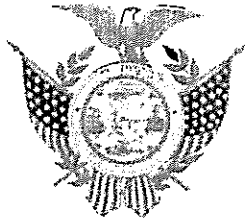


**Martin Matson**  
Comptroller

**John M. Egan, CPA**  
Deputy Comptroller



**Glenn Steinbrecher, CPA**  
Special Deputy Comptroller

**Toni Biscobing**  
Special Deputy Comptroller

**Office of the Comptroller**

January 24, 2013

Ms. Kelly M. Hammond  
Frederick County, Maryland  
ALGA Peer Review Coordinator

Dear Ms. Hammond,

Thank you to you and your peer review team for all of the efforts on conducting the City of Milwaukee's first peer review completed in October 2012. We were very enthusiastic to learn on how to further improve our Internal Audit Division.

We have reviewed your letter addressing the concerns you have for our organization. We will address the findings and recommendations from your peer review team in the order that was presented.

We disagree with the peer review team's assessment of our independence as an audit organization. We do not believe that there is only one correct method or model in structuring a governmental organization's Audit function as stated by the recommendation in the report that the Audit function should report to an audit committee of Common Council. Other cities that have similar governance structures to Milwaukee where the Audit function falls under the independently elected Comptroller, that have successfully passed a peer review, are Houston, Los Angeles, New York, and Philadelphia.

We do believe that the Audit Division is independent within the City of Milwaukee's governmental structure. We believe that we fulfill all of the requirements for Internal Auditor Independence stated in paragraph 3.31 a through e of the Yellowbook standards. The following statements illustrate how we fulfill the requirements and how we also intend to further strengthen our independence in appearance (definition at 3.03b).

**3.31 a. "accountable to the head or deputy head of the government entity or to those charged with governance."** The Audit Division is accountable to the Comptroller as well as to the Common Council by communicating all reports to the Common Council. Additionally, to further strengthen fulfillment of this requirement, the head of the Audit Organization, the Audit Manager, will maintain accountability to both government entity heads by signing the audit reports going forward.

**3.31 b. "reports the audit results both to the head or deputy head of the government entity and to those charged with governance."** The Audit Division submits all audit reports to the Common Council and presents the reports to the appropriate Common Council Committee. A resolution will be drafted to officially document this activity of reporting as a requirement to the Common Council to further strengthen compliance with this standard.



**3.31 c.** *"is located organizationally outside the staff or line management function of the unit under audit."* The Audit Division was restructured prior to the peer review and reports directly to the Deputy Comptroller and Comptroller. Audit is outside staff and line management for the Comptroller's office. The Audit Division conducts audits that are outside the line of management (management is considered the Mayor's administration).

**3.31 d.** *"has access to those charged with governance;"* Elected officials have open lines of communication with the Audit Division. The Audit Division also receives formal requests from elected officials of ideas or concerns they may have in regards to City operations.

**3.31 e.** *"is sufficiently removed from political pressures to conduct audits and report findings, opinions, and conclusions objectively without fear of political reprisal."* Audit Manager and auditors are all protected employees under the Civil Service rules. Neither Comptroller nor Common Council members have the ability to terminate an auditor since the auditor would be protected by the Civil Service Commission.

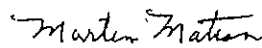
To address the second concern of the Peer Review team in regards to evaluating outside experts' independence, it is important to note that this is part of the evaluation process when selecting firms to complete work on behalf of the City. However, we recognize that we have not documented this well and will set up a procedure to ensure that this is documented as part of the evaluation process. We will also document our procedures in the Audit Division's formal policies and procedures.

The Audit Division has developed formal policies and procedures in order to comply with Yellowbook standards. During the peer review, it was brought to our attention that we were missing policies and procedures relating to specific standards which are highlighted in the report. We are currently in the process of updating our policies and procedures to reflect these procedures that we do implement, but have not been formally documented as part of our policies.

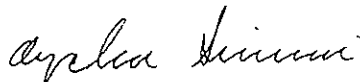
The Audit Division has started an annual monitoring process after the peer review which is the last recommendation in the report. It has not been formally documented, but procedures to actually implement this monitoring process will be developed, documented in the policies and procedures, and then also documented and reviewed annually for internal reviewing and reporting purposes.

We would like to thank the peer review team again for all of their efforts and suggestions throughout the review. We believe that our division has had a positive experience from this review. The results from this review will continue to aid our development in improving our audit organization for the years to come. We are committed to improving our audit organization and look forward to our next peer review.

Sincerely,



Martin Matson  
Comptroller



Aycha Sirvanci  
Audit Manager