained to assist on the technical aspects of the Canal Street Project.
2	Targeted for 3/06	Audit of DPW Procurement	Evaluate DPW procurement practices and controls. Determine whether DPW procurement complies with Wisconsin Statutes and City Ordinances.	Audit work is complete. A draft report should be available for DPW review in 2/06 with the final report issued in 3/06.
3	Targeted for 2/06	Audit of DPW EBE and Residents Preference Program Compliance	Evaluate DPW compliance with City ordinances for the EBE and Residents Preference Programs. Verify the accuracy of program reports. Identify possible program improvements.	Audit work is complete. A draft report should be available for DPW review in 1/06 with the final report issued in 2/06.
4	12/19/05	Audit of Municipal Court Cashiering	Evaluate cashiering controls. Determine whether cash and checks were deposited and recorded in a timely manner. Evaluate the reliability of the Municipal Court Management Information System.	Controls over cashiering are generally adequate, but could be strengthened. Cash and checks were properly and timely secured, deposited and recorded. The Court computer system is reliable. The audit makes 5 recommendations.
5	11/21/05	Audit of the Westside Housing Cooperative Property Rehabilitation Project	Evaluate Project compliance with grant regulations and contract requirements. Evaluate the property rehabilitation costs and work. Evaluate City administration and monitoring.	There was significant noncompliance with grant regulations and contract requirements. There is potential fraud in the WHC Project. City oversight of HOME grant projects needs improvement. The audit makes 5 recommendations.

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**Table 1: Major 2005 Audits**

Audit #	Audit Issued	Audit Title	Audit Objectives	Audit Conclusion or Status
6	10/4/05	Audit of Port Billing, Collection and Accounts Receivable	Determine whether billings are accurate, timely and in accordance with leases and the Municipal Court Tariff. Evaluate account collection efforts. Evaluate billing and collection controls.	Port billings are generally accurate and timely. However, Port tenants have not been billed for water usage. Receipts are accurately and timely recorded and deposited. Improvements are needed in internal controls, in billing documentation and in collection efforts. The audit makes 12 recommendations.
7	9/30/05	Audit of Treasurer's Internal Controls Over Cashiering Activities	Determine whether cash receipts are properly and timely secured and deposited. Determine whether cash transactions are accurately and timely recorded. Evaluate cash controls. This is usually an annual audit.	Cash is properly and timely secured, deposited and recorded. Cash controls are generally adequate, but could be strengthened to meet banking industry standards. The audit makes 7 recommendations.
8	8/17/05	Audit of Tax Incremental District 48	Compare original and amended TID 48 project plans. Identify Common Council and departmental actions increasing project scope and costs. Determine whether major scope and cost increases were properly authorized. Identify City and State EBE/DBE goals and City Residents Preference Program (RPP) goals and accomplishments.	Changes in project scope and costs were identified. Contracts exceeded authorized spending throughout the project, with Common council approval obtained after-the-fact. Some contracts, not submitted for Comptroller countersignature, committed the City to unlimited liability. Both governments met their respective EBE/DBE and RPP goals. The audit makes 8 recommendations.
9	8/5/05	Review of Proposed Ambulance Dispatch Fee	Review feasibility of a proposed City dispatch fee charged to private ambulance companies for City 911 calls. All 4 of the local ambulance companies assert that they could not absorb such a fee.	Revenue per call for City 911 calls is less than the average cost per call for all 4 ambulance companies. The companies do not appear to have sufficient pricing flexibility to increase rates for the proposed dispatch fee, due in part to low fixed Medicaid reimbursement rates. No recommendations.

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Audit #	Audit Issued	Audit Title	Audit Objectives	Audit Conclusion or Status
10	8/2/05	Audit of County House of Correction Prisoner Per Diem Rate	The County charges the City a per diem rate for housing City prisoners at the House of Corrections. Evaluate County compliance with a 1964 Wisconsin Supreme Court decision on allowable rates. This is a periodic audit.	As noted in prior audits, the County per diem rate does not comply with the Court decision. As a result of the audit, the City Attorney authorized a City per diem payment of \$9.42 rather than the \$20.60 charged by the County, an estimated 2006 savings of \$380,000.
11	7/15/05	Audit of Contracts with Former City Employees	Determine whether former City employees now working for the City are properly classified as contractors exempt from payroll taxes. Determine whether the contracts adequately protect City interests.	No improper contractor classifications were identified. Some contracts did not include sufficient language to protect City interests. The audit makes 4 recommendations.
12	6/29/05	Review of the FMIS Pension Interface	Verify that the new pension interface application accurately transfers pension data to the MERITS pension system.	No inaccuracies in the pension interface were identified. The review makes 1 recommendation to add a count of employees processed to control totals.
13	6/23/05	Review of 1000 Water Street Condominium Association Cost Allocation Charges	The City has condominium ownership of the parking structure at 1000 North Water Street. Review charges to the City by the Condominium Association.	Condominium expense allocations are not sufficiently supported and documented. Certain expense allocations do not conform to provisions of the condominium by-laws. The review makes 4 recommendations.
14	4/20/05	City Information Technology Security Risk Assessment	Conduct a high-level risk assessment of computer system security in 10 major City departments. The risk assessment report includes a summary report by the Comptroller followed by the report from the consultant that conducted the assessment.	Some City departments have taken positive steps toward securing their computer systems. Nevertheless, serious security vulnerabilities exist, including critical vulnerabilities that could potentially compromise essential City services. The Comptroller's report makes 4 recommendations.

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Table 1: Major 2005 Audits

Audit #	Audit Issued	Audit Title	Audit Objectives	Audit Conclusion or Status
15	3/31/05	Audit of City Leases	Identify all leases executed by City departments and verify that copies of the leases are available in City files. Evaluate department oversight of City leases, including enforcement lease terms.	There were 210 City leases identified, 120 where the City is lessor (owner) and 90 where the City is lessee (renter). Department files contain copies of all leases. City lease oversight could be improved. Some departments failed to bill lessees in a timely manner. The audit makes 8 recommendations.
16	3/16/05	Audit of Milwaukee Fire Department Intergovernmental Agreements	Evaluate compliance with two Fire Department intergovernmental agreements: 1) Fire Suppression and Ambulance Service Agreement with the Village of West Milwaukee; 2) Regional Hazardous Materials Response Team Services Agreement with the State.	The Fire Department provided the services and received the compensation called for in the agreements. However, billing and collection procedures could be improved. Also, certain documentation required from West Milwaukee had not been obtained. The audit makes 3 recommendations.
17	2/23/05	Audit of 2004 Payroll W-2s	Evaluate accuracy and completeness of the W-2s. This is an annual audit.	W-2s for 8,922 employees, reporting \$347.9 million, were accurate and complete. No recommendations.
18	2/1/05	Audit of the City Residential Real Estate Assessment Process	Evaluate compliance with State requirements and professional standards for City residential assessments. Evaluate accuracy of assessment data and uniformity of assessments. Evaluate controls over the automated CAMA assessment system.	Residential assessment accuracy meets or exceeds State requirements and professional standards. The computer assisted process is well administered and controlled. The lowest valued one-third of properties were assessed slightly above market, while the upper two-thirds were slightly below market. The audit makes 4 recommendations.
19	1/28/05	Audit of Milwaukee Public Library Agreements with Milwaukee County Federated Library System	Evaluate compliance with 5 agreements between MPL and the Milwaukee County Federated Library System (MCFLS). Evaluate the cost basis and billings for the agreements.	MPL and MCFLS generally complied with the agreements. The audit makes 5 recommendations, including that MPL should use its marginal costs when negotiating new agreements.

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Table 1: Major 2005 Audits

Audit #	Audit Issued	Audit Title	Audit Objectives	Audit Conclusion or Status
20	1/5/05	Review of Business Improvement District 8 Grants	Review and comment on the Business Improvement District (BID)-8 2003 audited financial statements. Determine whether BID-8 grants to businesses were properly approved by the BID Board and adequately documented.	The financial statements received an unqualified opinion from the auditors and raised no concerns. Twenty-one grants totaling \$164,600 were provided in 2003 and 2004. Approval for 1 grant was not documented. The review makes 2 recommendations.



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Table 2: Major 2006 Audits

Audit #	Audit Start	Audit Title	Audit Objectives
1	1/06	Audit of 2005 Payroll W-2s	Evaluate accuracy and completeness of the W-2s. This is an annual audit.
2	2/06	Audit of Police Crime Data System	Identify the functions, features and costs of the new MPD Crime Data System, as implemented. Identify any changes in system functionality, features and costs during the project. Identify any problems and delays during the project. Evaluate project management, including the extent of status reporting.
3	2/06	Audit of City loans to Business Improvement Districts	Evaluate BID loan administration by the Department of City Development.
4	2/06	Criticality Analysis of Major City Computer Applications	Inventory major City computer business applications. Evaluate the risks such as business interruptions that could result from application failure. Prioritize applications for risk mitigation audits.
5	3/06	Audit of Police Overtime	Identify overtime usage and trends by Police rank and district. Determine the main causes of overtime. Evaluate the process used by MPD to authorize, administer and monitor overtime.
6	4/06	Audit of Police Burglar Alarm Response Policy	Determine the impact of the MPD Verified Burglar Alarm Response Policy. MPD asserts that most alarms are false and before the Verified Policy officers responded to non-criminal events. Alarm companies assert that the Policy resulted in an increase in actual burglaries.
7	6/06	Audit of City Compliance with the Americans with Disabilities Act	Identify ADA compliance issues for the City government. Determine specific ADA issues to be covered by the audit and evaluate compliance with those issues.

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Table 2: Major 2006 Audits

Audit #	Audit Start	Audit Title	Audit Objectives
8	7/06	Audit of Treasurer Cashiering	Determine whether cash receipts are properly and timely secured and deposited. Determine whether cash transactions are accurately and timely recorded. Evaluate cash controls. This is usually an annual audit.
9	7/06	Audit of External Connections to the City Wide Area Network	Evaluate security of City computer network connections to the Internet, vendors and other outside parties.
10	8/06	Audit of the City Sewer Maintenance Fund	Identify the activities, revenues and costs of the Sewer Maintenance Fund. Select Fund aspects to be audited. Audit objectives to be determined.