



**Audit of Milwaukee Water
Works Financial
Administration**

BILL CHRISTIANSON
City Comptroller

ADRIANA MOLINA
Audit Manager

July 2026

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Bill Christianson, CPFO
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Toni Biscobing
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July 30, 2026

Honorable, Mayor Cavalier Johnson
The Members of the Common Council
City of Milwaukee

Dear Mayor and Council Members:

The attached report presents the results of the Audit of Milwaukee Water Works (MWW) Financial Administration. The audit scope included procurement cards, (Procards), fueling expenditures, and travel expenses, and related FMIS journal entries for the period April 1, 2025, through March 31, 2026.

The primary focus of the audit was to evaluate whether the internal controls in place are designed adequately and operating effectively. The audit objectives were as follows:

- Evaluate the adequacy of internal controls policies, procedures, and processes related to Procard, fueling expenditure, travel expenses.
- Assess the appropriateness of card issuance, purchases, compliance with purchasing and travel guidelines, and review of documentation complied with applicable City and Milwaukee Water Works policies.
- Evaluate the timeliness and accuracy of journal entries were recorded in the Financial Management System (FMIS).

The audit concluded that internal controls over MWW Financial Administration processes were adequately designed and operating effectively to support operational objectives. However, audit identified two opportunities for improvement that present a medium level of risk to departmental operations.

Appreciation is expressed for the cooperation extended to the auditors by the personnel of Milwaukee Water Works.

Sincerely,

Adriana Molina
Audit Manager

AMM:ZR



Why We Did This Audit

Internal Audit performed this audit as part of its divisional financial administration audit plan due to the high-risk fraud or noncompliance involving Procard use, fueling expenditures, and travel expenses. Milwaukee Water Works is one of the City's largest users, with spending of approximately \$50,000 every two weeks.

Objectives

The objective of the audit was to determine whether the internal controls over Procard use, fueling expenditures, and travel expenses are adequately designed and operating effectively.

Background

Milwaukee Water Works, founded in 1871, is the longest continuously operating water utility in Wisconsin. As a City enterprise fund within the Department of Public Works, it provides drinking water service to more than 866,000 residents across 16 communities and is funded primarily through water service charges.

Milwaukee Water Works operates two treatment plants, maintains nearly 2,000 miles of water mains and approximately 20,000 hydrants. The department is also working to replace the City's remaining 65,000 lead service lines in the City by 2037. Given the utility's operational scale, strong controls over Procard use, fueling expenditure, travel expenses, and related financial records are important to support accountability and compliance.

Audit Report Highlights

Audit of Milwaukee Water Works Financial Administration

Overview

Overall, the audit concluded that internal controls over Milwaukee Water Works procurement cards (Procard), fueling expenditures, and travel expenses were adequately designed and operating effectively to support operational objectives. However, audit identified two opportunities for improvement that present a medium level of risk to departmental operations.

Opportunities for Improvement

Travel approval and reimbursement compliance. Auditors identified three instances in which a senior official's travel expense statement was approved by a subordinate employee rather than by an individual at the same or higher organizational level. Auditors also identified late expense submissions, one reimbursement that included an unallowable spouse-related cost, and one travel authorization that was completed after travel occurred.

Procard/gas card custody and compliance. Auditors identified a practice in which an employee routinely shared a Procard with a subordinate for vehicle fueling, weakening controls over card custody and transaction accountability. Auditors also identified Procard transactions that lacked required supplemental documentation or involved purchases that were not allowable under City policy.

Recommendations can be found in the Audit Conclusions and Recommendations section of this report.

I. Audit Scope, Objectives, and Methodology

Scope

The scope of this audit covered Milwaukee Water Works procurement card (Procard) use, fueling expenditure, and travel expenses from April 1, 2025, through March 31, 2026. The populations within the scope totaled \$1,597,809.21, consisting of \$1,192,911.38 charged to the Procards, \$390,503.86 in fueling expenditures, and \$14,393.97 in travel expenses.

Objectives

The objectives of the audit were to:

- Evaluate the adequacy of internal controls policies, procedures, and processes related to Procard, fueling expenditure, travel expenses.
- Assess the appropriateness of card issuance, purchases, compliance with purchasing and travel guidelines, and review of documentation complied with applicable City and Milwaukee Water Works policies.
- Evaluate the timeliness and accuracy of journal entries were recorded in the Financial Management System (FMIS).

Methodology

To address the audit objectives, the auditors:

- interviewed personnel from Milwaukee Water Works, the Department of Administration, and Department of Public Works Fleet Management;
- conducted walkthroughs of procurement card, fueling expenditure, travel, and related journal-entry processes;
- reviewed applicable policies, procedures, manuals, and assigned job responsibilities;
- performed analytical procedures;
- tested selected transactions for supporting documentation, approvals, policy compliance, and accurate recording in FMIS.

We used nonstatistical, judgmental sampling for transaction testing. Samples were selected based on auditor judgment, with consideration given to factors such as dollar amount, transaction type, policy requirements, and risk indicators. Because the samples were not statistically selected, the results cannot be projected to the full population. The sample included:

- 167 procurement cardholder statement periods, representing 22% of the statements in the audit period;
- 3 fueling invoices, representing 75% of the invoices available for testing; and

- all 11 Statements of Expenses Incurred submitted in the audit period.

Compliance Statement

The audit was conducted in accordance with the Generally Accepted Government Auditing Standards issued by the United States Government Accountability Office. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

II. Organization and Fiscal Impact

Milwaukee Water Works is a division of the Department of Public Works and operates as an enterprise fund of the City of Milwaukee. It provides drinking water service to more than 866,000 residents in 16 communities across Milwaukee, Ozaukee, and Waukesha counties. Milwaukee Water Works is funded primarily through water charges and related utility revenues. The rates charged by the utility are regulated by the Public Service Commission of Wisconsin. In 2025, Milwaukee Water Works reported operating revenue of \$115,620,493 and operating expenses of \$108,606,793.¹

Milwaukee Water Works operates two treatment plants, nearly 2,000 miles of water mains, and approximately 20,000 hydrants. It is also undertaking a lead service line replacement effort, with a stated goal of replacing the remaining 65,000 lead service lines by 2037. The utility maintains this infrastructure with 360 active employees across water quality, treatment plants, distribution, engineering, and business functions.²

III. Audit Conclusions and Recommendations

The audit concluded that internal controls over the Milwaukee Water Works financial administration processes are adequately designed and operating effectively. While the audit identified two opportunities for improvement, the issues were limited in scope and impact. Milwaukee Water Works management has been proactive in addressing the identified items and has either started to implement or fully implemented the audit recommendations.

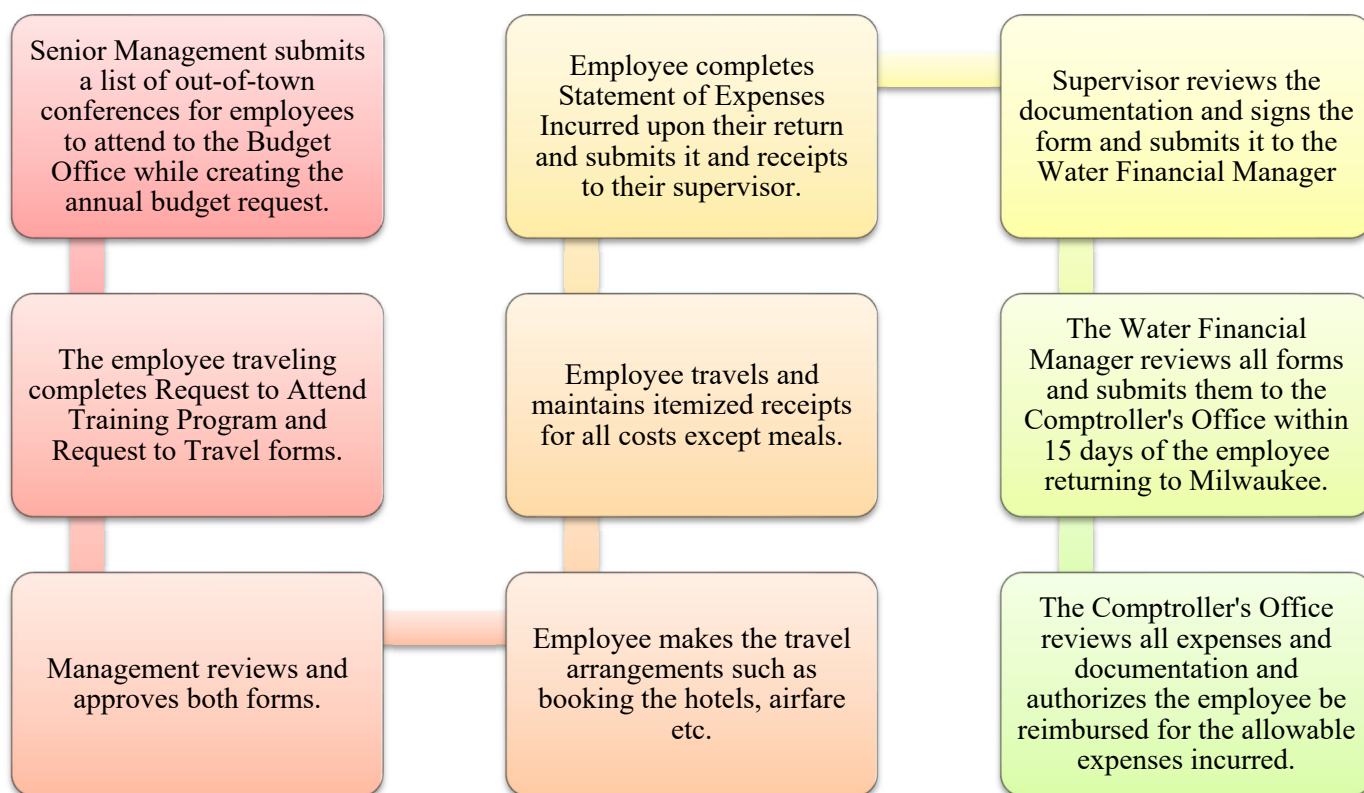
¹ Terry Ignatowski to Zachary Rilling, "Request for Current Department Data for Audit Report," Email, June 22, 2026.

² "Milwaukee Water Works About," City of Milwaukee, accessed June 23, 2026, <https://city.milwaukee.gov/water/about>.

Travel Approval and Reimbursement Compliance

Employee travel is governed by Chapter 350-181 of the City of Milwaukee Code of Ordinances and supplemented by guidance issued by the Department of Administration. These requirements address allowable reimbursable expenses, pre-travel approval, and reimbursement procedures. Milwaukee Water Works also developed supplemental forms and instructions to guide employees through the travel approval and reimbursement process. This process is shown below in Figure 1.

Figure 1: Travel Expense Reimbursement Process



Finding 1: Auditors identified three instances where a senior official's Statement of Expenses Incurred was approved by a subordinate employee rather than by an individual at the same or higher organizational level. Approval by a subordinate weakens the independence of the review and reduces the effectiveness of the control intended to identify unsupported, inaccurate, or inappropriate reimbursements. Auditors did not identify any inappropriate transactions on the three statements approved by a subordinate.

Additional compliance issues included the following:

Auditors also identified several lower-risk compliance issues. Three Statements of Expenses Incurred were submitted to the Comptroller's Office more than 15 days after the employee returned from travel, contrary to ordinance requirements. In one instance, a Request for Travel was not completed and approved until after the employee returned from travel. In another instance, one expense statement included a \$10 airport shuttle charge for an employee's spouse.

Risk: Failure to follow established travel requirements increases the risk that travel expenditures are not properly authorized, independently reviewed, adequately supported, or submitted for reimbursement. Allowing subordinates to approve travel expense statements for senior officials further weakens accountability in the review and approval process.

Risk Rating: Medium

Recommendation 1: Milwaukee Water Works management should revise its travel approval and reimbursement process to ensure that Statements of Expenses Incurred for senior officials are reviewed and approved by an individual at the same or higher organizational level. Management should also implement a process to monitor the timely submission of expense statements and supporting documentation, to help ensure reimbursement requests are submitted to the Comptroller's Office within the 15-day deadline with follow-up on overdue submissions.

ProCard/ Gas Card Custody and Compliance

The City of Milwaukee Department of Administration – Purchasing Division administers the procurement card (Procard) program. City Procard policies and procedures establish requirements for card use, supporting documentation, review, and allowable purchases. These requirements are intended to promote accountability over card custody, transaction approval, and compliance with City purchasing requirements. Prior City Internal Audit recommendations also called for departments to develop and document procedures consistent with City Procard Policies and Procedures.³

³ City of Milwaukee Comptroller's Office Internal Audit Division, "Audit of the City of Milwaukee's Procard Program," *City of Milwaukee*, December 2019, 10–11, <https://city.milwaukee.gov/ImageLibrary/Groups/cityComptroller/Reports/Internal-Audit/2019/AuditofProcardProgram12-4-2019v2.pdf>.

Finding 2: A Milwaukee Water Works employee routinely shared an assigned Procard with a subordinate employee to fuel a vehicle that requires premium fuel. According to the cardholder and department management, the card left the possession of the cardholder about once per week for approximately 30 minutes. After fueling the vehicle, the subordinate would return the card and the receipt to the cardholder.

Although standard Procard controls, including reconciliation and receipt retention, continued to apply to these transactions, the individual making the transactions was not the named cardholder, was not trained on Procard policies and procedures, and was not required to sign the Procard records. In addition, auditors noted one instance in which a fuel receipt was misplaced and the department Procard Manager signed an affidavit on behalf of the cardholder stating that the cardholder made the purchase, when that was not the case.

Audit also identified broader compliance issues related to Procard transactions. Between April 1, 2025, and March 31, 2026, audit also identified 12 procurement card transactions that were not compliant with the City's Procard Policies and Procedures. The most common issue involved purchases of items that may be made with a Procard only under limited circumstances, but for which the required supplemental documentation was not maintained. Audit testing identified seven such transactions, including purchases of copy paper and pallets bottled water.⁴

The remaining five transactions were for items that are not allowable purchases under Procard Policies and Procedures. Examples included over-the-counter medication for a first aid kit and space heaters. These items are not permitted because they are considered personal-use items or otherwise fall outside allowable Procard purchases.

Risk: Routine card sharing weakens card custody and transaction accountability. It increases the risk of unauthorized purchases and makes it more difficult to verify that all fuel purchases were made for the vehicle that requires premium fuel. When required supporting documentation is not maintained, management cannot readily verify that purchases were allowable, properly approved, and consistent with City policy.

Risk Rating: Medium

⁴ The City has a contract to purchase paper from a specific supplier; therefore a price comparison must be submitted if the alternate supplier is used. The pallets of water bottles are typically non-compliant as a food and beverage. However, they are distributed to daycares during the lead service line replacement project and is therefore compliant. Documentation of this fact must be submitted.

Recommendation 2: Milwaukee Water Works management should develop department-specific Procard procedures that address unique operational circumstances, including any exceptions or special documentation requirements for purchases such as pallets of bottled water, and reinforce that Procards must remain in the custody of the assigned cardholder. Management should also train cardholders and relevant supervisory personnel on supplemental documentation requirements, prohibited purchases, and card custody expectations.



Bill Christianson, CPFO
Comptroller

Charles Roedel, CPA, CIA
Deputy Comptroller

Toni Biscobing
Special Deputy Comptroller

Richard Bare, CPA
Special Deputy Comptroller

July 29, 2026

Honorable Mayor Cavalier Johnson
The Members of the Common Council
City of Milwaukee

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 Milwaukee Water Works Financial Administration. 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 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, appearing to read 'Bill Christianson', is written over a light blue horizontal line.

Bill Christianson, CPFO
Comptroller



July 29, 2026

Adriana Molina, Audit Manager
Office of the Comptroller | Audit Division
City Hall | Room 404
Milwaukee, WI 53202-3613

Dear Ms. Molina,

Thank you for the opportunity to respond to the **Audit of Milwaukee Water Works (MWW) Financial Administration**. The audit scope included procurement cards, (Procards), fueling expenditures, and travel expenses, and related FMIS journal entries for the period April 1, 2025, through March 31, 2026. MWW appreciates the time and effort dedicated by the audit team in reviewing our operations, financial practices, internal controls, and related procedures.

We have reviewed the findings and recommendations included in the report and recognize the importance of maintaining strong controls, accurate documentation, timely reconciliation, and compliance with applicable City policies and procedures. Management is committed to addressing the recommendations in a practical and timely manner while continuing to support reliable water utility operations and responsible stewardship of public funds.

Overall, we concur with the intent of the audit recommendations and will take the following appropriate corrective actions to strengthen processes, improve accountability, and enhance consistency across applicable work areas for each of the two opportunities for improvement that present a medium level of risk to departmental operations.

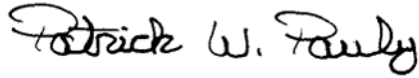
Recommendation 1: Milwaukee Water Works management should revise its travel approval and reimbursement process to ensure that Statements of Expenses Incurred for senior officials are reviewed and approved by an individual at the same or high organizational level. Management should also implement a process to monitor the timely submission of expense statements and supporting documentation; to help ensure reimbursement requests are submitted to the Comptroller's Office within the 15-day deadline with follow-up on overdue submissions.

Response: Travel approval and reimbursement requests for senior officials will be approved by an individual at the same or higher organizational level effective immediately, in accordance with the current MWW policy. Notice of the 15-day deadline for reimbursement requests will be added to the "Request to Attend Training Program" form and transmitted to all approving managers by August 31, 2026.

Recommendation 2: Milwaukee Water Works management should develop department-specific Procard procedures that address unique operational circumstances, including any exceptions or special documentation requirements for purchases such as pallets of bottled water, and reinforce that Procards must remain in custody of the assigned cardholder. Management should also train cardholders and relevant supervisory personnel on supplemental documentation requirements, prohibited purchases, and card custody expectations.

Response: The Purchasing Division *Procard Policy and Procedures* document includes the requirements of Recommendation 2. The *Know What I Can & Cannot Purchase* section includes the following requirement: "Since individual circumstances vary widely, adequate documentation for unusual purchases should always be included with the Procard Payment Record." The *Learn the Basics* section states "Cardholders must not share the card or card number with anyone other than the merchant with whom they are doing business." MWW will re-distribute the *Procard Policy and Procedures* and the Purchasing Division's *Unacceptable Procard Purchases* list to all cardholders and approvers by August 31, 2026. The requirements related to supplemental documentation, prohibited purchases and card custody will be stressed.

Sincerely,

A handwritten signature in black ink that reads "Patrick W. Pauly". The signature is written in a cursive, flowing style.

Patrick Pauly, P.E.

Water Works Superintendent

Milwaukee Water Works