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**2014**  
**Annual Audit**  
**Work Plan**

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**MARTIN MATSON**  
City Comptroller

**AYCHA SIRVANCI, CPA**  
Audit Manager

City of Milwaukee, Wisconsin

January 2014

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**Martin Matson**  
Comptroller

**John M. Egan, CPA**  
Deputy Comptroller



**Glenn Steinbrecher, CPA**  
Special Deputy Comptroller

**Toni Biscobing**  
Special Deputy Comptroller

**Office of the Comptroller**

January 21, 2014

To the Mayor and  
the Honorable  
The Common Council  
City of Milwaukee

Dear Mayor Barrett and Council Members:

The attached report summarizes the 2014 Audit Work Plan and a brief description of audit activities for the upcoming year. The basis of this year's annual audit work plan was the city-wide risk assessment conducted in 2013. In order to assess and prioritize risks correctly, a communication is sent out to the Mayor, the Common Council, and city departments to submit their concerns.

This document serves as the primary work plan to carry out the responsibilities of Internal Audit for the City. This report also includes other functions that Internal Audit carries out throughout the year that fills the indirect hours not related to specific audits. An example is Internal Audit's management of the City's Fraud Hotline.

Internal Audit of the City looks forward to working with the members of Common Council, the Mayor, and all city departments in 2014.

Sincerely,

A handwritten signature in cursive script, appearing to read "Aycha Sirvanci".

Aycha Sirvanci, CPA  
Audit Manager

## **I. Background and Authority**

Internal Audit provides independent, objective assurance in order to safeguard City resources, add value and improve City operations. Internal audit provides key information to stakeholders and the public to maintain accountability; to help improve program performance and operations; to reduce costs; to facilitate decision making; to stimulate improvements; and to identify current and projected cross-cutting issues and trends that affect government programs and the people those programs serve.

The function of Internal Audit encompasses the examination and evaluation of the adequacy and effectiveness of the City's system of internal controls and the quality of performance in carrying out assigned responsibilities.

### *Approach and Methodology*

*Generally Accepted Government Auditing Standards* is referred to as "Yellowbook" as promulgated by the Government Accountability Office (GAO). To insure compliance with the standards, a peer review is required every three years. Internal Audit intends to have the next peer review completed by 2015.

The annual audit plan is a flexible commitment of Internal Audit. The 2014 audit plan is based off of the City-wide risk assessment conducted in 2013. As part of deriving the audit plan, requests from the Mayor, Common Council and department management are taken under consideration. Additionally, the audit plan has time allocated to include follow-up on audits and recommendations in previously issued audit reports. As required by Common Council resolution, Internal Audit issues reports on audit activities and follow-up performed on audit reports semi-annually to the Finance and Personnel Committee.

### *Audit Resource Allocation*

The 2014 audit work plan prioritizes audits and activities based on the number of staff, staff level expertise, and required work products and services. Some audits selected are also based on the

budget allocated for consultants since external experts may be needed. The audit work plan is derived from the risk assessment that prioritized risks and auditable departments. Through analysis of how these risks will be addressed through audits, the City's Internal Audit function serves to mitigate risks through the recommendations of improved controls and processes.

The estimated number of projects proposed and decided upon is based on the consideration and evaluation of the following:

- Number of auditors on staff
- Average number of hours for an audit
- Special projects that may be requested from Common Council, Mayor or department management
- Time allocated for the management of Fraud Hotline
- Time allocated for continuing professional education
- Utilization of external consultants/auditors
- Time allocated to conducting follow-up on previously issued audits from current and previous years

#### *Status and Updates to Audit Plan*

Completed work products for 2014 may vary depending on the changing work environment. Major changes to the audit work plan will be communicated to the Comptroller internally and to the Mayor and the Common Council through the semi-annual status updates. Actual released audits/projects in 2014 may include audits/projects started in 2013 and issued in 2014. Some audits beginning in 2014 may not be released until 2015; these audits and their estimated completion dates will be reported through the status updates.

## **II. Risk Assessment**

### 2013 Activity

Internal Audit conducted the first City-wide risk assessment. This project was labor intensive and required many hours from the audit team, department management, and of the consultant hired. The quantitative results allowed Internal Audit to prioritize the departments and divisions that need to be audited more frequently and routinely.

The scale utilized to rank departments risk levels were categorized into high risk, medium risk, and low risk. High risk units/departments need to be audited annually. Medium risk departments should be audited bi-annually. Low risk units should be audited on a three year rotating basis. These audit cycles created the basis for the three year audit work plan.

Through interviews of department management, actual risks that the City faces (as an organization) were identified and ranked using the same scale as for departments. These risks were used to develop the scope of the departments to be audited for 2014 and the remainder of the three year audit plan.

#### 2014 and Future Years

In 2014, a portion of the hours of the audit work plan is devoted to the re-evaluation of the risks and departments identified from the original risk assessment. As audits are completed and information is discovered about each department and processes, some departments and risks will be re-prioritized depending on the results and information gathered. This ongoing re-evaluation during the year will aid in better planning for the following year's audit plan.

### **III. 2014 Planned Activity**

The three year audit plan for the City's Internal Audit function is comprehensive throughout the City's departments which make up all of the programs and services that the City provides to its residents.

Based on best practices, a three year audit plan should be utilized in order to attain coverage of all City departments. Annually, a total of 57 audits or approximately 20,000 hours of audits need to be conducted. With current staff, one year of the audit plan would be completed in approximately two years. With limited resources, Internal Audit must prioritize audits and try to conduct most, if not all annual audits (high risk) in 2014, and then work through medium risk to low risk audits as it is feasible.

## **A. Planned Audits**

The following audits are carried over from 2013, either commencing in 2013 or being rolled over to commence in 2014.

1. Health AIX Database and LIS System Audit
2. Duty Disability Review (consultant assisted)
3. Back-Up Tape Processing Audit – carried over from IT Audit Plan of 2013 \*
4. IT Asset Management Audit – carried over from IT Audit Plan of 2013 \*
5. CRM System Application Audit – carried over from IT Audit Plan of 2013 \*

*\* There were a number of IT audits that had to be carried over from 2013 due to the loss of the Information Systems Auditor.*

### ***Priority – High Risk Departments to be Audited in 2014***

6. Audit of Payroll Approval and Controls – City Comptroller – Payroll Division
7. Audit of External Security and Internal Security (citywide) – ITMD
8. Audit of Staffing Services Procedures and Controls – DER - Staffing
9. Audit of Foreclosure Management – City Treasury
10. Audit of iNovah System Application - City Treasury
11. Audit of Procurement Contracts - DPW Administrative Services
12. Audit of Citywide Policy Compliance – City Comptroller - Administration, General Accounting and Revenue and Cost Divisions
13. Audit of Controls Around Monitoring Success of Programs – DOA – Budget and Management Division
14. Audit of Foreclosed Property Management – Dept. of City Development

*There are a couple high risk departments/divisions not included for 2014 since they were previously audited. As a result, these departments' risk profiles were reevaluated based on the audit and determined to be medium-risk. They are included in the list below in the medium to low risk department audits.*

***Medium Risk Department Audits***

15. Audit of Opens Records Requests – City Attorney
16. Audit of Inspections and Compliance with State Statutes – Dept. of Neighborhood Services
17. Audit of the TRACS Application – Police Dept.
18. Audit of Area Plans Execution – Dept. of City Development
19. Audit of City-Wide Disaster Planning – Office of Homeland Security
20. Audit of Operations Planning – Fire Department
21. Audit of Field Inspections and Controls – Police Department (Office of the Chief)
22. Audit of Election Commission – Segregation of Duties and Protocol

*These audits will be commenced after audits numbered 1 through 14 are completed.*

***Medium to Low Risk Audits***

23. Audit of Human Capital Planning – Dept. of Employee Relations
24. Audit of Processes of City Clerk – City Clerk Administration
25. Review of Succession Planning/Human Capital Plan – Dept. of Employee Relations
26. Audit of LMS System – Dept. of Neighborhood Services
27. Audit of Fleet Inventory – Police Dept. Administration Bureau
28. Audit of Protocol and Training – Criminal and Neighborhood Policing Bureau - MPD
29. Audit of Maintenance and Tracking – Port of Milwaukee
30. Audit of Grant Expenditures and Compliance – Port of Milwaukee
31. Audit of Compliance Training Controls – Health Dept.
32. Audit of Document Retention Compliance – DOA Business Operations
33. Audit of Infant Mortality Program – Family and Community Health – Health Dept.
34. Audit of Tracking and Maintenance – DPW Water Works
35. Review of Public Health and Policy Processes – Health Department
36. Audit of Street Paving – DPW Infrastructure
37. Review of Medical and Academic Affairs – Health Department
38. Audit of Distribution at Water Plants – MWW (2 in 1)

39. Audit of Water Quality Controls – MWW
40. Audit of Health Department Clinics – Disease Vaccine Protocol
41. Review of Marketing & Strategy Planning – Port of Milwaukee
42. Audit of Sewer Maintenance Fund – Dept. of Public Works
43. Audit of Physical Security over Laboratory Services – Health Dept.
44. Audit of Facilities Maintenance Tracking – DPW Infrastructure – Facilities
45. Audit of Certifications and Hiring – DER Staffing Services
46. Audit of Project Management and Staffing – DPW Forestry
47. Review of Classification Studies – DER Compensation Services
48. Audit of Controls and Processes of Fire and Police Commission Investigations
49. Review of Processes of Assignments – City Clerk - LRB
50. Review of Work Processes and Prioritization – City Clerk – Public Information Division
51. Review of Health Department Staffing and Controls
52. Review of Fringe Benefit Rate Calculation – Comptroller – Fin Advisory
53. Review of Public Debt Procedures – City Comptroller – Public Debt
54. Audit of Wellness Program – Dept. of Employee Relations – Employee Benefits

Audits numbered 23 through 54 are audits and reviews that sequentially follow medium risk to low risk. According to best practice, these departments need to be audited in order to gain coverage of all departments and divisions of the entire City, within three years. A total of 160 audits would need to be completed within the three years to gain full coverage of all departments and divisions at the City. If Internal Audit were to only use existing resources, it would take seven to eight years to complete these audits.

As a result, it is unlikely audits 23 through 54 will be performed in 2014. In order to mitigate these circumstances, Internal Audit will do the following:

1. Work with the Budget office and Common Council to request, at a minimum, one additional audit position as part of the 2015 budget.
2. From year to year, identify carry-over funds (from the contingent fund if possible) for specific audits to be completed by hiring additional audit contractors.

The risk assessment identified that most high risk priorities are currently being audited. It is the lower risk audits that need to be accommodated going forward in order to meet best practices.

### **B. Follow-Up Activities**

Annually, all audits' recommendations are monitored by the audit team. During this process, the auditors request the implementation status of all recommendations by the audited department. After the status is reported to Internal Audit, depending on the importance and/or risk of the finding/recommendation being audited, the audit team will request various forms of documentation in order to provide verification of the implementation of the recommendation. Additional testing may be conducted, if the finding is deemed high risk, in order to determine that the control or extent of the recommendation is being implemented consistently (i.e. control testing).

The results of the follow-up and testing conducted are reported in the annual Audit Activities Report generally released in the first quarter of each calendar year. The status of the recommendations is reported as of December 31<sup>st</sup> of the immediate preceding year.

As a result, each year has two blocks of time set aside for this activity; a significant portion of time for the last quarter of the year (to start the follow up and testing) and then at the beginning of the year to finish and issue the report from the immediate preceding year.

### **C. Fraud Hotline**

The Fraud Hotline is generally managed by one Auditor plus the Audit Manager. Currently, this does not take up a significant portion of time but makes up four percent of Internal Audit staff hours. The Fraud Hotline is required, by Common Council resolution, to release an annual report of statistics and activity for the year. This report is released in the first quarter of the calendar year immediately following the year being reported. A portion of the time also devoted

under the Fraud Hotline is an effort to educate city workers about the Fraud Hotline's uses and benefits.