



**Audit of
Port Milwaukee Capital Assets**

AYCHA SAWA
City Comptroller

CHARLES ROEDEL
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City of Milwaukee, Wisconsin

September 2020

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Aycha Sawa, CPA, CIA
Comptroller

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Office of the Comptroller

Toni Biscobing
Special Deputy Comptroller

September 27, 2020

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

Dear Mayor and Council Members:

The attached report summarizes the results of the audit of the Port Milwaukee capital assets. The scope of the audit included Port Milwaukee capital asset maintenance, monitoring, and tracking activities from January 1, 2019 to April 30, 2020. Audit activities consisted of interviews, process walkthroughs, and sample testing for the period under review.

The audit objectives were to:

1. Review and evaluate management controls for sufficiency and effectiveness regarding the recording, tracking, monitoring, and security of capital assets including acquisitions, dispositions, capital projects in process, and repairs & maintenance.
2. Ensure that the Port Milwaukee capital asset activities comply with regulatory standards, ordinances, and contracts as required.

The audit concluded that the identified internal controls in place over Port Milwaukee Capital Assets are sufficient and in the growth stage. Although some of the control deficiencies identified are foundational the identified controls reviewed are operating effectively. However, gaps exist in the general controls over the Port Milwaukee Capital Assets that have been identified within this report. This audit report identifies nine recommendations to address these issues.

Audit findings are discussed in the Audit Conclusions and Recommendations section of this report, and are followed by management's response.

Appreciation is expressed for the cooperation extended to the auditors by the personnel of the Port Milwaukee

Sincerely,

Charles Roedel
Charles Roedel, CPA, CIA
Audit Manager

CR/md

I. Audit Scope and Objectives

Port Milwaukee (“Port”) performs maintenance and capital projects to maintain, replace or acquire assets used in performing its mission and generate revenue for the City. The scope of the audit included the Port capital asset maintenance, monitoring, and tracking activities from January 1, 2019 to April 30, 2020. Audit activities consisted of interviews, process walkthroughs, and sample testing for the period under review.

The objectives of the audit were to:

1. Review and evaluate management controls for sufficiency and effectiveness regarding the recording, tracking, monitoring, and security of capital assets including acquisitions, dispositions, capital projects in process, and repairs & maintenance.
2. Ensure that Port Milwaukee capital asset activities comply with regulatory standards, ordinances, and contracts as required.

The audit was conducted in accordance with generally accepted government auditing standards (GAGAS). Those standards require that the audit obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. The evidence obtained provides a reasonable basis for the audit’s findings and conclusions based on the audit objectives.

Methodology

Audit methodology included developing an understanding of the processes and controls over the acquisition, recording, tracking, maintenance, repair, security, monitoring, and disposition of capital assets. The methodology also included the capital projects in process, from budget approval, to project management and conclusion, if applicable for proposed 2019 and 2020 budget implications.

The audit procedures developed to evaluate the processes and controls to meet the audit objectives included process walkthroughs, inspection of relevant control documentation, and the testing of controls as follows:

- Reviewed relevant enterprise wide and departmental policies, procedures, and guidelines relative to the objectives.
- Evaluated the status of maintenance and repair requests made to capital assets.
- Evaluated the complete capital asset process, from acquisition to disposition, including, recording, tracking, monitoring, repairing, securing and disposing of the assets.
- Evaluated the capital projects in process from the budget approval, to managing and maintaining to help ensure that the project would not be over budget and not on schedule.
- Assessed the frequency and adequacy of the Port performed inventory reviews.
- Determined if internal controls related to the objectives are adequately designed and functioning properly.
- Performed physical verification of capital assets using a sheet to floor process.

II. Organization and Fiscal Impact

The Port is an economic entity of City government that is governed by a seven-member Board of Harbor Commissioners. The Board administers commercial and recreational operations on the 467 acres that make up the Port. Recreational activities such as Milwaukee World Festivals and Discovery World occur north of the main gap (identifiable by the Hoan Bridge), while commercial activities are conducted south of the main gap.¹

The Port, which is located on the southwestern shore of Lake Michigan, functions as the region's transportation and distribution center. Port transportation options include waterborne, rail, and ground. The Port handles a diverse mix of cargoes including steel, salt, limestone, asphalt, scrap metal, biodiesel, ethanol, cement, fertilizers, machinery, wind tower components, locally produced

¹ Port of Milwaukee 2015 Annual Report, page 2
(http://city.milwaukee.gov/ImageLibrary/User/portbn/PDF/PortofMilwaukeeAnnualReport_Webv2.pdf).

grains, and a variety of other bulk commodities.² The Port also is a Great Lakes cruising destination. In 2019, one cruise company vessel, The Pearl Mist, chose the Port to be a turnaround homeport.³

The mission of the Port is to enhance the economic environment of the Milwaukee region by stimulating trade, business, and employment.⁴ The Port works to accomplish this goal by providing land and services for businesses that need to be near the water. To attract tenants and increase revenues, the Port must maintain high quality facilities and infrastructure (see Table 1 for 2017, 2018 and 2019 Port revenues).

Table 1: Port 2017-2019 Revenues and Expenses⁵

	2019	2018	2017 ⁶
Operating Revenues*	\$4,608,768.79	\$4,753,949.00	\$4,108,224.00
Operating Expenses	\$3,866,519.78	\$4,265,888.25	\$3,406,867.68
Net Income (Loss)	\$742,249.01	\$488,060.75	\$701,356.32
Personal Property Taxes	N/A	\$517,282	\$496,829

* Does not include Milwaukee World Festivals, Inc. The comparison of operating revenue and expenses for 2017 excludes depreciation, debt service and interest expense.

The Port's revenues are derived from 53.5% lease income and 46.5% cargo income in 2018. Operations of the Port are expended from revenues and any excess revenues are returned to the city's general fund.

² Ibid.

³ Port Milwaukee 2019 Annual Report, page 3

⁴ Port Milwaukee website (<http://city.milwaukee.gov/port>).

⁵ Port of Milwaukee 2019 Annual Report, page 6.

⁶ Port of Milwaukee 2018 Annual Report page 5

Under the City’s capitalization policy, capital assets include land, machinery, equipment, and infrastructure costing \$5,000 or more and with a useful life greater than one year. It is the Port’s responsibility to maintain high quality facilities to attract tenants, increase revenue, and improve the local economy. The 2020 budget includes approximately \$1 million for the maintenance and improvements of Port facilities, including \$450,000 for leasehold demolition/facilities upgrade, \$50,000 for dock wall and breakwater rehabilitation, and \$280,000 for major rehab and equipment upgrades⁷. In addition, there was a capital funding for the Port’s Capital Improvements Program in 2013. Specifically, the Port began a 5-year railroad-crossing replacement program in 2013 to upgrade track from 90lb rails to 110lb rails, consistent with industry standards. The 2020 budget includes \$200,000 in capital funding for roadway paving and \$275,000 to continue rail, track, and service upgrades⁸. (See table 2 for Capital Improvements budget.)

Table 2: Port Milwaukee proposed 2020 Capital Improvements

Port of Milwaukee	General Obligation (\$)	City Budget Totals (\$)	Grant and Aid Financing (\$)	Project Total (\$)	Project
Budget	200,000	200,000	0	200,000	Roadway Parking
Budget	275,000	275,000	0	275,000	Rail Track and Service Upgrades
Budget	0	0	800,000	800,000	Pier Berth and Channel Improvements
Total	475,000	475,000	800,000	1,275,000	Total Proposed 2020 Capital Improvements

The last official audit of the Port was completed in 2012; and focused on Port billings, receivables, and fixed assets. Since that time, there have been personnel changes in both the Port Director and Port Finance Officer positions. The 2012 audit resulted in 13 recommendations, presented in three

⁷ 2020 City of Milwaukee Plan and Budget Summary, 136,137.

⁸ Ibid.

categories, which consisted of revised recommendations from 2005 audit, 2012 findings related to Port fixed assets, and other findings and recommendations. There was a terminated audit of Port Milwaukee in 2016. The reason for termination of the audit was due to the time lapse after field work in 2016 and turnover in both the Internal Audit Division and Port personnel.

III. Audit Conclusions and Recommendations

Capital assets are defined as any asset that has a cost over \$5,000 and a life expectancy over 1 year. Only Capital assets owned by the Port were reviewed for this audit.

The audit concluded that the identified internal controls in place over Port Capital Assets are sufficient and in the growth stage. Although some of the control deficiencies identified are foundational, the identified controls reviewed are operating effectively. However, gaps exist in the general controls over the Port Capital Assets that have been identified within this report. This audit report identifies nine recommendations to address these issues.

1. Port Milwaukee should create a formalized workflow, work instructions or procedures describing the removal, addition, monitoring and security of the capital assets processes.
2. Port Milwaukee should determine if there are physical security vulnerabilities and create a plan to mitigate the vulnerabilities.
3. Port Milwaukee could utilize the Capital Asset Reinvestment Plan (CARP) grant to hire a consultant to assist in identifying assets conditions, assessing potential maintenance costs and creating a preventive maintenance schedule.
4. Port Milwaukee should create a preventative maintenance schedule for booked capital assets.
5. Port Milwaukee should reconcile Port Milwaukee Finance asset list and Port Milwaukee Operations Database asset list. Then both Port Milwaukee teams should reconcile to the Comptroller's asset list to help ensure consistency in asset tracking.
6. Port Milwaukee should work with ITMD to limit accessibility to Access Database if the Database will be maintained during Windows version upgrades.
7. Port Milwaukee should complete a user access review of the Access Database and schedule user access reviews on a periodic basis.

8. Port Milwaukee should create a physical verification or cycle counting schedule to help ensure consistency in capital asset recording.
9. Port Milwaukee should work with the Accounting team of the Comptroller's office to add, delete, confirm and change the name of capital assets based on the physical verification results.

Additional details regarding the recommendations for improvement are provided in the remaining sections of this report.

A. Port Milwaukee Capital Asset Policies and Procedures

Written and implemented procedures will help assist each division with information in regards to job responsibilities. This will ensure that procedures are still implemented in the event of turnover, retirement, or leave of absences of Port personnel. Written procedures provide guidance and explanation to the employees on how a process is supposed to operate effectively. A lack of procedures provides confusion and inefficiencies by employee work.

Currently there are no written procedures for the Port Capital Asset process. The impacted departments are Port Finance and Port Operations.

There could be a lack of consistency during personnel transitions with no written procedures in place. The Port has three individuals with over 100 years of knowledge and experience currently eligible for retirement. The Port is vulnerable to losing valuable knowledge and experience, which may result in inefficiencies, if the employees retire before written procedures are established.

Recommendation 1: Port Milwaukee should create a formalized workflow, work instructions or procedures describing the removal, addition, monitoring and security of the capital assets processes.

To strengthen controls over the capital assets process Port management should:

1. Continue to document the process of capital assets at the Port.
2. Based on the documentation the Port will need to decide what is the best mechanism (written procedure, flow chart, work instruction training document, any of these examples,

individually, combined or all of these examples) to formally document the Port Capital Asset process for:

- a. Acquisition
- b. Recording
- c. Tracking
- d. Monitoring
- e. Maintaining
- f. Securing
- g. Reviewing Repairs
- h. Disposition
- i. Physical Inventory

B. Security and Maintenance of Port Milwaukee Capital Assets

Security

The security of capital assets is a financial risk to the Port's organization. For example, if capital assets were vandalized, this would negatively impact the financials and operations of the Port. The Port has a civil responsibility on behalf of the City, to bring those items to the state they were in prior to the vandalism. A good practice to prevent loss of assets is to perform a physical security vulnerability assessment and then create or revise a plan to mitigate the vulnerabilities.

The Port has a security plan created. The Port does have security protocols established. The Port also has the US Coast Guard (USCG) and US Navy (USN) as neighbors. Each tenant and neighbor, as well as the Port, has their own security plan submitted to the Department of Homeland Security (DHS), however, these are not directly regarding security of assets.

There is a public use initiative for Port land. A public use initiative is that the public has access to some of the Port land. This initiative will at times put the public in direct access with Port assets. For example, a public area used for fishing is underneath the Hoan Bridge. The public has direct access to the dock wall, which is a Port capital asset. At times, the public access will cause damage or vandalism to the asset. For example, recently Port owned bollards were vandalized by the

sidewalk between Henry Maier Festival Grounds and the Art Museum. This necessitated the bollards to be repaired. This repair cost was unexpected and can impact the useful life of the assets.

Damage, theft and vandalism are added, potentially unbudgeted, costs to the City. The damage, theft and vandalism will decrease the value of assets and increase maintenance and repair costs.

Recommendation 2: Port Milwaukee should determine if there are physical security vulnerabilities and create a plan to mitigate the vulnerabilities.

Management should:

1. Review what security is currently in place.
2. Review what assets should be secured by a monitoring device.
3. Determine which assets are in close proximity to public use and review if the current security is adequate, based on value of asset and potential of damage, theft or vandalism.
4. Review how assets could be monitored, whether it is more overnight onsite personnel, more cameras, a combination or other security mechanisms.
5. Potentially create a formal and independent security and threat profile.

Maintenance of Capital Assets at Port Milwaukee

Assets that are properly maintained will have a longer useful life. Some assets may also have manufacturer warranties that require regular maintenance. Warranties may be impacted and voided if assets are not maintained according to manufacturer standards. A voided warranty would increase costs for routine maintenance. Maintenance is recommended to help ensure efficiency, reduce costs and improve the life of the asset even if an asset is not under manufacturer warranty.

Principle 16 – Perform Monitoring Activities (GAO, 14) 16.02 Establishment of a Baseline states “management can use the baseline as criteria in evaluating the internal control system and make changes to reduce the difference between the criteria and condition. Management reduces this difference in one of two ways. Management either changes the design of the internal control system to better address the objectives and risks of the entity or improves the operating effectiveness of the internal control system. As part of monitoring, management determines when to revise the baseline to reflect changes in the internal control system.”

In 2012, Facilities Development and Management, a division of City's Department of Public Works (DPW) completed an analysis of most capital assets at the Port. The DPW report provided an inspection, potential annual maintenance cost, maintenance schedule and life expectancy for each capital asset. This report has not been updated since 2012. It is also unknown how much degradation has occurred with the assets as maintenance has not been conducted on a regular schedule. Port Milwaukee received a Federal CARP Grant that would support creating a similar report and analysis to the DPW report from 2012.

Part of the proper maintenance of capital assets is to create a schedule of when capital assets need to be maintained and serviced. The proper maintenance schedule is even more critical because some of the assets are very close to the public, or even available for public use, as stated above in Recommendation 2. The Port is in a position where scheduling maintenance of the capital assets is critical.

The Port has no maintenance schedule for the assets. It is difficult to determine the condition of assets because some of the assets do not have maintenance or service records. A maintenance schedule would make budgeting easier as the schedule would be preset and estimated costs would hopefully be known upfront.

The degradation of assets can risk and hinder daily operations if maintenance is not completed. Also, added costs in repair or shortened asset useful lives could occur.

Recommendation 3: Port Milwaukee could utilize the CARP grant to hire a consultant to assist in identifying assets conditions, assessing potential maintenance costs and creating a preventive maintenance schedule.

Port management should review:

1. How the grant will be used to improve capital assets.
2. Whether the grant would allow a report similar to the 2012 report that was completed by DPW to be completed. If so, then determine if this report should be duplicated.
3. If an outside consultant could assist gathering and creating the data.
 - a. Ideally, the report will have:

- i. An estimated useful life of the capital asset, and
- ii. An estimated maintenance schedule with costs.

Recommendation 4: Port Milwaukee should create a preventative maintenance schedule for booked capital assets.

Port management should:

1. Determine which capital assets need to be maintained.
2. Create a maintenance schedule for the capital assets.
3. Document on a checklist or form, to be decided by management, when maintenance of the capital assets was completed.
 - a. The purpose of the schedule is to determine if the asset is meeting the schedule, or being serviced too soon, which could impact life expectancy and replacement of the asset.

C. Reconciliation of Port Milwaukee Capital Assets

Spreadsheet Reconciliation

Principle 13 – Use Quality Information (GAO, 14), 13.05 Data Processed into Quality Information states that “management processes the obtained data into quality information that supports the internal control system. This involves processing data into information and then evaluating the processed information so that it is quality information. Quality information meets the identified information requirements when relevant data from reliable are used. Quality information is appropriate, current, complete, accurate, accessible, and provided on a timely basis. Management considers these characteristics as well as the information processing objectives in evaluating processed information and makes revisions when necessary so that the information is quality information. Management uses the quality information to make informed decisions and evaluate the entity’s performance in achieving key objectives and addressing risks.”

Annually the Comptroller’s Accounting team sends an asset list to all departments. The purpose of sending the asset list is that the department needs to confirm the asset list. The department is

responsible for reviewing the list, confirming the added assets and assets that need to be removed. The Accounting team then receives confirmation from the department of the changes. Accounting then makes adjustments according to the department’s communication. The Port Finance team is responsible for this confirmation. The Port Finance team has completed the confirmation for 2019 according to our observations. Even though, the Port provided a year end 2018 capital asset list.

The Port Operations team uses a Microsoft Access database. The primary purpose for the Access database is for billing tenants for use of the assets. We observed that the database has numerous differences with the asset list compared with Accounting and the Port Finance teams. The differences observed were:

- The names of assets were different, which made reconciliation very difficult.
- The asset numbers were different compared to the Accounting/Port Milwaukee Finance.
- The values of the assets were different, which resulted in a \$12m discrepancy.
- The number of assets were different, a difference of 336 assets (Table 3 reflects the differences).

For Table 3 we used the Accounting asset list as the proper list.

Table 3: Reconciliation differences between Accounting, Port Finance and Port Operations

Source	End of Year	Assets Listed	Net Book Value	Difference (from Accounting)
Accounting	2019	239	\$ 29,829,361	\$ 0
Port Finance	2018 ⁹	217	\$ 29,170,268	\$ 659,093
Port –Operations	Not applicable	553	\$ 17,200,832	\$ 12,628,259 ¹⁰

It is also understood that the Port Operations team may also have assets listed that are not considered capital (Under \$5,000 value or less than 1 year life expectancy).

⁹ Internal Audit received the end of year 2018 report and Accounting provided the end of year 2019 report. The adds and deletes were completed as part of the year end reconciliation by Port Finance for EOY 2019, which accounted for most of the difference between Accounting and Port Finance, in Table 3.

¹⁰ Port Operations does not complete the annual reconciliation with Accounting as this is the Port internal Access Database. This means Port Operations does not account for depreciation and the Net Book Value cannot be used. If Port Operations knows the cost of the asset, then this is inserted into the database and at times reflected in the Net Book Value as the Cost of the asset.

Recommendation 5: Port Milwaukee should reconcile Port Milwaukee Finance asset list and Port Milwaukee Operations Database asset list. Then both Port Milwaukee teams should reconcile to the Comptrollers asset list to help ensure consistency in asset tracking.

Port Management should:

1. Determine which capital assets should be listed on each sheet, if there needs to be a difference.
2. Reconcile the different capital asset lists on a schedule.
3. Make adjustments, as needed, after the reconciliation.

Access Database Version Control

The Access database used by Port Operations, is an older version of Microsoft Windows Operating System (OS). ITMD warned that when users upgraded to the latest version of Windows that the database might not be accessible or compatible. Two Port Operations team members have not upgraded to the latest version of Windows because of this concern. Port officially opened a ticket with ITMD (RITS Ticket 191802) to work through the compatibility concerns.

The Access Database is used by Port Operations, Finance and Marketing. It is possible that someone could accidentally delete, add or manipulate information and nobody would know because there is no backup or version control maintained. This could account for some of the differences noted above. Although the risk might be partially mitigated by limiting the number of users presented in the above paragraph, the risk is still present and should be addressed.

Recommendation 6: Port Milwaukee should work with ITMD to limit accessibility to Access Database if the Database will be maintained during Windows version upgrades.

Recommendation 7: Port Milwaukee should complete a user access review of the Access Database and schedule user access reviews on a periodic basis.

Port Management should:

1. Determine if the Access Database can be maintained.
 - a. If the Database cannot be maintained a backup solution should be determined.
 - b. If the database can be maintained then Port Milwaukee should determine which employees need access to which tables in the Access Database.

- i. Complete a user access review to determine who has access.
- ii. Review who has access to which tables in the Access Database.
- iii. Change the users access to match what is needed, such as delete user access, update access, etc.
- iv. Schedule periodic user reviews to help ensure the user accessibility to Access is maintained as decided.

D. Physical Verification

Physical verification is a way to confirm existence of assets recorded on financial statements. A good practice to track assets is by conducting full physical verification or cycle counting the assets, on a regular basis, to help achieve accuracy.

The Port has not completed a physical verification since 2015. There is also no cycle counting occurring. A reconciliation of the Port Operations and Port Finance asset lists determined that there are different asset lists being used with different assets listed. If a cycle count or full physical verification does not occur it is unknown, which assets are present? Internal Audit assisted the Port in completing a physical verification due to the discrepancies observed.

Port decided to use the Accounting list as the official list (Table 3). The physical verification identified discrepancies. The results of the physical verification discrepancies are presented in Table 4.

Table 4: Physical Inventory Results

Category	Assets Impacted	% of total Assets	Dollars Impacted	% of total Dollar
Under \$5k	25	10%	\$ 30,625	.1%
Need to Confirm	25	10%	\$ 6,500,492	22%
Remove (old/sold)	14	6%	\$ 692,037	2%
Rename	18	8%	\$ 292,321	1%
Total	239	100%	\$ 29,829,361	100%

The category definitions in Table 4 are described in Table 5.

Table 5 Category Definitions

Under \$5k	Assets with a Net Book Value (NBV) of less than \$5,000. These assets should be removed from the capital assets list, however, they are still considered assets and should be accounted for accordingly
Need to Confirm	These are items that based on the description of the asset from the Accounting list. Port was uncertain exactly which asset this is, which made identification not possible. Port will research contracts and purchase orders to attempt to confirm these assets. \$5.9M of the items that need confirmation are land or railroad improvements. Some examples of need to confirm items: \$4.1M in land (“made land in the NE1/4”) and \$1.8M railroad improvements (e.g. “Railroad upgrade Jones Island.”) These items are located on Port land, however the exact physical location is unknown.
Remove (Old/Sold)	These are assets that staff of the Port knew had been sold or disposed of and need to be removed from the list completely, as they are no longer Port assets.
Rename	These are assets that could be located more quickly with more precise names.
Total	Total of all assets and values on the accounting capital asset list.

Recommendation 8: Port Milwaukee should create physical verification or cycle counting schedule to help ensure consistency in capital asset recording.

Port Management should:

1. Determine if the Port will complete physical verification or cycle counting or a combination.
2. Determine a schedule to complete physical verification and/or cycle counting of capital assets.

Recommendation 9: Port Milwaukee should work with the Accounting team of the Comptroller's Office to add, delete, confirm and change the name of capital assets based on the physical verification results.

Port Management should:

1. Determine what changes need to occur to the capital asset list and reflect these changes to the Accounting Team of the Comptroller's office:
 - a. Add capital assets that need to be added.
 - b. Remove capital assets that need to be removed.
 - c. Remove assets that need to be removed (not just capital).
 - d. Change the name of the capital assets to provide a better description for better identification.
 - e. Determine which assets cannot be confirmed based on description and come to a conclusion on what to do with the assets.
 - f. Confirm how the Accounting team will handle the adjustments to unconfirmed assets.

E. Capital Asset Projects

We reviewed the capital asset process for the Port. The projects that were reviewed were proposed in the 2019 and 2020 budget approval meetings. Our review consisted of reviewing the process of the budget approval through completion. Some of the projects were not completed, however, there is a monthly capital project meeting initiated by Port Management. The projects are reviewed monthly, and updates are given, such as on time, or why delayed, monetary restrictions and even tenant restrictions. The capital asset project process at the Port is adequately controlled and no deficiencies were observed.

Wednesday, September 23, 2020

Mr. Charles Roedel
Audit Manager, Office of the Comptroller
City of Milwaukee
200 E. Wells Street, Suite 404
Milwaukee, WI 53202

Re: Audit of Port Milwaukee Capital Assets (September 2020)

Dear Mr. Roedel,

Port Milwaukee (the "Port") has reviewed the September 2020 *Audit of Port Milwaukee Capital Assets* (the "Audit") as prepared by City Comptroller personnel. In sum, the Port concurs with the primary audit finding that "identified internal controls in place over Port capital assets are sufficient and in the growth stage." The Port provides the following response to recommendations presented in the report:

- **RECOMMENDATION 1:** Port Milwaukee should create a formalized workflow, work instructions or procedures describing the removal, addition, monitoring, and security of capital asset processes.
 - *Port Response:* At a minimum, the Port will maintain its current level of capital asset internal controls as sufficient. The Port seeks to continue its maturation of the capital asset control process, which will occur following the (1) in-process establishment of a new Port Milwaukee Capital Asset Renewal Plan (CARP), which is being partially funded by the Wisconsin Department of Administration (WisDOA)'s Wisconsin Coastal Management Program (WCMP) grant. The Port was announced as a WCMP grantee earlier in 2020, and the Common Council accepted the grant on July 28, 2020 (File # 200342).
 - *Implementation Approach:* Following completion of the CARP, the Port will (2) also devise an updated Standard Operating Procedure (SOP) for the perpetual acquisition, recording, tracking, monitoring, maintaining, securing, reviewing, disposition, and physical inventory of Port assets.
 - *Responsible Party:* Jackie Q. Carter, Port Finance & Administration Manager
Brian Kasprzyk, Port Chief Engineer
 - *Implementation Date:* 1. CARP (final) – December 31, 2021
2. SOP for Assets (final) – April 1, 2021
- **RECOMMENDATION 2:** Port Milwaukee should determine if there are physical security vulnerabilities and create a plan to mitigate the vulnerabilities.
 - *Port Response:* Port Milwaukee issued a public Request for Proposals (RFP) for security and property patrol services in 2019, increasing security coverage from 8 hours per night to 10 hours per night, 7 days per week. The contract included a base year (April 1, 2019 – March 31, 2020) with four annual extension options. Port Milwaukee continues to maintain a balance between protecting Port capital assets (as required under federal

requirements) while providing public access opportunities to the waterfront at Jones Island. The Port also facilitates ongoing meetings throughout the year with the U.S. Coast Guard, the Milwaukee Police Department, and other law enforcement entities regarding Port security. For several years, the Port has internally discussed modernizing its security camera infrastructure but has focused on needed repairs and upkeep for the existing system in use. In partnership with other City of Milwaukee departments, the Port has previously submitted a Port Security Grant Program (PSGP) application to the U.S. Department of Homeland Security (DHS) for needed upgrades; the City's most recent PSGP application in 2019 was not awarded by the U.S. government.

- *Implementation Approach:* The Port will (3) partner with its security contractor and Port tenants to review the budgetary possibility of expanding the existing contract, potentially to include additional weekend hours of third-party support. The Port will (4) leverage the CARP to better understand increased deployment of security monitoring devices. The Port will (5) pursue a new PSGP to fund monitoring and camera upgrades at the Port as well as a third-party formal and independent security and threat profile. The Port will (6) release updated guidance to the Public about port security requirements and public access.

- *Responsible Party:* Wayne Johnson, Harbormaster

- *Implementation Date:*
 3. Review of existing security contract – December 1, 2020.
 4. Include security monitoring in CARP – December 31, 2021.
 5. Pursue a PSGP – December 31, 2021.
 6. Updated public guidance – October 15, 2020.

- **RECOMMENDATION 3:** Port Milwaukee could utilize the Capital Asset Renewal Plan (CARP) to hire a consultant to assist in identifying assets conditions, assessing potential maintenance costs and creating a preventative maintenance schedule.
 - *Port Response:* A public Request for Proposals (RFP) for the CARP was announced on September 11, 2020; RFP responses are due on October 9, 2020; consultant work is anticipated to begin November 2020. The CARP will expand greatly beyond scope of the 2012 DPW report, though its findings will be provided to the final vendor.

 - *Implementation Approach:* The CARP will include a review of the Port's existing capital assets, an assessment of the assets condition, an infrastructure renewal budget, a maintenance and useful life schedule, a coastal resilience framework appendix, and hosting of four public listening sessions about the CARP.

 - *Responsible Party:* Jackie Q. Carter, Port Finance & Administration Manager
Brian Kasprzyk, Port Chief Engineer

 - *Implementation Date:* 1. CARP (final) – December 31, 2021

- **RECOMMENDATION 4:** Port Milwaukee should create a preventative maintenance schedule for booked capital assets.
 - *Port Response:* See response to Recommendation 3.
 - *Implementation Approach:* In addition to the CARP, as detailed in the Port’s response to Recommendation 3, the Port will also (7) devise a capital asset maintenance schedule verification form as part of the SOP.
 - *Responsible Party:* Jackie Q. Carter, Port Finance & Administration Manager
Brian Kasprzyk, Port Chief Engineer
 - *Implementation Date:* 1. CARP (final) – December 31, 2021
7. SOP Assets, maintenance verification form – April 1, 2021

- **RECOMMENDATION 5:** Port Milwaukee should reconcile the Port Milwaukee Finance asset list and Port Milwaukee Operations asset list. Then both Port Milwaukee teams should reconcile to the Comptroller asset list to help ensure consistency in asset tracking.
 - *Port Response:* A partial reconciliation between Port Finance and Port Operations began as part of the Audit process; this effort will culminate as part of the CARP.
 - *Implementation Approach:* The Port will (8) reflect the ongoing reconciliation as part of the City of Milwaukee’s Fiscal Year 2020 close-out process with the Office of the Comptroller and (1) provide further adjustments to the list upon completion of the CARP.
 - *Responsible Party:* Jackie Q. Carter, Port Finance & Administration Manager
Wayne Johnson, Harbormaster
 - *Implementation Date:* 1. CARP (final) – December 31, 2021
8. End of year update to Comptroller list – December 31, 2020

- **RECOMMENDATION 6:** Port Milwaukee should work with ITMD to limit accessibility to the Access Database or establish a version control to limit changes between versions if the Database will be maintained during version upgrades.
 - *Port Response:* ITMD and the Port collaborated to install Microsoft SQL Server as a new security backbone for the Access Database in July 2020. Port staff also worked with ITMD to define users read/write permissions as required for each user’s needs. The Database is backed up per standard City of Milwaukee protocols within the existing information technology posture.
 - *Implementation Approach:* The Port will (9) coordinate with ITMD to redefine Database user roles and maintain version control during software and/or hardware upgrades. The Port may (9b) pursue replacement of the Access Database with a more modern, web-based, out-of-the-box asset management solution available in the market date upon completion of the CARP.

- *Responsible Party:* Brian Kasprzyk, Port Chief Engineer
- *Implementation Date:* 9. Coordinate with ITMD on NIST – December 31, 2021
9b. Pursue replacement of the Database – December 31, 2021
- **RECOMMENDATION 7:** Port Milwaukee should complete a user access review of the Access Database and schedule user access review on a periodic basis.
 - *Port Response:* Given the small size of the Access Database user group, the Port has provided user access and permissions as needed and will continue to review periodically.
 - *Implementation Approach:* The Port will (10) establish and create a new SOP for the Access Database, including a review of functions, capabilities, tables, user access, and access review.
 - *Responsible Party:* Jackie Q. Carter, Port Finance & Administration Manager
Wayne Johnson, Harbormaster
 - *Implementation Date:* 10. SOP Database – May 1, 2021
- **RECOMMENDATION 8:** Port Milwaukee should create physical verification or a cycle counting schedule to help ensure consistency in capital asset recording.
 - *Port Response:* The Access Database, the Finance List, and the Comptroller List have cumulatively provided the Port with an annual mechanism for asset verification and recording. The Port aspires, at the least, to move to a quarterly verification and recording process.
 - *Implementation Approach:* As part of the CARP and the new SOP development, the Port will establish ongoing verification, counting and recording protocols within the Port.
 - *Responsible Party:* Jackie Q. Carter, Port Finance & Administration Manager
Brian Kasprzyk, Port Chief Engineer
 - *Implementation Date:* 2. SOP for Assets (final) – April 1, 2021
7. SOP Assets, maintenance verification form – April 1, 2021
- **RECOMMENDATION 9:** Port Milwaukee should work with the Accounting team to add, delete, confirm, and change the name of capital assets based on physical verification results.
 - *Port Response:* The Port has provided the Office of the Comptroller with annual updates to its capital asset lists.
 - *Implementation Approach:* The Port will continue to relay annual updates to the Office of the Comptroller. Furthermore, as part of the capital asset maturation steps described herein, Port staff will move to, at minimum, a quarterly review of assets, and provide updates to the capital asset list to maintain ongoing confirmation of the Port's assets reflective of real-time changes.

- *Responsible Party:* Jackie Q. Carter, Port Finance & Administration Manager
Brian Kasprzyk, Port Chief Engineer
- *Implementation Date:* 2. SOP for Assets (final) – April 1, 2021
7. SOP Assets, maintenance verification form – April 1, 2021

The Port looks forward to working with the Office of the Comptroller, the Office of Mayor Barrett, the members of the Milwaukee Common Council, and others as the Port’s capital asset maintenance, monitoring, and tracking activities continue to mature. To summarize, the Port envisions that the following implementation actions, as highlighted in this response will be taken:

<i>Action Description</i>	<i>Date</i>
1. Finalize the Port’s Capital Asset Renewal Plan (CARP)	December 31, 2021
2. Finalize new Standard Operating Procedure (SOP) for capital asset maintenance, tracking, recording, etc.	April 1, 2021
3. Review of existing Port security contract	December 1, 2020
4. Investigate expanded of capital asset security monitoring equipment	December 31, 2021
5. Pursue a new Port Security Grant Program (PSGP) for new monitoring and camera equipment	December 31, 2021
6. Issue updated public guidance about Port security and public access on Jones Island	October 15, 2020
7. Develop a new maintenance verification form as part of the SOP for capital asset maintenance	April 1, 2021
8. Relay latest capital asset inventory updates to the Office of the Comptroller	December 31, 2020
9. Coordinate with ITMD to redefine Database user roles and maintain version control during software and/or hardware upgrades (<i>and/or</i>)	December 31, 2020
9b. Pursue replacement of the Access Database with a new, web-based out-of-the-box solution	December 31, 2020
10. Finalize new Standard Operating Procedure (SOP) for the use and user control of the Access Database	May 1, 2021

Please extend the thanks of the Port and the Board of Harbor Commissioners to the entire Audit team, especially Mr. Michael Doherty and Ms. Nuducha Yang, for their professionalism and partnership throughout the Audit process.

I am available via email at adam.tindall.schlicht@milwaukee.gov to address any questions. Thank you.

Best regards,



Adam Tindall-Schlicht
Director
Port Milwaukee



cc: Michael Doherty; Auditor, Office of the Comptroller of the City of Milwaukee
David Henke; Chief Information Officer, City of Milwaukee
Tim Hoelter; President, Board of Harbor Commissioners
Ron San Felippo; Vice President, Board of Harbor Commissioners
Aycha Sawa; Comptroller, City of Milwaukee
Paul Vornholt; Chief of Staff to Mayor Tom Barrett, City of Milwaukee
Nuducha Yang; Auditor, Office of the Comptroller of the City of Milwaukee

Aycha Sawa, CPA, CIA
Comptroller

Joshua Benson
Deputy Comptroller



Office of the Comptroller

Toni Biscobing
Special Deputy Comptroller

September 30, 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 communicates the results of the Audit of Port Milwaukee Capital Assets. I have read the report and support its conclusions. Implementation of the stated recommendations will help improve City processes.

As the City Comptroller, I was not involved in any portion of the work conducted in connection with the audit. At all times, the Internal Audit Division worked autonomously in order to maintain the integrity, objectivity, and independence of the audit, both in fact and in appearance.

Sincerely,

A handwritten signature in black ink that reads 'Aycha Sawa'.

Aycha Sawa, CPA, CIA
Comptroller