

RESEARCH AND ANALYSIS SECTION – LEGISLATIVE REFERENCE BUREAU

EXECUTIVE SUMMARY: 2010 Budget Summary – Comptroller's Office

1. The 2010 Proposed Budget provides funding for one new grant funded position. A Neighborhood Stabilization Program Grant funded Management Accounting Specialist – Senior position is added to the Revenue and Cost Division. The authority for the position is to expire on February 1, 2013 unless the Neighborhood Stabilization Program Grant is extended (File #081193). (Page 1)
2. As of September 28, 2009, the Comptroller's Office had the following vacant positions:
 - 2 - Information System (IS) Auditor Senior
 - 1- Lead Auditor
 - 3- Auditing Specialist positions

There are no current plans to fill one Information System Auditor Senior position and as in the past, 2 Auditing Specialist positions will be held vacant to offset the costs of outside consultants that assist in certain audits. The Comptroller's Office has requested that the Lead Auditor and remaining Information System Auditor Senior and Auditing Specialist positions be filled. (Page 1)

3. For 2010, the Comptroller's Office has requested \$753,000 in CDBG funding to support the salaries and fringes for CDBG accounting and auditing services. However the Comptroller's Office has been informed that the Mayor's recommended CDBG allocation could be \$178,000 less than the amount requested. Though the proposed Personnel Cost Adjustment and the Grant and Aids deduction were increased from the requested amount, the Comptroller's indicates that it may request CDBG reprogramming funds if a budget shortfall occurs. (Page 3)
4. The internal audits and other major assignments planned for 2010 include the following:
 - Audit of the Sewer Maintenance Fund
 - Audit of DPW Inventories
 - Audit of TID Expenditure Controls
 - Review of City Employee Tax Delinquencies
 - Audit of TID Job Creation Obligations (Pages 3, 4 & 5)

(The Comptroller's Office asserts that the audits shown above will not be accomplished unless the vacant audit positions discussed in #2 are filled.)

5. The 2010 Proposed Budget provides funding for the 8 Special Purpose Accounts (SPA) that will be administered by the Comptroller. Of note, the Reserve for 27th Payroll is reduced by \$160,000 from the \$1.6 million provided in 2009, to reflect recent contract settlements and personnel reductions included in the 2010 Proposed Budget. (Pages 5, 6 & 7)

RESEARCH AND ANALYSIS SECTION – LEGISLATIVE REFERENCE BUREAU

DEPARTMENTAL BUDGET SUMMARY: Comptroller's Office

Expense Category	2008 Actual*	2009 Budget*	% Change	2010 Proposed*	% Change
Operating*	\$ 5,693,637	\$ 5,483,015	-4%	\$ 5,066,065	-8%
Capital	\$ -	\$ -	0%	\$ -	0%
Positions	66	66	0%	67	2%

* includes O & M and non O & M Funded postions

Personnel Issues

Personnel Changes

The 2010 Proposed Budget provides funding for 67 levy O & M and non O & M positions, an increase of one position. One Neighborhood Stabilization Program Grant funded Management Accounting Specialist – Senior position is added in 2010 to the Comptroller's Revenue and Cost Division. Authority for the position is to expire on February 1, 2013 unless the Neighborhood Stabilization Program Grant is extended (File #081193).

Vacancies

Two Information System (IS) Auditor Senior – Two vacant Information Systems (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.

One Lead Auditor – This position is vacant due to a retirement in May of 2009. 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.

Three Auditing Specialist positions - Two of 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 the major City audits. The third Auditing Specialist position is vacant due to a retirement in September of 2009. A request to fill this 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.

Operating Expenditures Issues

Professional Services

The 2010 Proposed Budget includes \$260,000 for the Professional Services account. This is a \$339,360 reduction in funding from the \$599,360 provided in the 2009 Budget.

The itemized expected expenditures for 2010 Professional Services Account are as follows:

Audit Services	\$ 165,000
Payroll & Financial System	25,000
Accounting Issues	50,000
Miscellaneous Services	<u>20,000</u>
Total	\$ 260,000

The \$339,630 decrease in funding for professional services from the funding provided in 2009 is due to the shifting of debt issuance expenses (\$381,200) to the debt service budget. This reduction is partially offset by providing \$25,000 for the Payroll and Financial System, an increase in Miscellaneous Services Funding for services (\$11,840) and an increase in funding for audit services (\$5,000).

Other Operating Services

In the Comptroller's Office 2010 Proposed Budget, \$78,000 is provided for Other Operating Services. This is a \$3,550 increase in funding from the \$74,450 provided in the 2010 Budget. The increase is the result of slight increases in miscellaneous (\$2,350), equipment maintenance expenses (\$1,000) and PeopleSoft Training (\$200).

The itemized expected expenditures for 2010 Other Operating Services Account are as follows:

The itemized expected expenditures for 2010 are as follows:

Comprehensive Annual Financial Report	\$ 12,000
Debt Issuance Printing	13,000
Accounting Training	17,000
PeopleSoft Training	9,500
Other Training	1,000
Public Debt Training & Rating Agencies Visits	6,500
Equipment Maintenance	11,000
Young Entrepreneurial Scholars (YES) program	1,500
Miscellaneous	<u>6,500</u>
Total	\$ 78,000

CDBG Funding

For 2010, the Comptroller's Office has requested \$753,000 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 \$178,000 less than the amount requested. Though the proposed Personnel Cost Adjustment and the Grant and Aids deduction were increased from the requested amount, the Comptroller's indicates that it may request CDBG reprogramming funds if a budget shortfall occurs.

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.

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 previous years, 2 auditing positions will remain vacant in 2010 to offset the cost of audit related consulting services.

During 2008 an outside consulting engineer assisted the Comptroller's Office on the Audit of DPW Residential Street Paving. In 2008 an outside IT consultant developed an IT audit plan for the Comptroller's Office. In 2008 and into 2009, an outside CPA firm conducted a financial Review of Port Fixed Assets. In 2008 and 2009, an outside IT consultant is conducting an Audit of IT External Network

Connections. Also in 2008 and 2009, an outside consultant expert in property tax assessments is assisting on an Audit of Commercial Property Assessments.

The preliminary Comptroller's Office audit plan for 2010 includes the following audits that will require outside consulting assistance.

- Audit of IT Network Firewalls
- Audit of IT Internal Network Security
- Audit of IT PeopleSoft System Security
- Audit of TID Expenditure Controls

The following internal audits and other major assignments were completed in 2008.

First Quarter:

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

Second Quarter:

- 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:

- Audit of Property Tax Lottery Credits, letters issued 7/8/08

Fourth Quarter:

- Audit of Election Commission Absentee Ballot Voting, issued 10/14/08
- Audit of DPW Residential Street Paving, issued 12/8/08
- 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 were completed or are planned for 2009.

First Quarter:

- Hotline Annual Report, issued 2/2/09
- Review of HUD IDIS Funding Shortage, issued 2/16/09
- Audit of Treasurer Cash Controls, issued 3/12/09
- Review of Port Fixed Assets (ML Tharps & Associates), issued internally 3/13/09.
- Audit of 2008 Payroll W-2 Forms, internal memo issued 3/19/09

Second Quarter:

None

Third Quarter

- Comptroller's Government Auditing Standards Manual, issued internally 7/6/09
- Review of DPW Capital Project Close-out Procedures, letter issued 8/10/09
- Audit of Commercial Property Assessments (consultant assisted)

Fourth Quarter (Planned):

- Audit of IT External Network Connections (consultant conducted)
- Audit of Water Cashiering
- Audit of Parking Fund Cash
- Hotline Annual Report

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 2010

First Quarter (Planned):

- Audit of 2009 Payroll W-2s
- Audit of the Sewer Maintenance Fund
- Audit of Treasurer Cash

Second Quarter (Planned):

- Audit of DPW Inventories
- Audit of IT Disaster Recovery
- Audit of IT Network Firewalls (consultant conducted)
- Audit of TID Expenditure Controls (ML Tharps & Associates)
- Audit of Health Department Cashiering
- Review of City Employee Tax Delinquencies

Third Quarter (Planned):

- Audit of City Clerk License Processing
- Audit of Building Permits and Inspections
- Audit of IT PeopleSoft System Security (consultant conducted)
- Audit of TID Job Creation Obligations

Fourth Quarter (Planned):

- Audit of Workers Compensation Processing
- Audit of IT Information Security Policies
- Audit of IT Internal Network Security (consultant conducted)
- Utility Bill Audit (TriStem)
- Hotline Annual Report

Accounting support throughout the year, including the police trust account, mobile home billings, House of Corrections billings

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 2010 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 2009 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 2009 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 (\$71,600): 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 \$6,400 less than the \$78,000 provided in the 2009 Budget and is based on the Comptroller's annual analysis of recent data for this account. The Comptroller's Office has had an ongoing billing dispute with Milwaukee County since 1991 concerning charges billed to the City for prisoners held in the House of Correction on City violations. The Comptroller's Office adjusted the County's invoices to eliminate ineligible charges until April 2008 when the County's invoice detail was changed and such adjustments could no longer be made. No payments have been made on the County's monthly invoices since April 2008. City Attorney assistance was requested in November 2008. The County has been unresponsive to City Attorney's Office requests to settle the dispute. Unspent 2009 appropriations together with the 2010 budget appropriations will be needed at some point to settle the unpaid invoices with the County.

Contribution Fund-General (\$2,400,000): The \$2,400,000 is an increase of \$300,000 from the amount of funding that was provided in 2009. 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): The \$140,000 is the same amount that was provided in the 2009 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): The \$1,000 is the same amount that was provided in the 2009 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. Currently, there are 9 loans outstanding, with a combined value of \$42,395. 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 2010 revenue of \$30,000 from mortgage interest.

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 (\$1,440,000): The \$160,000 reduction from the \$1.6 million provided for this account in 2009 is the result of recent contract settlements, and personnel reductions included in the 2010 Proposed Budget. 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

Comptroller Office revenue is primarily generated from charges for services provided to the Water Works and Sewer Maintenance Fund. The 2009 estimated revenue for the Comptroller's Office a slight decrease (-1.6%) from the 2009 estimate.

Category	2008 Actual	2009 Budget	% Change	2010 Proposed	% Change
Charges for Services	\$297,645	\$254,100	-14.6%	\$250,000	-1.6%

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 Relations' 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.
6. On January 15, 2008, the Common Council approved a substitute resolution (File # 070880) authorizing a Commercial Paper Program. Commercial Paper is an unsecured, short-term debt instrument. The debt is usually issued at a discount, reflecting prevailing market interest rates.