Report of Audit Activities
2015

MARTIN MATSON
City Comptroller

STACEY MAZMANIAN
Audit Manager

City of Milwaukee, Wisconsin

April 2015

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Martin Matson
Comptroller

Glenn Steinbrecher, CPA
Deputy Comptroller

Aycha Sirvanci, CPA
Special Deputy Comptroller

Toni Biscobing
Special Deputy Comptroller

Office of the Comptroller

April 30, 2015

Honorable Tom Barrett, Mayor
Members of the Common Council
City of Milwaukee
Milwaukee, Wisconsin 53202

Dear Mayor and Council Members:

In keeping with professional auditing standards and Internal Audit's reporting requirements under Charter Ordinance 3-16.5, which defines the periodic follow-up and reporting requirements for audit recommendations, Internal Audit has a responsibility to monitor and follow up on audit recommendations to ensure audit findings are being addressed and to aid us in planning future audits. For your reference, this report includes an Executive Summary to provide an overview of audit activities, followed by a detailed account of follow-up procedures and audit plan status.

The scope for this year's follow-up activity included: 1) all recommendations issued in 2014 for which sufficient time had lapsed to implement corrective action, and 2) all recommendations issued in 2010 through 2013 that remained open after prior years' follow-up procedures. Implementation status is determined through updates provided by department management, as well as test procedures performed by Internal Audit.

Based on management's assertions and our validation procedures, we were able to close 110 of the open audit findings. Thirty-three remain open as of December 31, 2014, largely due to timing. Internal Audit will continue to monitor all open audit findings until they are fully resolved.

We would like to thank everyone that provided information used to prepare this report.

Sincerely,

Stacey Mazmanian, CIA, CGAP
Audit Manager

SM:gjl

City Hall, Room 404, 200 E. Wells Street, Milwaukee, WI 53202 • Phone (414) 286-3321 • Fax (414) 286-3281
www.milwaukee.gov/comptroller

MILWAUKEE

I. Executive Summary

Overview

In 2014, Internal Audit issued 10 reports making a total of 70 recommendations. Added to the audit findings remaining open from audits issued in 2010 through 2013, there were 143 recommendations subject to follow-up procedures. Based on management's assertions and our validation procedures, we were able to close 110 of the open audit findings. Thirty-three remain open as of December 31, 2014, largely due to timing. Internal Audit will continue to monitor all open audit findings until they are fully resolved. A summary of audits completed in 2010 through 2014, the number of audit recommendations generated, and the remaining number of open items are presented in Appendix B.

Summary of Audit Recommendations Status
December 31, 2014

Audit Date	Total	Closed	Open
2010	4	4	0
2011	1	1	0
2012	20	18	2
2013	49	44	5
2014	69	43	26
	143	110	33

Risk

Some common risk themes within the open audit findings include those listed below. The table starting on page 8 has the complete list of open items, the associated risk, and the risk rating.

Potential risks include:

- Inconsistency in the application of policies and procedures
- Misappropriation
- Unauthorized access to systems and data
- Inefficiency
- Noncompliance

Management Accepts Risk In Lieu of Implementing Recommendations

The 2013 audit of Library cash controls issued eight recommendations related to safeguarding cash, depositing cash, reconciling financial transactions, and the Milwaukee County Federated Library Circulation System (MCFLS). After consideration by MPL management and the Library Board, five of the recommendations will not be implemented due to the cost or feasibility of the recommendations outweighing the risk. Management's decision is recorded in the written

response to the audit report and in the October 2014 Board minutes. Internal Audit considers these findings closed.

Implementation Status

The December 31, 2014 status of the 143 open audit recommendations is presented in Chart 1 below. Eighty percent of the recommendations are fully or substantially implemented.

Chart 1

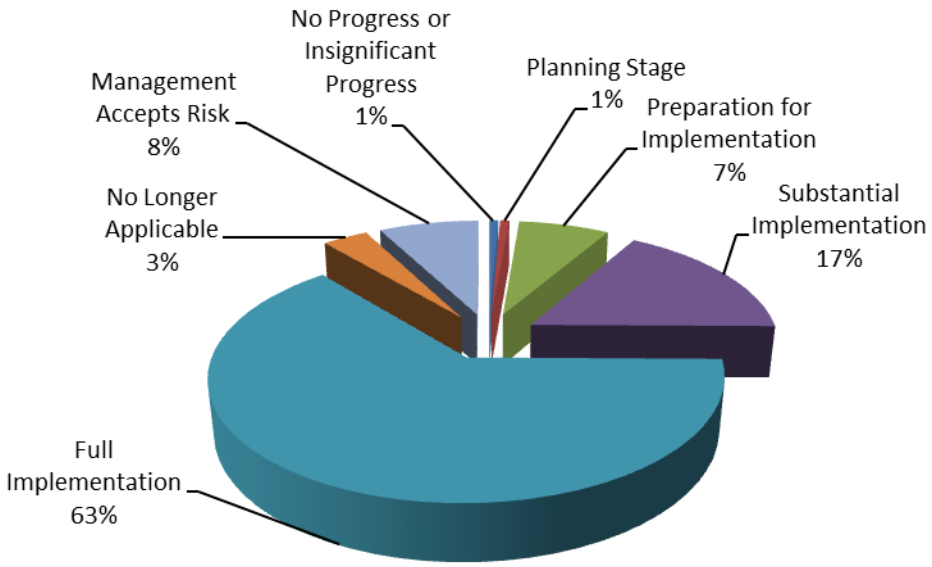
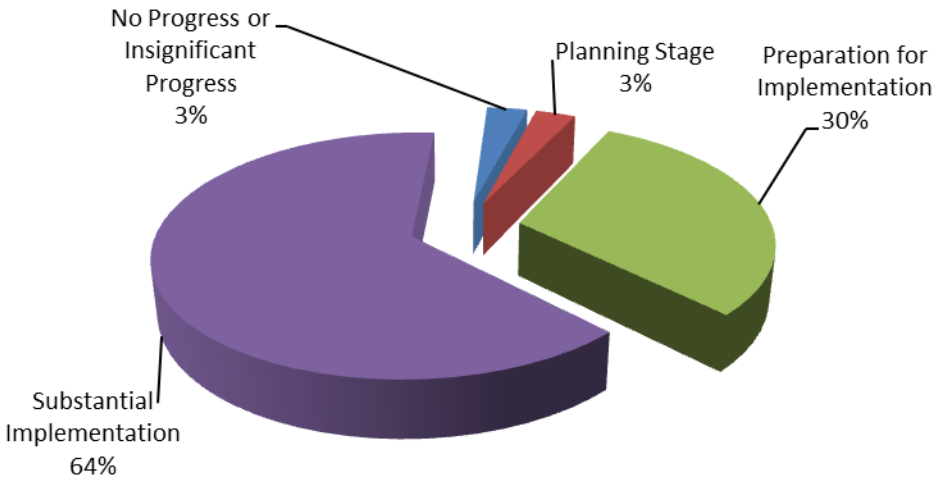


Chart 2 illustrates the implementation status of the 33 open audit recommendations. Sixty-four percent have been substantially implemented.

Chart 2



2015 Audit Plan Status

At the time of this report, Internal Audit has issued 3 reports for 2015; 10 engagements are currently in-process; and 13 audits are pending initiation. See Section III on page 13 for the details.

In Conclusion

Thirty-three audit findings remain open, largely due to timing. Seventeen are past management's original target completion date. See the table starting on page 8 for the complete list of open items, the original target date, and the revised target date if applicable.

We would like to commend the management and staff in the City's datacenters, Payroll, the Parking Fund, the Public Health Laboratory, Employee Benefits, Information and Technology Management, Procurement Services, DPW Self Help Center, Employee Relations Training and Development Services, and the Library for substantially implementing all recommendations within 8 months of the issued audit report. Commendations are further discussed in Section II on page 12.

II. AUDIT FOLLOW-UP

In accordance with the Internal Audit Charter of the City of Milwaukee, Internal Audit conducts performance audits and makes audit recommendations to improve the design and operational effectiveness of internal controls over City activities. Internal Audit 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. Recommendations are effective when they are addressed to management that has the authority to act, and when the recommended actions are specific, practical, cost-effective, and measurable.

It is Internal Audit's responsibility to make constructive, control-based recommendations, and to follow-up on those recommendations, so as to assess whether the risk posed by the finding is adequately mitigated. City Management is responsible for resolving the issues by implementing the recommendations generated by Internal Audit in a prompt and effective manner. To determine if an objective was achieved, Internal Audit answers the following two questions:

1. What improvements were made as a result of the audit work?
2. Did those improvements achieve the desired results?

Effective follow-up procedures make it possible for Internal Audit to determine those answers and appropriately report the results.

Reporting Requirements and Criteria

The Government Accountability Office's (GAO) Government Auditing Standards (commonly referred to as the Yellow Book) include standards to guide auditors so that others can rely on their work as fair, objective, reliable, and useful assessments of government performance.[1] The Yellow Book establishes follow-up as an integral part of our due professional care, as follows:

- Management of the audited entity is primarily responsible for directing action on 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.
- 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

[1] *Government Accounting Office (GAO) How to Get Action On Audit Recommendations, Page 6, GAO/OP – 9.2.1 July 1991*

determine whether prompt and appropriate corrective actions have been taken.

In addition to follow-up requirements under the Yellow Book, Internal Audit complies with Charter Ordinance 3-16.5 relating to internal audits. The ordinance requires Internal Audit to submit an annual report of the success or failure of previously-audited departments in implementing the recommendations of their audits; and to submit semi-annual reports of audit activities, including on-going audits, pending audits, and possible subjects for future audits. For reference, a copy of Charter Ordinance 3-16.5 is attached to this report as Appendix A.

Scope and Objectives

Through follow-up procedures we can determine whether Management has taken prompt and appropriate action to correct issues identified by Internal Audit. The scope for this year's follow-up activity included: 1) all recommendations issued in 2014 for which sufficient time had lapsed to implement corrective action, and 2) all recommendations issued in 2010 through 2013 that remained open after prior years' follow-up activity. Internal Audit started 2014 with 73 open audit recommendations and added 70 during the year, for a grand total of 143 open audit recommendations subject to follow-up.

Methodology

Internal Audit verifies prompt and appropriate corrective action was taken on recommendations made in the original audit report by utilizing an objective and standardized methodology. To determine progress, the follow-up methodology monitors the status of action steps on all recommendations from the time they are created until they have been implemented by management. Status monitoring and follow-up activity involve the following:

1. Identifying and evaluating the amount of progress being made with regard to implementing the recommendations;
2. Working with management to obtain resolution when progress is not adequate; and
3. Compiling and reporting the results.

Upon completion of each audit, the recommendations generated are recorded and tracked. We then request status reports at periodic intervals. Management generally resolves audit findings within eight months from report issuance. The extent of follow-up procedures is based on the risk rating and materiality of the audit finding. To close an item, Internal Audit obtains and reviews sufficient evidence to verify and document corrective action taken.

Internal Audit classifies and reports the implementation status of each recommendation using the Action Plan Maturity Model (APMM) scale developed by Sunera.[2] The rating classification for each open recommendation is included in Table 1 starting on the next page.

1. No Progress or Insignificant Progress
2. Planning Stage
3. Preparation for Implementation
4. Substantial Implementation
5. Full Implementation
6. No Longer Applicable
7. Management Accepts the Risk of Not Taking Action

Risks

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

Risk themes within the open audit findings include:

- Inconsistency in the application of policies and procedures,
- Misappropriation,
- Unauthorized access to systems and data,
- Inefficiency,
- Noncompliance, and
- Inability to recover from a disaster timely and cost-effectively.

Internal Audit identified the various types and levels of risk associated with the remaining 33 open items, and assigned a risk rating of High, Medium, or Low. The rating is based on the impact and likelihood of the risk posed by the condition. The risk classifications and levels are presented in Table 1, on the next page. Please note that this list is not a complete list of risks the City faces. It is included here to demonstrate the risks presented by the open audit findings.

[2]Goldberg, Danny. "Unit VI: Audit Follow-up." Internal Audit Best Practices and Fundamental Principles [Seminar]. Pewaukee, WI. 16 February 2011.

Table 1

Risk Summary and Status of Open Recommendations as of December 31, 2014

#	Finding Summary	Audit Title	Audit Date	Risk	Risk Theme	Original Target Date	Revised Target Date	Status
1	RPP Data Accuracy and Reliability	DPW Contract Administration	Nov. 2014	High	Inefficiency	Jan. 2015	N/A*	3 – Preparation for Implementation
2	Policy and Procedures	External IS Network Security	Jan. 2012	Med.	Inconsistency in the application of policy and procedures	Jan. 2013	Sep. 2015	4 – Substantial Implementation
3	Policy and Procedures	Internal Network Security	April 2012	Med.	Inconsistency in the application of policy and procedures	Mar. 2013	Sep. 2015	4 – Substantial Implementation
4	Policy and Procedures	Tuition Reimbursement Program	Sep. 2013	Med.	Inconsistency in the application of policy and procedures	Sep. 2013	Feb. 2015	4 – Substantial Implementation
5	Policy and Procedures	Travel Expenditures and Reimbursement	Feb. 2014	Med.	Inconsistency in the application of policy and procedures	Sep. 2014	March 2015	4 – Substantial Implementation
6	Policy and Procedures	System Backup and Recovery Controls – Municipal Court	July 2014	Med.	Inconsistency in the application of policy and procedures	Sep. 2014	July 2015	3 – Preparation for Implementation
7	Policy and Procedures	System Backup and Recovery Controls – Assessor Office	July 2014	Med.	Inconsistency in the application of policy and procedures	Jan. 2015	April 2015	1 – Insignificant Progress
8	Communica-tion of Policy & Procedures	Travel Expenditures and Reimbursement	Feb. 2014	Med	Inconsistency in the application of policy and procedures	Nov. 2014	March 2015	4 – Substantial Implementation
9	Segregation of Duties	Travel Expenditures and Reimbursement	Feb. 2014	Med.	Misappropriation	Oct. 2014	March 2015	4 – Substantial Implementation

#	Finding Summary	Audit Title	Audit Date	Risk	Risk Theme	Original Target Date	Revised Target Date	Status
10	Clarify Travel Ordinance	Travel Expenditures and Reimbursement	Feb. 2014	Med.	Noncompliance	July 2014	March 2015	4 – Substantial Implementation
11	Disaster Recovery	System Backup and Recovery Controls – Municipal Court	July 2014	Med.	Disaster recovery is slow and costly	July 2015	N/A	2 – Planning Stage
12	Disaster Recovery	System Backup and Recovery Controls – Water Department	July 2014	Med.	Disaster recovery is slow and costly	July 2015	N/A	3 – Preparation for Implementation
13	Disaster Recovery	System Backup and Recovery Controls - Police	July 2014	Med.	Disaster recovery is slow and costly	May 2015	N/A	3 – Preparation for Implementation
14	Disaster Recovery	System Backup and Recovery Controls - ITMD	July 2014	Med.	Disaster recovery is slow and costly	April 2015	N/A	4 – Substantial Implementation
15	Unethical Hacking	System Vulnerabilities of City Datacenters - ITMD	Sep. 2014	Med.	Unauthorized access	Nov. 2014	April 2015	4 – Substantial Implementation
16	Unethical Hacking	System Vulnerabilities of City Datacenters – Fire Department	Sep. 2014	Med.	Unauthorized access	Dec. 2014	April 2015	4 – Substantial Implementation
17	Unethical Hacking	System Vulnerabilities of City Datacenters – Police Department	Sep. 2014	Med.	Unauthorized access	Dec. 2014	April 2015	4 – Substantial Implementation
18	Unethical Hacking	System Vulnerabilities of City Datacenters - Library	Sep. 2014	Med.	Unauthorized access	March 2015	N/A	4 – Substantial Implementation

#	Finding Summary	Audit Title	Audit Date	Risk	Risk Theme	Original Target Date	Revised Target Date	Status
19	Unethical Hacking	System Vulnerabilities of City Datacenters – Municipal Court	Sep. 2014	Med.	Unauthorized access	Dec. 2014	April 2015	4 – Substantial Implementation
20	Payment Compliance Monitoring and Enforcement	DPW Contract Administration	Nov. 2014	Med.	Inconsistency in contract administration	Jan. 2015	N/A*	3 – Preparation for Implementation
21	Compliance Monitoring	DPW Contract Administration	November 2014	Med.	Noncompliance	Nov. 2014	N/A*	3 – Preparation for Implementation
22	Authorized System Access	DPW Contract Administration	Nov. 2014	Med.	Unauthorized access	Sep. 2014	N/A*	4 – Substantial Implementation
23	Inefficiency	Milwaukee Public Library Cash Controls	Sep. 2013	Low	Inefficiency	Not stated in auditee response	N/A*	3 – Preparation for Implementation
24	Reduce Advertising Expense	DPW Contract Administration	Nov. 2014	Low	Inefficiency	Nov. 2014	N/A*	4 – Substantial Implementation
25	Training	Review of Public Debt	May 2013	Low	Key-man dependency	Dec. 2014	Sep. 2015	4 – Substantial Implementation
26	Supporting Documents	Department of Employee Relations Tuition Reimbursement	Sep. 2013	Low	Inconsistency in the application of policy and procedures	Sep. 2013	July 2015	4 – Substantial Implementation
27	Supporting Documents	Travel Expenditures and Reimbursement	Feb. 2014	Low	Lack of Supporting Documentation	Oct. 2014	March 2015	4 – Substantial Implementation

#	Finding Summary	Audit Title	Audit Date	Risk	Risk Theme	Original Target Date	Revised Target Date	Status
28	Monitoring Exceptions	System Backup and Recovery Controls – Police Department	July 2014	Low	Loss of data	Feb. 2015	Sep. 2015	3 – Preparation for Implementation
29	Monitoring Exceptions	System Backup and Recovery Controls - ITMD	July 2014	Low	Loss of data	Oct. 2014	April 2015	4 – Substantial Implementation
30	Liability Insurance	DPW Contract Administration	Nov. 2015	Low	Increased legal burden	Jan. 2015	N/A*	3 – Preparation for Implementation
31	Contractor Insurance Coverage	DPW Contract Administration	Nov. 2015	Low	Increased legal burden	May 2014	N/A*	4 – Substantial Implementation
32	No evidence of second reader at bid openings	DPW Contract Administration	Nov. 2015	Low	Perceived lack of fair bidding process	Aug. 2014	N/A*	4 – Substantial Implementation
33	Electronic Bid Bonds	DPW Contract Administration	Nov. 2015	Low	Project delays	Jan. 2015	N/A*	3 – Preparation for Implementation

*Due to the timing of audit follow-up activity, recommendations from this November 2014 report were not included in the validation procedures.

Management Commendations

For the audits listed below, management's outstanding remediation efforts have resulted in the implementation of substantially all recommendations within eight months of the audit report. This demonstrates the departments' commitment to promoting efficient and effective operations.

Department	Audit	Report Date
Various	System Vulnerabilities of City Datacenters	9/26/2014
Various	System Backup and Recovery Controls	7/31/2014
Comptroller	City-wide Payroll Approval Processes	7/30/2014
Public Works	Parking Structure Cash Controls	4/17/2014
Health Department	AIX and SoftLab System Controls	3/25/2014
Employee Relations	Medical Claims	3/3/2014
Employee Relations	Prescription Drug Claims	3/3/2014
Information Technology Management	Cell Phone Device Management	2/10/2014
Administration	Travel Expenditures and Reimbursement	2/4/2014
Administration - Procurement Services	Contract Processing	12/19/2013
Public Works	Self-Help Center Cash Controls	10/16/2013
Employee Relations	Tuition Reimbursement Program	9/25/2013
Library	Cash Controls	9/13/2013

III. 2015 Audit Plan Status

Issued

1. Review of the City of Milwaukee's Duty Disability Retirement Program (1/15/15)
2. Audit of the Information Technology Asset Management Controls, administered by the DOA – Information and Technology Management Division (3/2/15)
3. Audit of the City Treasurer In Rem Foreclosure Processes (4/10/15)

In Progress

1. Audit of DNS Inspections Compliance with State Statutes
2. City-Wide Disaster Planning Audit – Office of Homeland Security
3. iNovah Application Audit
4. Audit of DCD In Rem Foreclosed Property Management
5. Audit of 911 Emergency System (Field Inspections and Controls)
6. Inclusion Efforts Review
7. Audit of Performance Measures Management
8. Audit of HRMS Self Service Access Levels (replacing Audit of City Payroll)
9. Election Commission Audit
10. Audit of Community Participation in Development Agreements (Residents Preference Program)

Pending

1. Audit of DER – Staffing Services – Planning and Posting for Vacancies
2. Audit of the CRM System Application – Call Center
3. Audit of TRACS Application – Police Department
4. DCD Area Plan Execution and Capital Account Expenditures Account
5. Audit of Fund Carry Over Compliance
6. Audit of DER Benefits
7. Audit of City Hall Security
8. Audit of Fire Department Operations
9. Audit of City Treasurer's Office Cash Controls
10. Audit of Competitive Bidding Contracts
11. Audit of Port of Milwaukee – Maintenance, Monitoring and Tracking
12. Audit of Operating Plans of BIDS
13. Review of Open Records Requests and Controls

Postponed

1. Audit of Comptroller – Admin/General Accounting. This audit is postponed until 2016 due to key staffing changes within the organization.

Possible Subjects for Future Audits

Subjects for future audits will be based on periodic risk evaluations and stakeholder input. Internal Audit develops an annual audit plan to guide audit activities, and reports the audit plan to the Common Council at the beginning of each year.

200 E. Wells Street
Milwaukee, Wisconsin 53202

City of Milwaukee

Legislation Details (With Text)

File #:	140242 **Version:** 0		
Type:	Charter Ordinance	**Status:**	Passed
File created:	5/13/2014	**In control:**	FINANCE & PERSONNEL COMMITTEE
On agenda:		**Final action:**	6/3/2014
Effective date:	8/19/2014		
Title:	A charter ordinance relating to internal audits.		
Sponsors:	ALD. KOVAC		
Indexes:			
Attachments:	1. Hearing Notice List, 2. Notice Published 6-19-14		

Date	Ver.	Action By	Action	Result	Tally
5/13/2014	0	COMMON COUNCIL	ASSIGNED TO		
5/22/2014	0	FINANCE & PERSONNEL COMMITTEE	HEARING NOTICES SENT		
5/22/2014	0	FINANCE & PERSONNEL COMMITTEE	HEARING NOTICES SENT		
5/29/2014	0	FINANCE & PERSONNEL COMMITTEE	RECOMMENDED FOR PASSAGE	Pass	3:0
6/3/2014	0	COMMON COUNCIL	PASSED	Pass	15:0
6/12/2014	0	MAYOR	SIGNED		
6/19/2014	0	CITY CLERK	PUBLISHED		

140242
ORIGINAL

ALD. KOVAC
A charter ordinance relating to internal audits.
3-16.5 cr
This charter ordinance requires that the auditing division of the office of the city comptroller:

1. Develop an annual audit plan and submit the plan to the finance and personnel committee.

2. Report to the finance and personnel committee, all audits, programmatic reviews, special projects and fraud hotline activity reports prepared by the auditing division.

3. Submit status reports to the common council, indicating audits completed, major findings and corrective actions to be taken.
The Mayor and Common Council of the City of Milwaukee do ordain as follows:

Part 1. Section 3-16.5 of the charter is created to read:

3-16.5 Internal Audit. 1. AUDIT PLAN. a. The auditing division of the city comptroller's office shall

develop an annual audit plan and submit the plan to the finance and personnel committee of the common council.
b. The audit plan shall include, at a minimum, each planned audit, including the type of audit and auditable unit, identifying the department, board, commission, service program, function or policy to be audited.
c. The auditing division may change the audit plan and initiate, conduct or expand the scope of the audit or investigation if the auditing division determines that any of the following is true:
c-1. Fraud, abuse or illegality may have occurred or is occurring.
c-2. An audit finding requires expansion of the audit or investigation in progress.
c-3. A risk assessment analysis changes an auditable unit's risk profile.
d. If the annual audit plan reported to the finance and personnel committee is amended, all changes to the annual audit plan shall be reported to the finance and personnel committee in the next status report required under sub. 3-a-2.
2. REVIEWS. The auditing division shall conduct an assessment of any audit or special project request of the mayor, common council, city comptroller, city department, board or commission and report the results of the review in the next status report required under sub. 3-a-2.
3. AUDIT STATUS REPORTS. The following audit status reports shall be submitted to the finance and personnel committee:
a-1. An annual report of the audit activities of the success or failure of previously-audited departments in implementing the recommendations of their audits.
a-2. Semi-annual reports of the audit activities, including on-going audits, pending audits, audit requests, and possible subjects for future audits.
b. The auditing division shall submit an annual report to the common council, indicating the type of complaints and actions taken for all activities reported through the hotline.

Part 2. This is a charter ordinance and shall take effect 60 days after its passage and publication, unless within such 60 days a referendum petition is filed as provided in s. 66.0101(5), Wis. Stats., in which event this ordinance shall not take effect until submitted to a referendum and approved by a majority of the electors voting thereon.

APPROVED AS TO FORM

_____
Legislative Reference Bureau
Date: _____
IT IS OUR OPINION THAT THE ORDINANCE
IS LEGAL AND ENFORCEABLE

_____
Office of the City Attorney
Date: _____

LRB145555-2
Teodros W. Medhin:lp
5/13/2014

Appendix B

City of Milwaukee - Internal Audit
Audits Completed 2010 - 2014 and Recommendations Generated
As of December 31, 2014

#	Audit Title	Issued	No. of Findings	Open as of 12/31/2014	Closed
1	City Assessments For Commercial Property	Jan 2010	4	0	100%
2	City Treasurer Cash Controls	Mar 2010	2	0	100%
3	IS Disaster Recovery	Jul 2010	3	0	100%
4	IT External Network Security	Nov 2010	22	0	100%
5	IT Datacenter Audit	Nov 2010	6	0	100%
6	IT Firewall Audit	Dec 2010	3	0	100%
7	City Treasurer Cash Controls	Apr 2011	8	0	100%
8	IS Security Policy	May 2011	5	0	100%
9	Department of Public Works Fleet Services Inventory	Jun 2011	42	0	100%
10	MPD Cash Handling Procedures	Jul 2011	4	0	100%
11	Water Works Cashiering Controls	Aug 2011	6	0	100%
12	Health Department Cashiering Controls	Sep 2011	6	0	100%
13	City Clerk Licensing System	Jan 2012	2	0	100%
14	External IS Network Security	Jan 2012	2	1	50%
15	Port of Milwaukee Billings, Receivables, and Fixed Assets	Mar 2012	13	0	100%
16	Internal Network Security	Apr 2012	2	1	50%
17	Milwaukee Fire Department - Advanced Life Services Billings	Apr 2012	9	0	100%
18	Department of Public Works Billings and Receivables	May 2012	9	0	100%
19	Department of Public Works Parking Division Revenue Recognition	May 2012	2	0	100%
20	City Treasurer Cash Controls	May 2012	3	0	100%
21	Department of Neighborhood Services Billings & Receivables	Jun 2012	11	0	100%
22	Municipal Court Receivables	Jul 2012	8	0	100%
23	Department of Public Works Water & Infrastructure Inventory	Sep 2012	8	0	100%
24	Municipal Court CATS Application	Oct 2012	1	0	100%
25	Workers' Compensation - Medical Bill Review	Oct 2012	3	0	100%
26	Workers' Compensation - Claims Management	Oct 2012	10	0	100%
27	Department of City Development Cash Handling	Nov 2012	10	0	100%
28	DPW Parking Structure Cash Controls	Nov 2012	3	0	100%

Appendix B
(continued)

#	Audit Title	Issued	No. of Findings	Open as of 12/31/2014	Closed
29	Public Works - Infrastructure Services Division - Business Improvement Review	Feb 2013	4	0	100%
30	Department of Administration - Procurement Services - Procard Program	Feb 2013	4	0	100%
31	Review of Public Debt	May 2013	11	1	91%
32	Review of Payroll	Jun 2013	2	0	100%
33	Datacenter Controls	Jun 2013	4	0	100%
34	City Treasurer Cash Controls	Jun 2013	0	0	100%
35	Anti-Virus Controls	Jul 2013	3	0	100%
36	Fire Department Fixed Asset Controls	Aug 2013	3	0	100%
37	Milwaukee Public Library Expenditures	Sep 2013	3	1	67%
38	Milwaukee Public Library Cash Controls	Sep 2013	8	1	88%
39	Department of Employee Relations Tuition Reimbursement Program	Sep 2013	2	2	0%
40	Department of Public Works Self-Help Center Cash Controls	Oct 2013	4	0	100%
41	Department of Administration Procurement Services Section Contract Processing	Dec 2013	5	0	100%
42	Travel Expenditures and Reimbursements	Feb 2014	5	5	0%
43	Cell Phone Device Management and Utilization Controls	Feb 2014	4	0	100%
44	Prescription Drugs Claims Processed by Express Scripts, Inc.	Mar 2014	3	0	100%
45	Medical Claims Processed by United Healthcare, Inc.	Mar 2014	4	0	100%
46	Health Department - Public Health Laboratory - AIX and SoftLab System Controls	Mar 2014	9	0	100%
47	Department of Public Works Parking Structure Cash Controls	Apr 2014	6	0	100%
48	City-wide Payroll Approval Processes	Jul 2014	2	0	100%
49	System Backup and Recovery Controls for the City of Milwaukee Datacenters	Jul 2014	21	7	67%
50	System Vulnerabilities of City Datacenters	Sep 2014	6	5	17%
51	DPW Contract Administration	Nov 2014	9	9	0%

Total Number of Audit Recommendations Generated 2010 - 2014	**329**		
Total Open Audit Recommendations at December 31, 2014		**33**	
Percentage of Recommendations Closed at December 31, 2014			**90%**

Appendix C

City of Milwaukee - Internal Audit
Detail of 33 Open Audit Recommendations and Department Response
As of December 31, 2014

#	Date Issued	Audit Title	Finding	Recommendation Summary	Department Response from Audit Report
1	November 2014	DPW Contract Administration	RPP information recorded in the DPW Bid Notices Application is not always accurate, is not updated timely and consistently, and supporting documentation is not always obtained or retained with the affidavits. The audit found instances of incorrect addresses, unsupported residency statements, outdated certification statuses, documents indexed incorrectly (i.e., attached to the wrong worker), incomplete records, and confusing notes.	Improve methods used to collect, record and maintain RPP certification data to increase efficiency and accuracy. Assess the procedures used to collect, record and maintain RPP certification information for improvement opportunities. Design, document, and apply policies and procedures for collecting, verifying, recording, monitoring, enforcing, and reporting of RPP information. Establish a retention schedule for RPP application documentation. Compare the age of any physical documentation retained in binders against the retention schedule and purge accordingly. Discontinue the process for USPS and personal verifications performed by the Contracts Office to eliminate redundancy and ensure certification procedures are consistent across all verifying agencies.	The Contracts Office is transitioning from a paper-only filing system to an electronic filing system for all RPP certification data. Newly certified RPP data is entered into the Bid Notices App (database) and all supporting documentation is scanned within a week of receipt. Hard copies of documents are filed and retained in the Contracts Office. The procedures for collecting, recording, and maintaining RPP certification data were written and implemented by Contracts Office staff in June 2014. The RPP Procedures define verification statuses and include instructions for verifying residency within the City limits; and will include direction as to how complaints of fraud will be investigated. The steps to be taken will include site visits to "address of record." In addition, staff will also biannually sample the database and conduct "desk audits" to confirm eligibility. See the final report for the full response.
2	January 2012	External IS Network Security	A City wide policy regarding patch management for software and hardware does not exist.	ITMD should engage with the CIMC and IS security professionals to write and adopt a City wide policy regarding patch management for software and hardware.	There was no management response on file from the audit. According to the ITMD Policy and Administration Manager, patches have been deployed using the SCCM system on a regular basis. A City-wide policy for patch management was to be discussed at the cancelled 12-2014 CIMC meeting. It is expected that this policy will be introduced at the next CIMC meeting.

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3	April 2012	Internal Network Security	A City wide policy regarding patch management for software and hardware does not exist.	ITMD should engage with the CIMC and IS security professionals to write and adopt a City wide policy regarding patch management for software and hardware.	There was no management response on file from the audit. According to the ITMD Policy and Administration Manager, patches have been deployed using the SCCM system on a regular basis. A City-wide policy for patch management was to be discussed at the cancelled 12-2014 CIMC meeting. It is expected that this policy will be introduced at the next CIMC meeting.
4	September 2013	Department of Employee Relations Tuition Reimbursement Program	No policies and procedures manual exists for tuition reimbursement practices.	Develop a formal Policies and Procedures Manual.	The Department of Employee Relations staff concurs with the recommendation to create both a Policy and Procedures Manual that will detail the goals and standards of the Tuition Reimbursement Process as well as a Standard Operating Procedure for the processing of requests and reimbursement to employees. This will include roles and responsibilities, decision criteria, and software processing components.
5	February 2014	Travel Expenditures and Reimbursements	Each department has developed its own travel policy within the parameters of the city ordinance. For example: one department has created guidelines based on the current city ordinance; another department has opted to follow the state of Wisconsin travel guidelines which are more conservative than the city's; and, another department has created and utilizes, an additional per diem rate for its employees.	The Department of Administration should collaborate with other departments to develop travel guidelines for the Citywide Travel Policy.	Personnel from the Department of Administration will facilitate meetings with representatives from City departments and key offices of elected officials to formulate guidelines that will cover all aspects of traveling on city time. These guidelines will include procedures for reimbursements, advances, and repayment and will be written in collaboration with the Office of the Comptroller, as recommended in the audit.
6 - 7	July 2014	System Backup and Recovery Controls for the City Datacenters	Detail not included due to the sensitive nature of the subject.		

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8	February 2014	Travel Expenditures and Reimbursements	The city's travel ordinance is only communicated to the employees that process the expense reports and travel advances.	Communicate the citywide travel expense reimbursement policy.	Once the travel expense reimbursement ordinance has been revised and approved by the Common Council, the policy and its guidelines will be disseminated to all City employees. Educational seminars will also be presented.
9	February 2014	Travel Expenditures and Reimbursements	Certain individuals can approve a voucher control group register containing their own Statement of Expenses. These individual are on the list of individuals authorized to approve voucher control group registers for their respective departments.	The traveler should not approve the voucher control group register for their expense report.	This issue will be addressed and resolved in the new Citywide Travel Policy.
10	February 2014	Travel Expenditures and Reimbursements	The city of Milwaukee has a travel ordinance, but each department is interpreting the ordinance differently which results in inconsistency.	The travel expense reimbursement ordinance should communicate clearly which travel expenses are allowable and unallowable. The revised travel reimbursement ordinance should include: transportation, lodging, car rental, meals/entertainment, documentation, and expense reporting. The travel reimbursement ordinance should also be comprehensive within each topic.	Personnel from the Department of Administration will meet with representatives from the City departments and key offices of elected officials to seek input and assistance needed to revise the current travel expense reimbursement ordinance and recommend a draft resolution to be approved by the Common Council.
11 - 14	July 2014	System Backup and Recovery Controls for the City Datacenters	Detail not included due to the sensitive nature of the subject.		
15 - 19	September 2014	System Vulnerabilities of City Datacenters	Detail not included due to the sensitive nature of the subject.		

#	Date Issued	Audit Title	Finding	Recommendation Summary	Department Response from Audit Report
20	November 2014	DPW Contract Administration	There are no controls in place to ensure that all payments processed for work on construction contracts are routed through the Contract Office for compliance monitoring and enforcement. Payments could be made to contractors that are not in compliance with the monitored provisions of the city ordinances, state statutes, and federal regulations (where applicable).	Tighten controls to ensure consistency within compliance monitoring and enforcement activity. Management should develop, document, and implement a policy that requires all payments made on construction contracts to be routed through the Contracts Office for a compliance review. The policy should be communicated periodically on a consistent frequency. Additionally, management should evaluate the possibility of electronic routing of payments for all divisions of DPW to automatically require a compliance check before release. If that is not possible, management should develop and implement a process to detect payments made on contracts that were not first reviewed by the Contracts Office. A threshold amount could be applied to manage the volume and focus the control on larger payments that are inherently higher risk.	The DPW Contract Office will require, as has been the practice, that all payments made on "C" numbered contracts pass thru the Contract Office. This will involve the use of a current system of electronic tracking of sewer and paving contracts and expansion of this system to include all contracts. Until this system is expanding there will be a "report" created to track payments submitted for payment. Prior to any payment being processed Contract Office staff will review these payments for compliance.

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21	November 2014	DPW Contract Administration	A review of the contracting documents and compliance forms indicated that these items had not been updated in several years. Specifically, the audit found: -The General Specifications includes references to sections of the prevailing ordinances that are inaccurate, including a reference to one chapter that was repealed and recreated as far back as 2008; -The General Official Notice to Contractors, countersigned by Mike Daun who retired in 2012, still communicates the requirement for an affidavit of no interest which was repealed in August of 2013; and -The Contractors Time Report which DPW requires contractors to submit at specified intervals during work on a contract, has contractors certifying conformance with the requirements of MCO Section 309-21 through 309-37, relating to Minimum Wage Scale. These sections were repealed in January 2012.	Establish a proactive approach to maintaining accurate Code references within contracting documents and forms. Management should establish the criteria and expectations for maintaining documents and forms used in the procurement and contract administration processes, such as: 1. Developing and implementing policies and procedures to provide guidance and direction for how and when documents and forms related to the bidding process should be updated to reflect changes in the applicable city ordinances and internal processes; 2. Assigning the maintenance responsibility to a team member and cross-training at least one back-up; and 3. Reviewing for accuracy all documents distributed as part of the contracting process and forms required from contractors, and revising as necessary to reflect the current municipal Code and department requirements.	The General Specs - have been updated. Contracts Office staff will monitor ordinance changes on a continuous basis. Biannually, all contract related documents will be reviewed and updated as needed. There will be a Lead and a Back Up assigned to this process. The General Official Notice - The Daily Reporter was notified and has been publishing the correct Comptroller signature since 5/2012-time which the office changed over. There was a document on the website that has been updated. The outdated signature, however, does not alter the content or meaning of the General Official Notice. The General Notice statement refers to the BIDDER and there is still an affidavit that the BIDDER submits, titled the Non-Collusion affidavit. The affidavit that was repealed was an affidavit that was in conjunction with the Bid Bond, which pertained to the SURETY having no interest. However, we will revise the wording so that this requirement is clear. We have corrected the DPW-6 time report form. It is important to note we have been and continue to monitor that the contractor is paying the correct wage rate.

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22	November 2014	DPW Contract Administration	There are no policies and procedures for the system security administration of Bid Express. As such, documented periodic user access reviews were not performed resulting in two users (out of 53) having system access on May 6, 2014, but one user's employment had been terminated on October, 11, 2013, and the other user's employment had been terminated on April 18, 2014. One additional user did not have contract origination job responsibilities and therefore Bid Express access was not needed.	Develop and implement procedures for the system administration of Bid Express. Create and maintain policies and procedures for the system security administration of Bid Express to include: -Adding, maintaining and deleting user access, including the appropriate approvals and documentation. -A focus on system access founded on the least-privilege criteria and based on job responsibilities. -Periodic user access reviews performed by one individual and approved by a second individual, with evidence of the review and approval, such as the signature and date of the resource owner on the user-access list. -System administrator should be informed of personnel changes on a timely basis and revise users' access accordingly. -Required documentation and retention periods.	The Contracts Office agrees with the recommendations made regarding the administration of Bid Express. As a result, the Contracts Office drafted and implemented a Bid Express Administration policy on September 2014. The first Bid Express user review was conducted in September 2014. Bid Express user reviews will be conducted in March and September of each year.
23	September 2013	Milwaukee Public Library Cash Controls	There is no formal policy for waiving fines/fees for Library patrons. Library fines/fees are waived at the discretion of the public service staff. The waiving of fines/fees is not monitored.	Develop a report of the amount of fines and fees waived by reason, time period, branch, and employee.	Our security manager currently reviews circulation records for any irregularities and investigates. We will work with MCFLS in requesting an upgrade that would assist with this process.
24	November 2014	DPW Contract Administration	The Department of Public Works publishes each invitation to bid in the official city paper for six days.	Explore the opportunity to decrease the duration of advertising official notices in the official city paper thereby reducing related expenses. Management should perform a thoughtful, comprehensive cost-benefit analysis to support the reduction in the duration of publishing official notices or justify the value in continuing the current practices.	Official Notice advertisement will be limited to two days effective on November 3, 2014. This change will be evaluated at three and six months. If during this period there is no significant impact on the number of bidders or price of the bids the change will become permanent. There may also be some number of days between 2 and 6 that will be selected depending upon impact.

#	Date Issued	Audit Title	Finding	Recommendation Summary	Department Response from Audit Report
25	May 2013	Review of Public Debt	The department is dependent on one key person.	City officials and department management should be trained around the regulations regarding tax-exempt financing. Also, City-wide procedures should be developed and implemented to notify the Public Debt Specialist when assets financed by tax-exempt debt are sold or used by non-City entities.	The Comptroller will initiate this training and policy for management City-wide. We hope to execute the training and develop the policy through inter-departmental meetings in 2013 and 2014.
26	September 2013	Audit of the Department of Employee Relations Tuition Reimbursement Program	Currently, discussions regarding questionable employee requests for tuition reimbursement is only documented, if the discussion occurs through email, the emails are retained. The decision arrived at is documented in the fact that the reimbursement request is approved or denied. A denial letter is sent to the employee explaining the reason that request for reimbursement was denied.	Establish a process for documenting the analysis, discussions and noted resolutions regarding the applications that may not be eligible for tuition reimbursement.	Our proposed addition to the current documentation process for questionable tuition reimbursement requests is to create a spreadsheet itemizing denied requests that details both the specific issue and final determination. This information will be useful for future decision making as well as for clarifications and updates to the Tuition Reimbursement Administrative Guidelines. In addition, the data gathered through this documentation process will assist in updating the proposed Policies and Procedures Manual.
27	February 2014	Travel Expenditures and Reimbursements	Several city departments have developed their own expense report form and the current form is confusing to personnel and department management.	Develop, revise, and maintain forms used to authorize travel, request travel advance, and travel reimbursement.	Personnel from the Department of Administration will meet with personnel from the Comptroller's Office to collaborate and create a universal travel authorization form to used by all departments. The expense report and travel advance forms will also be reviewed for possible revisions based on the revised ordinance.
28 - 29	July 2014	System Backup and Recovery Controls for the City Datacenters	Detail not included due to the sensitive nature of the subject.		

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30	November 2014	DPW Contract Administration	Certificates of insurance are not consistently obtained and reviewed for sufficient coverage. The audit identified 8 contracts in a sample of 30 for which a certificate of liability was not obtained, or did not provide coverage to meet the minimums required by the General Specifications.	Review contractor insurance coverage for compliance with the requirements prior to the start of work. Once the types and amounts of required liability insurance are established, management should continue to take a more proactive approach in monitoring the receipt of certificates of liability and implement a process to review the insurance for adequate coverage prior to the start of work. This should include a review of insurance for all active contracts and then for contracts as awarded.	The Contracts Office agrees that certificates of liability insurance (COLI) must be obtained and reviewed for sufficient coverage prior to the start of work. A policy to obtain and save all COLI info in the database was implemented in May 2014. Contracts are not transmitted to contractors unless a current and complete COLI is on file with the Contracts Office. Additionally, beginning in May 2014, the database sends out an email notification to Contracts Office staff when COLI coverages have expired. Contract Office staff follow up with the contractor to obtain updated COLI documentation prior to expiration.
31	November 2014	DPW Contract Administration	In accordance with Section 7-14-2a of the City Charter, the DPW General Specifications created January 31, 1992 requires each prime contractor, prior to the start of work, to furnish certificates which confirm the prime contractor has the types and amounts of insurance to adequately protect the City. A review of a sample of contracts for compliance with these requirements indicated that certificates of liability insurance (COLI) are not consistently obtained and reviewed for sufficient coverage prior to the start of work. Twenty-five percent of the contracts tested were either missing the COLI, did not provide enough coverage to meet the minimums required by the General Specifications, or did not list the City as additional insured.	Clarify liability insurance requirements within the DPW General Specifications. Management should revise Section 2.9.7 of the Department of Public Works General Specifications to accurately reflect the types and amounts of insurance actually accepted from prime contractors for construction contracts. Management should confirm the level of acceptable coverage with the City Attorney before making the revisions and then periodically going forward.	The Contracts Office, in consultation with the City Attorney's Office, will clarify the liability insurance requirements. The clarified requirements will be included in the General Specs.

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32	November 2014	DPW Contract Administration	A second reader attends bid openings to verify the bids as read aloud by the Contract Compliance Officer; however there is no evidence of the verification.	Document and retain evidence of the second reader at bid openings. Management should develop and implement a procedure to document evidence of the verification provided by the second reader at bid opening (i.e., signature or initials, and date on 17 submitted bids). Documentation should be retained and discarded per department retention schedules.	The Contract Office has implemented documentation of second readers at bid openings for all paper bids. Beginning in August 2014, second readers began initialing each paper bid. These documents are retained and discarded per the department's retention schedule.
33	November 2014	DPW Contract Administration	Bid Express, the electronic bidding system, does not disclose the name of the surety company issuing the bid bond when contractors submit electronic bid bonds with their bids. Therefore, the Contract Office is unable to determine whether the surety company is licensed to do business in Wisconsin. All bid bonds tested during the audit were issued by surety companies licensed to do business in Wisconsin.	Validate surety companies for electronic bid bonds. Management should establish and implement a formal documented policy and procedure for validating electronic bid bonds. The procedures should be performed every time an electronic bid bond is received as the certification status of surety companies may change over time. If DPW ultimately chooses to rely on the vendor to perform the validation, management should consult with the City Attorney to document the terms in an agreement with the service provider.	The Contracts Office will perform a desk audit of all electronic bid bonds to ensure bonds are issued by companies licensed to conduct business in the state of Wisconsin.