



---

**Report of Audit  
Recommendation Follow-Up  
2020**

---

**MARTIN MATSON**  
City Comptroller

**CHARLES ROEDEL**  
Audit Manager

City of Milwaukee, Wisconsin

February 2020

## Table of Contents

<b>Transmittal Letter .....</b>	<b>1</b>
<b>Overview.....</b>	<b>2</b>
<b>I. Follow-up Activity and Results .....</b>	<b>2</b>
<b>Recommendation Final Status Summary - Open/Closed .....</b>	<b>2</b>
<b>Implementation Status.....</b>	<b>3</b>
<b>Summary of Results .....</b>	<b>4</b>
<b>Management Commendations - Recommendation Resolution.....</b>	<b>5</b>
<b>II. Audit Follow-up - Standards and Procedures.....</b>	<b>6</b>
<b>Objectives, Scope, and Methodology.....</b>	<b>8</b>
<b>Risk Assessment .....</b>	<b>9</b>
<b>Appendix A: Recommendations Open/Closed by Department and Audit .....</b>	<b>10</b>
<b>Appendix B: Open Recommendations Implementation Status .....</b>	<b>11</b>
<b>Appendix C: Open Audit Findings, Recommendation Details and Risks .....</b>	<b>14</b>
<b>Comptroller’s Acknowledgment of Receipt.....</b>	<b>17</b>

**Martin Matson**  
Comptroller

**Aycha Sawa, CPA, CIA**  
Deputy Comptroller



**Toni Biscobing**  
Special Deputy Comptroller

**Rocklan Wruck, CPA**  
Special Deputy Comptroller

**Office of the Comptroller**

February 14, 2020

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

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 recommendations by ensuring 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, 2019.

The scope for this year's follow-up activities included all recommendations issued in 2019, and all recommendations issued in previous years that remained open after the application of follow-up procedures. 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, 9 audit findings (of 33 total) were closed in 2019 with 24 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,

Handwritten signature of Charles Roedel in cursive script.

Charles Roedel, CPA, CIA  
Audit Manager

CRR:bd

## Overview

This report includes information on the Internal Audit Division's follow-up activities and management's accomplishments through the year ended December 31, 2019. The intent of this report is to keep the Finance and Personnel Committee informed regarding the status of audit recommendations made by the Internal Audit Division. Provided is a summary of data, recommendations and status updates for all open recommendations. City leadership and management have made notable progress to implement the open audit recommendations.

### I. Follow-up Activity and Results

#### Recommendation Final Status Summary – Open/Closed

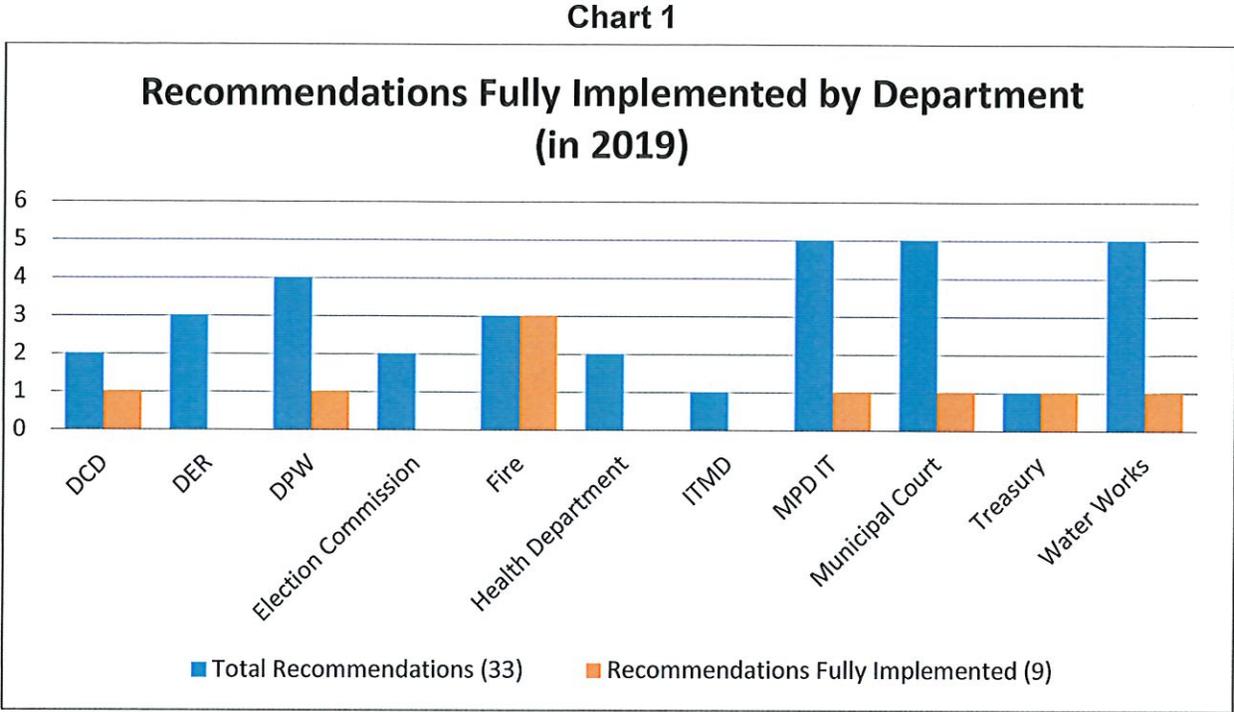
In 2019, the Internal Audit Division issued two reports that included 7 recommendations in total. As Table 1 indicates, there were 26 additional open recommendations from audit reports issued prior to 2019, resulting in 33 total open recommendations targeted for follow-up monitoring activities in 2019. Based on management's assertions and the Internal Audit Division validation procedures, 9 of the 33 total open recommendations were closed as of December 31, 2019.

**Table 1 – Summary of Audit Recommendation Status at December 31, 2019**

Audit Year	Recommendation Disposition			
	Total	Fully Implemented	Open as of 12/31/19	Percent Fully Implemented
2014	3	2	1	67%
2015	2	1	1	50%
2016	5	0	5	0%
2017	8	1	7	13%
2018	8	4	4	50%
2019	7	1	6	14%
<b>Total</b>	<b>33</b>	<b>9</b>	<b>24</b>	<b>27%</b>

A detailed summary of recommendations that were initially reported and subsequently resolved, by department and audit title, are presented in Appendix A.

Additionally, the number of fully implemented/closed recommendations, by department, is presented in Chart 1 below.



A detailed summary of the open recommendations per department is provided at Appendix C.

**Implementation Status**

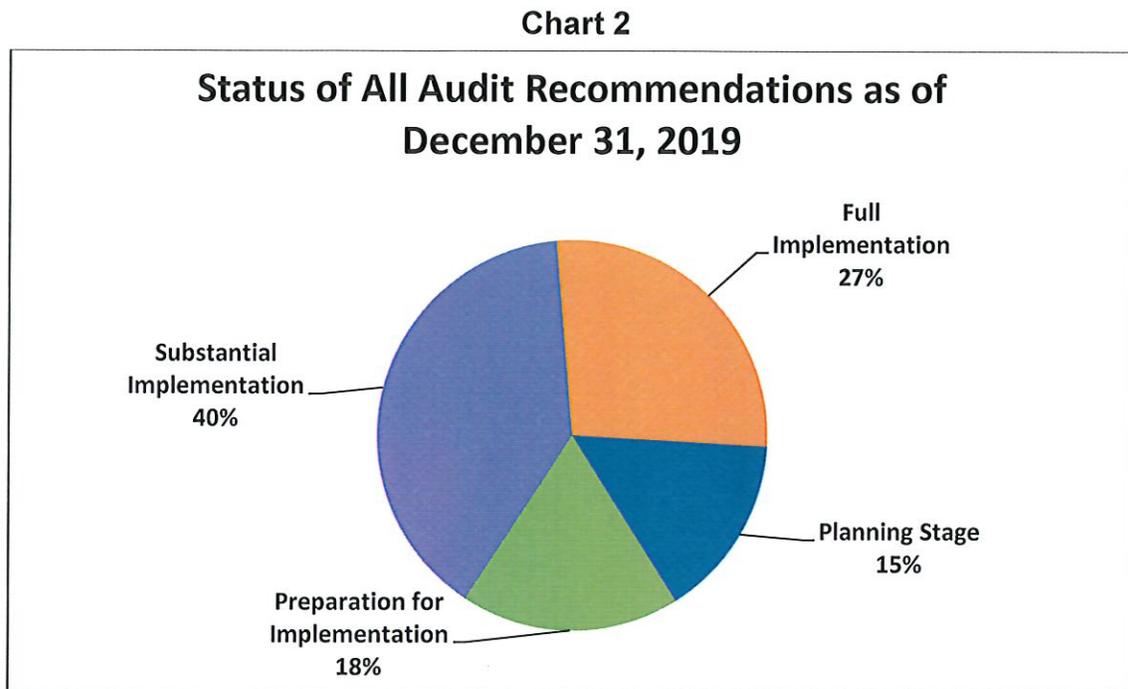
The implementation status of all audit recommendations, is monitored and periodically updated throughout their lifecycle. The recommendations are classified according to the Action Plan Maturity Model (or scale) developed by the risk advisory consultant Sunera, LLC<sup>1</sup> as follows:

1. Insignificant Progress
2. Planning Stage
3. Preparation for Implementation
4. Substantial Implementation

<sup>1</sup>Goldberg, Danny. “Unit VI: Audit Follow-up.” Internal Audit Best Practices and Fundamental Principles [Seminar]. Pewaukee, WI. 16 February 2011.

- 5. Full Implementation
- 6. No Longer Applicable
- 7. Management Accepts Risk of Not Taking Action

The implementation status for the 33 total recommendations is illustrated in Chart 2. In 2019, 67% of the open recommendations were fully or substantially implemented.



Detailed information about the implementation status of the 24 open recommendations is provided at Appendix B.

### Summary of Results

Of the 24 open recommendations as of December 31, 2019, 18 are past management’s initial target completion date, with 16 outstanding for greater than one year. Though management has worked expeditiously to fully implement recommendations in 2019, many remain open due to the following:

- The time requirements for an implementation can be significant due to its complexity (system upgrades, cross training, etc.);
- Key positions are vacant (staff and management turnover);
- Information receipts from third party vendors or departments/parties external to the implementing department are pending.

However, the Internal Audit Division does express appreciation for the efforts demonstrated by department management in 2019, which resulted in many open recommendations progressing towards full implementation.

Detailed information about the initial and revised target dates for the 24 open recommendations can be referenced in Appendix B.

### **Management Commendations – Recommendation Resolution**

For the audits identified in Table 2 below, management’s outstanding remediation efforts and collaboration with the Internal Audit Division has resulted in significant progress toward implementation and full implementation (closure) of audit recommendations in 2019. These implementation efforts demonstrate each department’s commitment to the mitigation of risks and the development of more efficient and effective City operations.

**Table 2 – Management Commendations**

Department/Division	Audits or Projects
<b>Department of City Development</b>	<ul style="list-style-type: none"> <li>▪ Audit of the Department of City Development In Rem Property Management and Disposition</li> </ul>
<b>Department of Employee Relations</b>	<ul style="list-style-type: none"> <li>▪ Audit of Dependent Insurance Coverage Eligibility</li> </ul>
<b>Department of Public Works</b>	<ul style="list-style-type: none"> <li>▪ Audit of Department Performance Measurement Controls</li> <li>▪ DPW Contract Administration</li> <li>▪ Physical Security Assessment</li> </ul>

<b>The Election Commission</b>	<ul style="list-style-type: none"> <li>▪ Audit of Election Commission Voter Registration Process</li> </ul>
<b>Fire Department</b>	<ul style="list-style-type: none"> <li>▪ Audit of Public Records Requests and Controls-Fire Department</li> </ul>
<b>Information Technology Management Division</b>	<ul style="list-style-type: none"> <li>▪ Audit of ITMD Data Center Controls</li> </ul>
<b>Employes' Retirement System</b>	<ul style="list-style-type: none"> <li>▪ Audit of Public Records Requests and Controls-Employes' Retirement System (ERS)</li> </ul>
<b>Information Technology Management Division</b>	<ul style="list-style-type: none"> <li>▪ Audit of ITMD Data Center Controls</li> </ul>
<b>Milwaukee Police Information Technology Department</b>	<ul style="list-style-type: none"> <li>▪ Audit of 9-1-1 System Application Controls</li> </ul>
<b>Milwaukee Police Information Technology Department</b>	<ul style="list-style-type: none"> <li>▪ Audit of 9-1-1 System Application Controls</li> </ul>
<b>Municipal Court</b>	<ul style="list-style-type: none"> <li>▪ Audit of System Backup and Recovery Controls for the City of Milwaukee Datacenters</li> </ul>
<b>The Office of the City Treasurer</b>	<ul style="list-style-type: none"> <li>▪ Audit of City Treasurer Cash Controls</li> </ul>
<b>Water Works</b>	<ul style="list-style-type: none"> <li>▪ Audit of Milwaukee Water Works Data Center Controls</li> </ul>

## **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)<sup>2</sup> – 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:

- 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.
- 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.

This review was conducted in accordance with Generally Accepted Government Auditing Standards. Those standards require that the auditors plan and perform the audit (follow-up review) to obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions based on the objectives. 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.

---

<sup>2</sup> GAO, Government Auditing Standards, GAO-12-331G (Washington, D.C.: December 2011).

## **Objectives, Scope, and Methodology**

### *Objectives*

The primary objective of this review was to evaluate the timeliness and adequacy of implementing recommendations made in previous audits. Through the performance of follow-up procedures, it can be determined whether Management has taken prompt and appropriate action to correct issues by implementing recommendations identified by the Internal Audit Division.

### *Scope*

The scope of this year's follow-up review included:

1. All recommendations issued in 2019 for which sufficient time had lapsed to implement corrective action.
2. All recommendations previously issued that remained open after prior years' follow-up activity.

### *Methodology*

To determine progress, the follow-up methodology includes monitoring 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 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.

The extent of the follow-up procedures performed is based on the risk rating and materiality of an audit finding.

## **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 24 open recommendations, and assigned each a risk rating of High, Medium or Low. The rating is based on the impact and likelihood of occurrence the risk posed via the identified finding. See Appendix C for recommendation, finding detail, and risk rating.

## Appendix A

### Recommendations Open/Closed by Department and Audit

(As of December 31, 2019)

Department	Audit Title, and Issue Date (Audits listed in report date range)	Recommendation Disposition			
		Open during 2019	Total Closed	Open as of 12/31/19	Percent Closed
Municipal Court	Audit of System Backup and Recovery Controls for the City of Milwaukee Datacenters, (7/31/2014)	2	1	1	50%
DPW	DPW Contract Administration, (11/5/2014)	1	1	0	100%
DCD	Audit of the Department of City Development In Rem Property Management and Disposition, (8/12/2015)	2	1	1	50%
DPW	Physical Security Assessment, (2/8/2016)	2	0	2	0%
DPW	Audit of Department Performance Measurement Controls, (5/16/2016)	1	0	1	0%
Health Department	Audit of Department Performance Measurement Controls, (5/16/2016)	2	0	2	0%
MPD IT	Audit of 9-1-1 System Application Controls, (8/29/2017)	5	1	4	20%
DER	Audit of Dependent Insurance Coverage Eligibility, (12/5/2017)	3	0	3	0%
Fire	Audit of Public Records Requests and Controls-Fire Department, (4/16/2018)	3	3	0	100%
ITMD	Audit of ITMD Data Center Controls, (6/13/2018)	1	0	1	0%
Treasury	Audit of City Treasurer Cash Controls , (7/19/2018)	1	1	0	100%
Municipal Court	Audit of Municipal Court Data Center Controls, (12/12/2018)	3	0	3	0%
Election Commission	Audit of Election Commission Voter Registration Process, (6/19/2019)	2	0	2	0%
Water Works	Audit of Milwaukee Water Works Data Center Controls, (9/18/2019)	5	1	4	20%
<b>Totals</b>		<b>33</b>	<b>9</b>	<b>24</b>	<b>27%</b>

## Appendix B

### Open Recommendations Implementation Status

(As of December 31, 2019)

Reference Number	Department	Audit Title, and Issue Date	Finding Summary	Implementation Disposition		
				Initial Target Date	Revised Target Date*	Status as of 12/31/19
1	DCD	Audit of the Department of City Development In Rem Property Management and Disposition, (8/12/2015)	Trained Personnel	12/31/2015	12/31/2020	Substantial Implementation
2	DER	Audit of Dependent Insurance Coverage Eligibility, (12/5/2017)	Retention Controls	6/30/2018	12/31/2020	Substantial Implementation
3	DER	Audit of Dependent Insurance Coverage Eligibility, (12/5/2017)	Periodic Review	3/31/2017	12/31/2020	Preparation for Implementation
4	DER	Audit of Dependent Insurance Coverage Eligibility, (12/5/2017)	Policy and Procedure	6/30/2018	12/31/2020	Substantial Implementation
5	DPW	Audit of Department Performance Measurement Controls, (5/16/2016)	Policy and Procedure	1/31/2017	6/30/2020	Substantial Implementation
6	DPW	Physical Security Assessment, (2/8/2016)	Detail not included due to the sensitive nature of the subject.			Substantial Implementation
7	DPW	Physical Security Assessment, (2/8/2016)	Detail not included due to the sensitive nature of the subject.			Substantial Implementation
8	Election Commission	Audit of Election Commission Voter Registration Process, (6/19/2019)	Trained Personnel	8/31/2020	NA	Substantial Implementation

## Appendix B

### Open Recommendations Implementation Status

(As of December 31, 2019)

Reference Number	Department	Audit Title, and Issue Date	Finding Summary	Implementation Disposition		
				Initial Target Date	Revised Target Date*	Status as of 12/31/19
9	Election Commission	Audit of Election Commission Voter Registration Process, (6/19/2019)	Policy and Procedure	8/31/2020	NA	Substantial Implementation
10	Health Department	Audit of Department Performance Measurement Controls, (5/16/2016)	Trained Personnel	8/31/2017	12/31/2020	Preparation for Implementation
11	Health Department	Audit of Department Performance Measurement Controls, (5/16/2016)	Policy and Procedure	8/31/2017	8/31/2020	Preparation for Implementation
12	ITMD	Audit of ITMD Data Center Controls, (6/13/2018)	Detail not included due to the sensitive nature of the subject.			Substantial Implementation
13	MPD IT	Audit of 9-1-1 System Application Controls, (8/29/2017)	Detail not included due to the sensitive nature of the subject.			Planning Stage
14	MPD IT	Audit of 9-1-1 System Application Controls, (8/29/2017)	Detail not included due to the sensitive nature of the subject.			Planning Stage
15	MPD IT	Audit of 9-1-1 System Application Controls, (8/29/2017)	Detail not included due to the sensitive nature of the subject.			Planning Stage
16	MPD IT	Audit of 9-1-1 System Application Controls, (8/29/2017)	Detail not included due to the sensitive nature of the subject.			Planning Stage
17	Municipal Court	Audit of Municipal Court Data Center Controls, (12/12/2018)	Detail not included due to the sensitive nature of the subject.			Preparation for Implementation

## Appendix B

### Open Recommendations Implementation Status

(As of December 31, 2019)

Reference Number	Department	Audit Title, and Issue Date	Finding Summary	Implementation Disposition		
				Initial Target Date	Revised Target Date*	Status as of 12/31/19
18	Municipal Court	Audit of Municipal Court Data Center Controls, (12/12/2018)	Detail not included due to the sensitive nature of the subject.			Planning Stage
19	Municipal Court	Audit of Municipal Court Data Center Controls, (12/12/2018)	Detail not included due to the sensitive nature of the subject.			Preparation for Implementation
20	Municipal Court	Audit of System Backup and Recovery Controls for the City of Milwaukee Datacenters, (7/31/2014)	Detail not included due to the sensitive nature of the subject.			Preparation for Implementation
21	Water Works	Audit of Milwaukee Water Works Data Center Controls, (9/18/2019)	Detail not included due to the sensitive nature of the subject.			Substantial Implementation
22	Water Works	Audit of Milwaukee Water Works Data Center Controls, (9/18/2019)	Detail not included due to the sensitive nature of the subject.			Substantial Implementation
23	Water Works	Audit of Milwaukee Water Works Data Center Controls, (9/18/2019)	Detail not included due to the sensitive nature of the subject.			Substantial Implementation
24	Water Works	Audit of Milwaukee Water Works Data Center Controls, (9/18/2019)	Detail not included due to the sensitive nature of the subject.			Substantial Implementation

\*A Revised Target Date value of N/A indicates that the Initial Target Date is still in effect and did not require revision.

## Appendix C

### Open Audit Findings, Recommendation Details and Risks

(As of December 31, 2019)

Reference Number	Dept.	Audit Title	Finding Detail	Recommendation Summary	Risk Rating
1	DCD	Audit of the Department of City Development In Rem Property Management and Disposition	The database specialist is responsible for sending out the Notice of Inspection letters. There is no back-up staff for the database specialist.	Cross-train a back-up for the Database Specialist. Management should cross train at least one individual to perform the time sensitive duties of the Database Specialist as they relate to the process of inspecting, marketing, and selling in rem properties.	Medium
2	DER	Audit of Dependent Insurance Coverage Eligibility	Proof of relationship documentation was obtained and/or retained for 10 of 35 dependents sampled for review carried under the City's health and/or dental dependent benefits	Enhance acquisition and retention controls over dependent insurance eligibility documents.	Low
3	DER	Audit of Dependent Insurance Coverage Eligibility	Periodic reviews of dependent eligibility requirements are not performed to verify that employee dependents remain eligible.	Perform periodic audit/review of dependent insurance eligibility requirements.	Low
4	DER	Audit of Dependent Insurance Coverage Eligibility	There are no comprehensive, formal documented policies and procedures governing the dependent insurance coverage eligibility requirements process.	Develop and implement procedures for the dependent insurance coverage eligibility requirement process.	Low
5	DPW	Audit of Department Performance Measurement Controls	There are no documented policies and procedures specific to performance measurement processes and controls.	Management should develop, document, and implement processes to periodically reassess and enhance their applicable performance measures.	Low
6-7	DPW	Physical Security Assessment	Detail not included due to the sensitive nature of the subject.		High

## Appendix C

### Open Audit Findings, Recommendation Details and Risks

(As of December 31, 2019)

Reference Number	Dept.	Audit Title	Finding Detail	Recommendation Summary	Risk Rating
8	Election Commission	Audit of Election Commission Voter Registration Process	For one out of five polling site wards, proof of residency was not consistently documented on the voter registration application form during the August 14, 2018 partisan primary election.	Management should ensure that election inspectors properly document proof of residence by providing remedial training for returning election inspectors prior to the November 3, 2020 General Election.	Low
9	Election Commission	Audit of Election Commission Voter Registration Process	Some documented policies and procedures for voter registration activities do not clearly define the step-by-step process required to conduct certain tasks.	Management should expand existing job aids to document all steps necessary to perform critical functions and update procedures to ensure references to the Wisconsin Elections Commission and applicable forms are accurate.	Low
10	Health Department	Audit of Department Performance Measurement Controls	Formal, comprehensive backup training has yet to be provided, regarding both performance measure data collection and recalculation processes and controls.	Management should develop and document formal, comprehensive policies and procedures for performance measurement processes and controls, and implement cross-training for contingency purposes.	Low
11	Health Department	Audit of Department Performance Measurement Controls	There are no documented policies and procedures specific to performance measurement processes and controls.	Develop and implement a process for reassessing and enhancing published performance measures.	Low
12	ITMD	Audit of ITMD Data Center Controls	Detail not included due to the sensitive nature of the subject.		High
13-16	MPD IT	Audit of 9-1-1 System Application Controls	Detail not included due to the sensitive nature of the subject.		Medium
17-19	Municipal Court	Audit of Municipal Court Data Center Controls	Detail not included due to the sensitive nature of the subject.		High

## Appendix C

### Open Audit Findings, Recommendation Details and Risks

(As of December 31, 2019)

Reference Number	Dept.	Audit Title	Finding Detail	Recommendation Summary	Risk Rating
20	Municipal Court	Audit of System Backup and Recovery Controls for the City of Milwaukee Datacenters	Detail not included due to the sensitive nature of the subject.		High
21-24	Water Works	Audit of Milwaukee Water Works Data Center Controls	Detail not included due to the sensitive nature of the subject.		Medium

**Martin Matson**  
Comptroller

**Aycha Sawa, CPA, CIA**  
Deputy Comptroller



**Toni Biscobing**  
Special Deputy Comptroller

**Rocklan Wruck, CPA**  
Special Deputy Comptroller

**Office of the Comptroller**

February 14, 2020

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

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, 2019. 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 Recommendation Follow-up 2019. At all times, the Internal Audit Division worked autonomously in order to carry out follow-up activities.

Sincerely,

A handwritten signature in black ink that reads 'Martin Matson'.

Martin Matson,  
Comptroller