Martin Matson
Comptroller

Aycha Sawa, CPA, CIA
Deputy Comptroller

Toni Biscobing
Special Deputy Comptroller

Rocklan Wruck, CPA
Special Deputy Comptroller

Office of the Comptroller

April 8, 2019

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

Dear Mayor and Council Members:

The attached report communicates the results of our most recent external quality control review, also known as a peer review. For one week, a team of local government auditors were onsite to assess the Internal Audit Division's workpapers, policies and procedures, and reporting. The peer review team concluded that the Internal Audit Division's internal quality control system in place from July 1, 2015 through June 30, 2018 was suitably designed and is operating effectively, and that we are in full compliance with *Government Auditing Standards* (GAS). This determination is the highest level of compliance provided by the Association of Local Government Auditors.

The reporting includes a companion letter noting areas where the Internal Audit Division excels including quality control systems, planning processes, quality of audit documentation, and knowledge of the Yellow Book audit standards. The peer review team also provided suggestions to further enhance our procedures and demonstrated adherence to GAS. Audit Management's response to these suggestions is attached.

The successful completion of this peer review allows us to report that the Internal Audit Division's work exhibits an outstanding level of quality per standards, and conducts its operations autonomously. This provides city leadership, auditees, and the public reasonable assurance that each audit demonstrates objectivity, accuracy, and independence in both fact and appearance.

Please contact me if you have any questions about the peer review process and how the Internal Audit Division implements and maintains compliance with GAS.

Sincerely,

Adam Figon

Adam Figon, MBA, CRMA
Audit Manager

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MILWAUKEE

External Quality Control Review

of the

City of Milwaukee's Audit Division

Conducted in accordance with guidelines of the

Association of Local Government Auditors

for the period July 1, 2015 through June 30, 2018

Association of Local Government Auditors

March 14, 2019

Adam Figon, Audit Manager
200 East Wells Street, Room 404
Milwaukee, WI 53202

Dear Mr. Figon:

We have completed a peer review of the Internal Audit Division of the City of Milwaukee for the period July 1, 2015 through June 30, 2018. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide* published by the Association of Local Government Auditors (ALGA).

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine whether your internal quality control system operated to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our procedures included:

- Reviewing the Division's written policies and procedures.
- Reviewing the Division's Quality Control System.
- Reviewing the working papers for a sample of performance audits.
- Reviewing documents related to independence, training, and development of auditing staff.
- Interviewing auditing staff to assess their understanding of, and compliance with, relevant quality control policies and procedures.

Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

Based on the results of our review, it is our opinion that the City of Milwaukee's Internal Audit Division's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audits during the July 1, 2015 through June 30, 2018 review period.

We have prepared a separate letter offering suggestions to further strengthen your internal quality control system.

Bob Wasserbach,CPA,CIA
County Auditor
New Castle County, DE

Michael Lieske, CISA, CIA
Performance Auditor II
Milwaukee Public Schools

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Association of Local Government Auditors

March 14, 2019

Adam Figon, Audit Manager
200 East Wells Street, Room 404
Milwaukee, WI 53202

Dear Mr. Figon:

We have completed a peer review of the Internal Audit Division of the City of Milwaukee for the period July 1, 2015 through June 30, 2018. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide* published by the Association of Local Government Auditors (ALGA).

We would like to mention some of the areas in which we believe your office excels:

- The quality control process including, for each audit, the completion of the ALGA Audit Engagement Checklist and the completion of an internal Audit Quality Checklist by an auditor not assigned to the audit. Also, the Description of the Quality Control System is comprehensive and helped greatly in our review of the Quality Control System.
- The various planning documents the office completes for each audit to ensure comprehensive planning as well as compliance with Government Auditing Standards.
- The Walkthrough documents completed on the audit to ensure a thorough, accurate understanding of the processes being audited and the controls in place to mitigate the risks.
- Our interviews with the Division's team members showed that they are knowledgeable of audit standards the Division's Quality Control System.

We offer the following observations and suggestions to enhance your organization's demonstrated adherence to *Government Auditing Standards*:

1. Standard 3.14 identifies the threats to independence, of which there are seven. Standards 3.20 – 3.26 discuss the conceptual framework for evaluating threats to independence. The Division has both an annual form (required to be completed by each auditor) and an individual audit form for evaluating threats to independence. We noted the following:
   - The individual audit form includes broad categories of threats but does not specify the individual threats per Standard 3.14. We recommend the form identify the individual threats.
   - The individual audit form is prepared by one person on the audit and there is no documentation supporting how he/she ascertained whether each team member had any threats and, if so, how they were mitigated to an acceptable level. We recommend each person on the audit be required to sign this form.
   - The annual independence form does not appear to include each of the threats per the Standards. We recommend management review the form to ensure it does.

2. Standard 7.13 states, concerning audit reports, "...when sampling significantly supports the auditors' findings, conclusions, or recommendations, describe the sample design and state why the design was chosen, including whether the results can be projected to the intended population." The Audit Division typically uses sampling on its audits, includes details on such sampling in its working papers, and mentions the use of sampling in its audit reports. However, the audit reports do not contain the design chosen, why it was chosen, the sample size versus the population, and whether sampling results can be projected to the population. We recommend that future audit reports contain this information.

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3. Standard 3.76 requires 80 hours of CPE in every two-year period. There was one auditor who was deficient by four hours on the 80-hour CPE requirement. This auditor announced he was leaving the division approximately a month before the end of the two-year period. The peer review team acknowledges the challenge of training expenditures when staff are leaving.

We extend our thanks to you, your staff and the other city officials we met for the hospitality and cooperation extended to us during our review.

Sincerely,

Bob Wasserbach, CPA, CIA
County Auditor
New Castle County, DE

Michael Lieske, CISA, CIA
Performance Auditor II
Milwaukee Public Schools

Martin Matson
Comptroller

Aycha Sawa, CPA, CIA
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Special Deputy Comptroller

Rocklan Wruck, CPA
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Office of the Comptroller

March 14, 2019

Robert Wasserbach, CPA, CIA
County Auditor
County Auditor's Office
77 Reads Way
New Castle, DE 19720

Michael Lieske, CISA, CIA
Performance Auditor II
Milwaukee Public Schools, Audit Services
5225 W Vliet Street
Milwaukee, WI 53208

Dear Mr. Wasserbach and Mr. Lieske:

We have reviewed your external quality control review report dated March 14, 2019. We are pleased that the independent peer review team concluded that the City of Milwaukee - Internal Audit Division's internal quality control system in place from July 1, 2015 through June 30, 2018 was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards.* This determination is the highest level of compliance provided by the Association of Local Government Auditors (ALGA).

We appreciate the review team's comments regarding areas in which the Internal Audit Division excels:

- Quality control system and processes,
- Extensive planning processes and documentation,
- Thorough and accurate Walkthrough documentation,
- Knowledge of Yellow Book standards.

In our efforts to continuously improve, we appreciate your observations and suggestions to further enhance our operations and demonstrated adherence to *Government Auditing Standards,* and provide the following responses:

1. The individual audit workpaper template and annual independence form have been updated relevant to Standard 3.14 and Standards 3.20 – 3.26 as of March 14, 2019.

2. In light of Standard 7.13, our extensive audit workpaper sampling methodologies will be further highlighted in our standard audit reporting.

3. With regard to Standard 3.76, the Internal Audit Division will continue to foster a robust CPE training and development program in light of challenges resulting from personnel transfers.

We thank the peer review team for their professionalism, time, efforts, expertise, and thorough review. The City of Milwaukee – Internal Audit Division will continue to benefit greatly from the peer review team's feedback, and the ALGA peer review process.

Sincerely,

Adam Figon

Adam Figon, MBA, CRMA
Audit Manager