2020
Annual Audit
Work Plan

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January 13, 2020

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

Dear Mayor and Council Members:

The enclosed report summarizes the 2020 Annual Audit Work Plan and provides a brief description of audit activities for the upcoming year. The basis of this year's work plan was a City-wide risk assessment and audit requests received in response to the communications sent out annually to the Mayor, the Common Council, and City departments to submit their concerns regarding the City's operations.

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 fill the indirect hours not related to the performance of specific audits; an example is Internal Audit's management of the City's Fraud Hotline.

Internal Audit expresses appreciation for the cooperation extended by City Management in the past; and looks forward to working with the members of the Common Council, the Mayor, and all City departments for the remainder of 2020.

Sincerely,

Charles Roedel

Charles Roedel, CPA, CIA
Audit Manager

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Overview

The City of Milwaukee Internal Audit Division provides this independent and objective assurance service in order to safeguard City resources and to improve City operations. This is accomplished through examination and evaluation of both the adequacy and effectiveness of the City's systems of internal control, as well as the quality with which assigned responsibilities are performed. The City's Internal Audit function helps to mitigate risks by recommending specific improvements to City processes and controls.

Introduction

The enclosed report summarizes the 2020 Annual Audit Work Plan, as required by City Charter Chapter 3, Section 3-16.5. The Charter requires that Internal Audit develop an annual audit plan and submit the plan to the Finance and Personnel Committee of the Common Council.

This document serves as the primary work plan to carry out the responsibilities of the City's Internal Audit Division, including additional functions that Internal Audit performs throughout the year that are not related to the performance of specific audits. This plan allocates Internal Audit resources per the results of the risk assessment, internal or external audit requests of merit, and Internal Audit's professional judgment.

Work Plan Development

Standards and Methodology

Generally Accepted Government Auditing Standards (GAGAS)[1] as promulgated by the Government Accountability Office (GAO) – Comptroller General of the United States, are often referred to as the *Yellow Book* and provide a framework for conducting high quality audits with competence, integrity, objectivity and independence.

The purpose of internal audit's methodology is to provide a basis for the consistent and reliable application of audit services. Additionally, audit methodology provides guidance on the key phases and activities of work plan development. The audit work plan is based primarily on City-wide risk assessments, City personnel input (solicited and unsolicited), and Internal Audit discretion and professional judgement.

Resource Allocation

Internal Audit has experienced a reduction of staff and currently staffed with three full-time

[1] GAO, Government Auditing Standards, GAO-12-331G (Washington, D.C.: December 2011).

equivalent auditors and one Audit Manager.

Time and budget allocations are apportioned during the planning and scheduling of audits and projects. This includes available budget allocations for consultants and external experts and for other functions performed by Internal Audit throughout the year (i.e. management of the Fraud Hotline, training, administration, etc.). Similarly, a portion of auditor hours is dedicated to the re-evaluation of risks when changes occur within a business unit.

Risk Assessment

The development of an annual, risk-based audit plan is a dynamic and continuous process. The involvement of City Management in the risk assessment process is crucial to its ongoing success. Management's understanding of key operations and inherent risks, coupled with Internal Audit's objective analysis, facilitates the development of the City's comprehensive annual risk assessment.

The reasoning behind using a risk-based plan is to ensure the identification and prioritization of various operational and system-based threats that may create risk and/or liability for the City. Internal Audit uses the certain risk factors and overall criteria during the performance of each assessment including complexity of operations, financial exposure, public image, revenue realization, community wellness, cost efficiency, personnel turnover, compliance, assessment of management controls, information technology, and strategic implications.

Audit Plan Changes

The 2020 Annual Audit Work Plan is a "working document," meaning Internal Audit may make changes to the plan throughout 2020 as deemed necessary based on professional judgement and City Charter Chapter 3, Section 3-16.5. Typically, any adjustments to the annual work plan will reflect identified changes in risks, changes in an audit's scope (expansion or contraction), or additional management audit requests.

Changes to the annual work plan will be communicated to the Comptroller internally and to the Mayor and the Common Council through the Semi-annual Status Update Report. Audits and projects completed in 2020 may include audits and projects initiated in prior years. Similarly, some of the audits initiated in 2020 may not be completed and released until 2021. These audits, and their estimated completion dates, will be reported via the status update report.

Audit Plan Status Update

Table 1 lists all audits currently in process, and their estimated issuance dates. Issuance dates are subject to change as they are dependent upon various factors and external input.

Table 1 – Audits and Projects in Progress with Completion Pending

Audit/Project Initiation Date	Audit/Project Title	Current Status	Report Issuance Target	Comments
5/30/2019	Health Dept – Childhood Lead Poisoning Prevention Program Review	Fieldwork	Q2 2020	Consultant
7/10/2019	Residents Preference Program Audit	Fieldwork, testing	Q1 2020	-
9/9/2019	Hiring Process Review - DER	Fieldwork, testing	Q1 2020	-
10/2019	Water Works – Corrosion Control Review	Fieldwork	Q1 2020	Consultant
12/4/2019	Treasurer Cash Control	Planning	Q2 2020	-

2020 Planned Audit Activity

Internal Audit adheres to a risk-based audit plan development strategy that seeks to identify, prioritize and manage audits deemed critical to City operations, programs and systems. As a result, this audit work plan does not, nor is it intended to, address or provide complete coverage of every City department, division, or system risk. Internal Audit believes that this plan appropriately allocates resources to the most important priorities and risks of the organization at this point in time.

Purpose

The purpose of the 2020 Annual Audit Work Plan is to outline audits and activities the Internal Audit Division proposes to conduct during the calendar year January 1, 2020 through December 31, 2020.

Work Plan

The 2020 Annual Audit Work Plan is comprehensive, based on a three to five year cycle, and includes both performance (Table 2) and information technology (Table 3) audits and projects. These lists represent audit units/areas where we anticipate performing an audit. They are not presented in the order that they will be performed and, as previously noted, are subject to change should higher priority considerations emerge. The scope and objectives for each item will be defined once an audit has been initiated and preliminary information has been compiled and

assessed. Additionally, Internal Audit notes that audits in the work plan may be divided into multiple audits during initial audit planning given the potential nature and complexity of an operation or the audit subject matter.

Table 2 lists the performance audits that are projected to begin in 2020.

Table 2 – 2020 Audit Work Plan – Performance Audits

Title or Subject	Department(s)
Audit of Police Department Overtime Pay	Milwaukee Police Department
Audit of Social Media Governance	ITMD, various as is necessary
Audit of Payroll	Comptroller
Audit of Port of Milwaukee Maintenance, Monitoring, and Tracking of Capital Assets	Port of Milwaukee
Audit of DPW Safety	Department of Public Works
Audit of DNS Neighborhood Property Concerns	Department of Neighborhood Services
Audit of Physical Access Controls – Enterprise-wide	DPW – Facilities, various as is necessary

Table 3 (below) lists the information technology audits and projects that are planned to begin in 2020.

Table 3 – 2020 Audit Work Plan – Information Technology Audits and Projects

Title or Subject	Department(s)
Audit of IT Datacenter Controls - ERS	Employes' Retirement System
Audit of IT Datacenter Controls – City Library	City Library
Audit of MUNIS Application Controls (consultant assisted)	Office of the City Treasurer

Audit Recommendation Follow-Up Activities

Internal Audit conducts performance audits and makes specific audit recommendations to improve the design and operational effectiveness of internal controls over City activities. In keeping with professional auditing standards and Internal Audit's annual reporting requirements, codified in City Charter Chapter 3, Section 3-16.5 – which defines the periodic follow-up and reporting requirements for audit recommendations – Internal Audit has a responsibility to monitor and

follow-up on audit recommendations to ensure audit findings are addressed. This follow-up activity also aids in planning future audits.

City Management is responsible for resolving identified issues by implementing the recommendations proposed by Internal Audit, in a prompt and effective manner. Recommendations are considered effective when they are directed to management that has the authority to act, and when the recommended actions are specific, practical, cost-effective, and measurable. Accordingly, Management's implementation of a control-based recommendation is evaluated to assess whether the risk posed by an audit finding has been adequately mitigated.

Fraud Hotline and Related Benefits

Section 350-247 of the Code of Ordinances authorizes Internal Audit to manage the City of Milwaukee Fraud Hotline (Hotline) and requires the release of an annual report of Hotline activity each calendar year. Internal Audit has operated the City of Milwaukee Fraud, Waste, and Abuse Hotline since its inception in 2004. The Hotline continues to benefit the citizens of Milwaukee and City employees, by providing a confidential means to report potential fraud, waste, and abuse within City government. Hotline follow-up procedures have been developed to ensure a timely and appropriate response to complaints.