Report of Audit Finding Follow-Up for the Year Ended 12/31/2023

AYCHA SAWA
City Comptroller

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City of Milwaukee, Wisconsin

March 2024

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March 8, 2024

Honorable Cavalier Johnson, Mayor
The Members of the Common Council

Dear Mayor and Council Members:

Per City Charter 3-16.5, which defines the Internal Audit Division's periodic reporting requirements, the Internal Audit Division has a responsibility to monitor and follow up on audit findings to ensure audit findings are addressed and to aid in planning future audits. The enclosed report includes a summary of audit activities followed by a detailed account of follow-up procedures and results for the year ending December 31, 2023.

The scope for this year's follow-up activities included all findings issued from January through the September 13, 2023 Finance & Personnel Committee meeting. In preparation for the Report of Audit Finding Follow-Up 2023, audits completed after the September 13, 2023 Finance & Personnel Committee meeting will carry over to the Report of Audit Finding Follow-Up 2024. In addition, findings issued since 2019 have been included in this report with the exception of best practice reviews.

Implementation status is determined via updates and information provided by department management, as well as test procedures performed by the Internal Audit Division. Based on management's assertions and the results of the performed validation procedures, 33 audit findings were closed in 2023 with 32 audit findings remaining open. The Internal Audit Division will monitor all open audit findings through resolution.

Appreciation is expressed to City Management for the cooperation extended to the Internal Audit Division and for the information provided and used to prepare this report.

Sincerely,

Adriana Molina

Adriana Molina
Audit Manager

AMM: alg/kk

Overview

This report includes information on the Internal Audit Division's follow-up activities and management's accomplishments through the year ended December 31, 2023. The intent of this report is to keep the Finance and Personnel Committee informed regarding the status of audit finding remediation. Provided is a summary of data, recommendations, and status updates for all open findings. City leadership and management have made notable progress to remediate the open audit findings.

I. Follow-up Activity and Results

Finding Status Summary

In 2023, the Internal Audit Division issued a total of seven audit reports. The Audit of Treasurer Cash Controls and the Audit of Milwaukee Water Works IT Disaster Recovery were concluded in the last quarter of 2023. As a result and due to time constraints, Management was not able to implement and assess recommendations. Internal Audit has collected follow-up information for the remediation for findings in five reports which resulted in 34 findings for 2023.

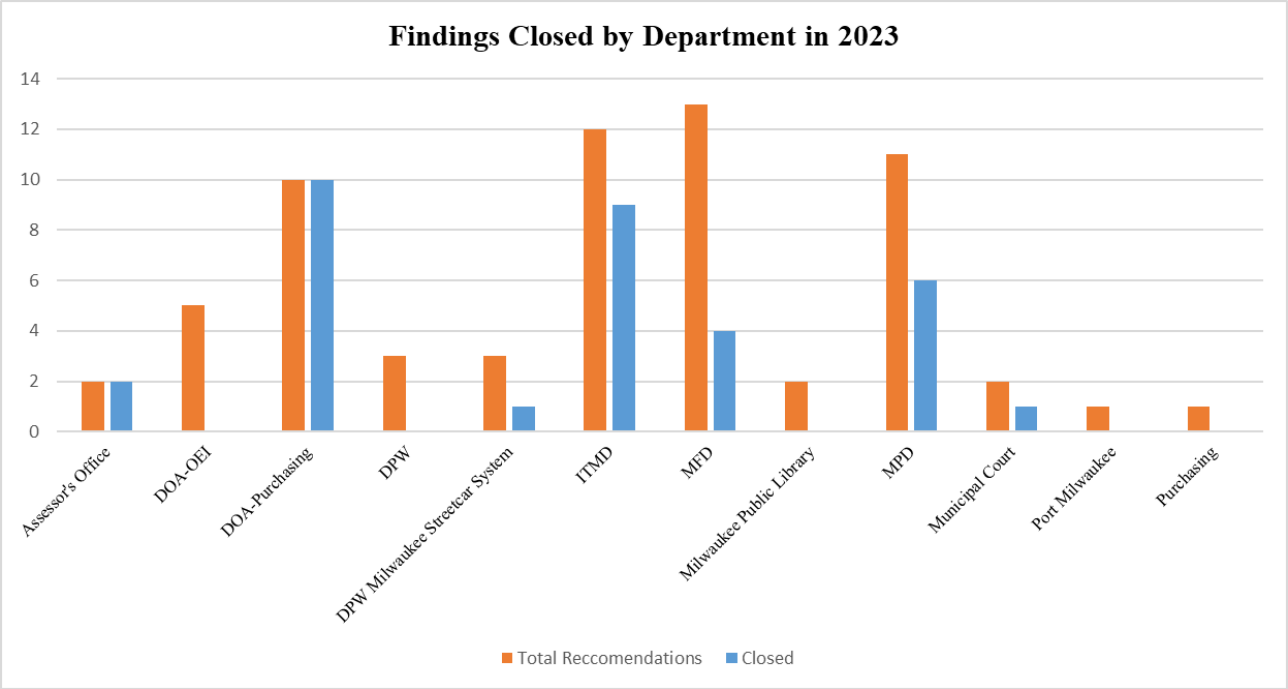
As Table 1 indicates, there were 31 additional open findings from audit reports issued prior to 2023, resulting in a total of 65 open findings targeted for follow-up monitoring activities in 2023. Based on management's assertions and the Internal Audit Division validation procedures, 33 of the 65 total open findings were closed as of December 31, 2023.

Table 1 – Summary of Audit Finding Status as of December 31, 2023

	Finding Disposition			
Audit Year	**Total**	**Closed**	**Open as of 12/31/2023**	**Percentage Closed**
2019	1	0	1	**0%**
2020	1	0	1	**0%**
2021	14	7	7	**50%**
2022	15	13	2	**87%**
2023	34	13	21	**38%**
Total	**65**	**33**	**32**	**51%**

The 65 total findings followed-up on by the 33 total findings closed is broken out by department in Chart 1 below.

Chart 1 –
Closed Status to Total Recommendations (by department) as of December, 2023



Implementation Status

The remediation status of all audit findings is monitored and periodically updated throughout their lifecycle. The finding remediation is classified as follows:

1. No Progress or Insignificant Progress
2. In Progress
3. Fully Implemented
4. Management Accepts Risk

The remediation status for all 65 open findings is illustrated in Chart 2 on a percent to total basis. The remediation status for all open findings is also broken up by department illustrated in Chart 3.

Chart 2 – Status of All Recommendations as of December 31, 2023

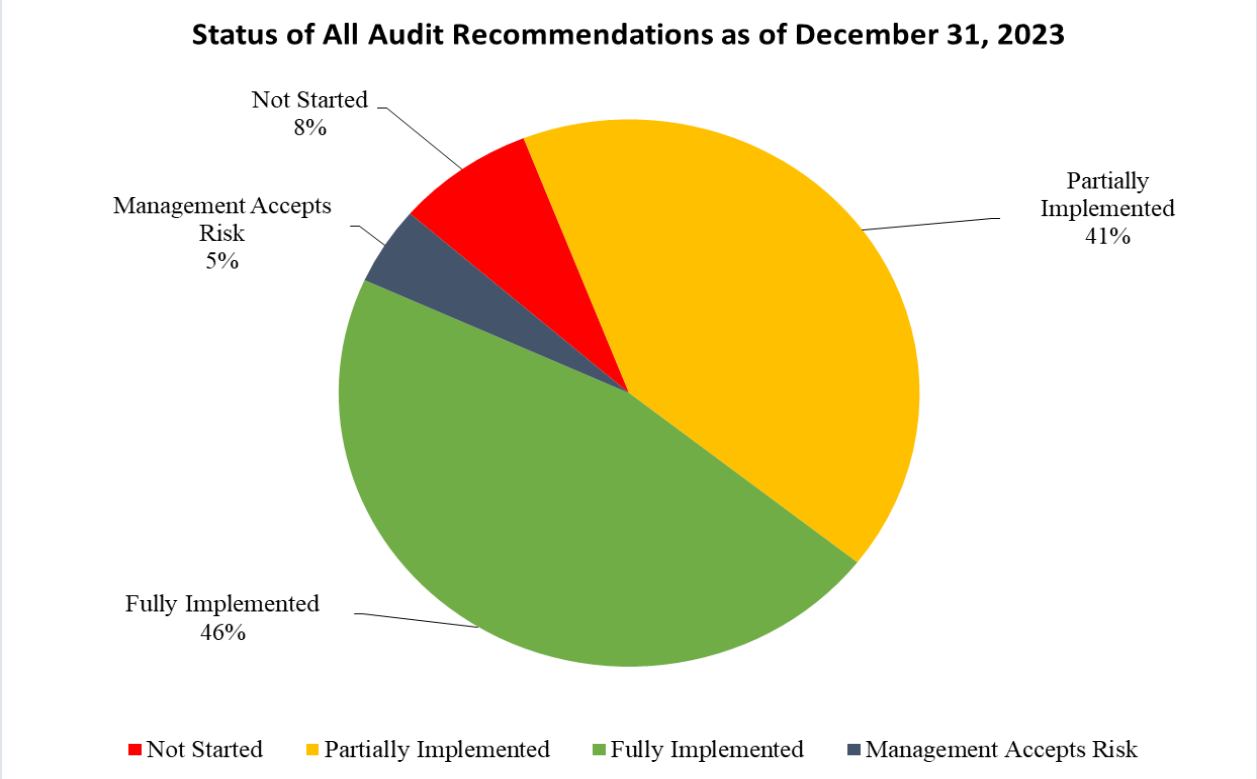
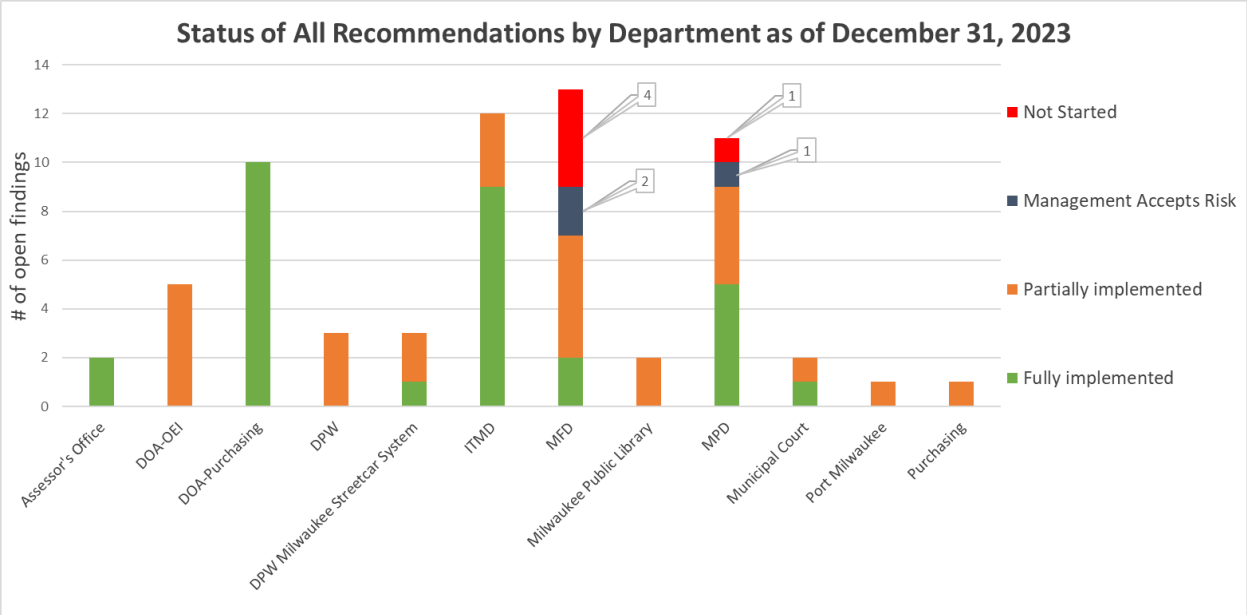


Chart 3 – Status of All Recommendations (by Department) as of December 31, 2023



Summary of Results

The remediation of the 21 open findings as of December 31, 2023 are past management's initial target completion date. Though management has worked expeditiously to remediate findings in 2023, many remain open due to the following:

- The complexity of underlying requirements within the City's cybersecurity governance structure and system developments and implementation;
- The department is awaiting simultaneous external audits to enact all pertinent changes into governing policies and procedures;
- Staffing and budgetary restrictions to devote the appropriate efforts and funds towards implementing effective training measures.

Internal Audit expresses appreciation for the efforts demonstrated by department management in 2023, which resulted in many open findings progressing towards remediation.

II. Audit Follow-up Standards and Procedures

Reporting Requirements

The Internal Audit Division conducts performance audits and renders audit recommendations to improve the design and operational effectiveness of internal controls over City activities. The Internal Audit Division recommends actions to correct deficiencies and other findings identified during the audit, as well as to improve programs and operations when the potential for improvement in programs, operations, and performance is substantiated by the audit procedures and conclusions. In accordance with Charter Ordinance 3-16.5, the Internal Audit Division is required to submit an annual report of the success or failure of previously audited departments in implementing the recommendations of their audits.

Generally Accepted Government Auditing Standards

Generally Accepted Government Auditing Standards as promulgated by the Government Accountability Office (GAO)[1] – Comptroller General of the United States, commonly referred to as the *Yellow Book,* provides a framework for conducting high quality audits with competence, integrity, objectivity, and independence. The *Yellow Book* establishes follow-up as an integral part of the Internal Audit Division's due professional care, as follows:

[1] GAO, Government Auditing Standards, GAO-12-331G (Washington, D.C.: December 2011).

- Management of the audited entity is primarily responsible for directing action on and implementing recommendations;
- Government auditors should have a process that enables them to track the status of management's actions on significant or material findings and recommendations from their prior audits; and
- Due professional care also includes follow-up on known findings and recommendations from previous audits that could have an effect on the current audit objectives, in order to determine whether prompt and appropriate corrective actions have been taken.

The Internal Audit Division believes that the evidence obtained provides a reasonable basis for its findings and conclusions based on the follow-up review objectives.

Risk Assessment

Risk can be viewed as anything that prevents the organization from achieving its objectives, and that generally may be mitigated through internal controls. The risk exposure created by open audit findings remains until corrective action has been taken.

The Internal Audit Division identified the various types and levels of risk associated with the remaining 32 open findings (See Appendix A), and assigned each a risk rating of High, Medium or Low when each audit was concluded. The rating is based on the impact and likelihood of occurrence the risk posed via the identified finding. Additionally, Internal Audit has disclosed the 3 closed findings remediated as Management Accepts Risks. Refer to Appendix B.

Appendix A

Open Audit Finding Categories and Risks

(As of December 31, 2023)

	Year	Department	Audit Title	Finding Summary	Risk Rating
1	2019	MPD	Audit of the Milwaukee Fire Department Data Center Controls	Confidential	High
2	2020	Port Milwaukee	Audit of Port Milwaukee Capital Assets	Policy and Procedure	Low
3	2021	Milwaukee Public Library	Audit of Data Center Controls Audit - Library	Confidential	High
4	2021	ITMD	Audit of ITMD DR	Confidential	High
5	2021	ITMD	Audit of ITMD DR	Confidential	High
6	2021	Milwaukee Public Library	Audit of Data Center Controls Audit - Library	Confidential	Medium
7	2021	DPW	Audit of DPW Operations Safety	Trained Personnel	Medium
8	2021	DPW	Audit of DPW Operations Safety	Retention Controls	Low
9	2021	DPW	DPW Badge Access Review	Access Monitoring	Low
10	2022	Purchasing	Audit of CAMA Vendor Management	Policy and Procedure	Medium
11	2022	Municipal Court	Audit of Municipal Court Case Filings	Confidential	Medium
12	2023	DPW Milwaukee Streetcar System	Audit of Milwaukee Streetcar Safety	Policy and Procedure	Medium
13	2023	ITMD	Audit of Public Safety IT Disaster Recovery	Confidential	Medium
14	2023	MFD	Audit of Public Safety IT Disaster Recovery	Confidential	Medium
15	2023	MPD	Audit of Public Safety IT Disaster Recovery	Confidential	Medium
16	2023	DOA-OEI	Audit of the Residents Preference Program for Development Agreements	On-Going Monitoring	Medium
17	2023	DOA-OEI	Audit of the Residents Preference Program for Development Agreements	Training Requirements	Medium
18	2023	DOA-OEI	Audit of the Residents Preference Program for Development Agreements	Reporting Deficiency	Medium
19	2023	MFD	Audit of Milwaukee Fire Department Payroll Calculations	Inefficient (Manual) Processes	Low
20	2023	MFD	Audit of Milwaukee Fire Department Payroll Calculations	Quality of Information	Low
21	2023	MFD	Audit of Milwaukee Fire Department Payroll Calculations	Reporting Deficiency	Low
22	2023	DPW Milwaukee Streetcar System	Audit of Milwaukee Streetcar Safety	Policy and Procedure	Low
23	2023	MFD	Audit of Public Safety IT Disaster Recovery	Confidential	Low
24	2023	MFD	Audit of Public Safety IT Disaster Recovery	Confidential	Low
25	2023	MFD	Audit of Public Safety IT Disaster Recovery	Confidential	Low
26	2023	MFD	Audit of Public Safety IT Disaster Recovery	Confidential	Low
27	2023	MFD	Audit of Public Safety IT Disaster Recovery	Confidential	Low
28	2023	MPD	Audit of Public Safety IT Disaster Recovery	Confidential	Low
29	2023	MPD	Audit of Public Safety IT Disaster Recovery	Confidential	Low
30	2023	MPD	Audit of Public Safety IT Disaster Recovery	Confidential	Low
31	2023	DOA-OEI	Audit of the Residents Preference Program for Development Agreements	Quality of Information	Low
32	2023	DOA-OEI	Audit of the Residents Preference Program for Development Agreements	Time Reports Non-Compliance	Low

Appendix B

Closed Audit Finding Categories and Risks Accepted by Management

(As of December 31, 2023)

	Year	Department	Audit Title	Finding Summary	Risk Rating	Implementation Status
1	2023	MFD	Audit of Public Safety IT Disaster Recovery	Confidential	Low	Management Accepts Risk
2	2023	MFD	Audit of Public Safety IT Disaster Recovery	Confidential	Low	Management Accepts Risk
3	2023	MPD	Audit of Public Safety IT Disaster Recovery	Confidential	Low	Management Accepts Risk

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March 8, 2024

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 summarizes the annual audit recommendation follow-up activities for the year ending December 31, 2023. I have read the report and support the activities detailed within.

As the City Comptroller, I was not involved in any portion of the work conducted in connection with the Report of Audit Finding Follow-Up for the Year Ended 12/31/2023. At all times, the Internal Audit Division worked autonomously in order to carry out follow-up activities.

Sincerely,

Aycha Sawa, CPA, CIA
Comptroller