

COUNTY OF MILWAUKEE
Inter-Office Communication

Date: August 3, 2007
To: Lee Holloway, Chairman, Milwaukee County Board of Supervisors
From: Jerome J. Heer, Director of Audits
Subject: External Quality Review of Department of Audit

Government auditing standards require that our office undergo a periodic external quality review. The enclosed report represents the results of that review for the period January 1, 2004 through December 31, 2006.

The review was conducted under the auspices of the Association of Local Government Auditors by a team of seasoned professionals from three of the nation's most respected local government audit offices.

We are proud of the fact that the review team has given us a 'clean' opinion. The team also made three observations in their management letter. We agree with the observations and will implement the corresponding recommendations.

Please refer the review to the Finance and Audit Committee.

Sincerely,

Jerome J. Heer

JJH/kjw

Attachments

cc: Supervisor Richard D. Nyklewicz, Jr, Chairman, Committee on Finance and Audit



External Quality Control Review

of the
Milwaukee County
Department of Audit

Conducted in accordance with guidelines of the
**Association of Local Government
Auditors**

for the period January 1, 2004, through
December 31, 2006



Association of Local Government Auditors

August 2, 2007

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Mr. Jerome J. Heer
Director of Audits
Milwaukee County Department of Audit
City Campus, 9th Floor
2711 West Wells Street
Milwaukee, WI 53208

Dear Mr. Heer:

We have completed a peer review of the Milwaukee County Department of Audit for the period January 1, 2004 through December 31, 2006. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide* published in May, 2004, 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 if 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. 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 Milwaukee County Department of Audit's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audits and attestation engagements during the period January 1, 2004 through December 31, 2006.

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


Russ Needler
City of Austin, TX


Eric Palmer
City of Atlanta, GA


Bill Greene
City of Phoenix, AZ



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August 2, 2007

Mr. Jerome J. Heer
Director of Audits
Milwaukee County Department of Audit
City Campus, 9th Floor
2711 West Wells Street
Milwaukee, WI 53208

Dear Mr. Heer:

We have completed a peer review of the Milwaukee County Department of Audit for the period January 1, 2004 through December 31, 2006 and issued our report thereon dated August 2, 2007. We are issuing this companion letter to management to highlight some of the areas where we believe your office has excelled and to suggest some areas where your policies and procedures may be improved.

Through observation, interviews and an examination of policies and procedures and audit working papers, we have identified a number of areas in which your office has excelled. Among them are the following:

Report subjects

The issues undertaken in the audit work were challenging, substantive and complex and had tremendous potential to add value to the Milwaukee County organization. During the period under review, the Department of Audit reviewed some of the most important issues facing local government, including health care costs and the structure of government entities.

Reporting

The reports reviewed were well written and easy to read and understand. The supporting evidence was logical and convincing in support of conclusions. Staff did an excellent job of summarizing complex issues in a way that made the subject matter understandable.

Staff

The department has experienced, knowledgeable staff that has a good understanding of both the performance audit process and the structure of the government entity.

We have also identified areas where, while government auditing standards are being followed, additional improvement can be made.

Independence of outside consultants

For one of the projects reviewed, an outside consultant provided work but did not sign an independence statement. To ensure that any outside entities who provide audit work are independent, the department should require that outside entities formally declare that they are independent by signing an independence statement.

Audit planning related to fraud, waste and abuse

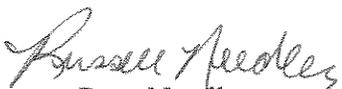
The department's audit planning related to providing reasonable assurance of detecting fraud, waste and abuse was not well documented. In order to ensure that proper attention is given to this issue, the department should include documentation of its consideration of possibility of fraud, waste and abuse during its planning process.

Peer reviews

The previous external quality control review of the department occurred in 1998. In order to remain in compliance with GAS, the department should continue to have reviews as required under Yellow Book standards.

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

Sincerely,


Russ Needler
City of Austin, TX


Eric Palmer
City of Atlanta, GA


Bill Greene
City of Phoenix, AZ



Department of Audit

Milwaukee County

Jerome J. Heer • Director of Audits
Douglas C. Jenkins • Deputy Director of Audits

August 2, 2007

Mr. Russell Needler
Office of the City Auditor
Austin, TX 78701

Dear Mr. Needler:

On behalf of the entire staff at the Milwaukee County Department of Audit, I would like to take this opportunity to acknowledge the professionalism and courtesy exhibited by the peer review team during this engagement. Our management team is impressed with the thoroughness of your review, and we are appreciative of the constructive content and tone of your management letter comments.

We concur in all respects with the three recommendations contained in the management letter. Specifically:

Independence of outside consultants

For one of the projects reviewed, an outside consultant provided work but did not sign an independence statement. To ensure that any outside entities who provide audit work are independent, the department should require that outside entities formally declare that they are independent by signing an independence statement.

We will promptly create standard language, to be included in all professional service contracts awarded by the Department of Audit for outside audit work and other technical expertise, that requires contractors to provide written assurance of independence and freedom from impairments, as appropriate to the scope of their work.

Audit planning related to fraud, waste and abuse

The department's audit planning related to providing reasonable assurance of detecting fraud, waste and abuse was not well documented. In order to ensure that proper attention is given to this issue, the department should include documentation of its consideration of possibility of fraud, waste and abuse during its planning process.

We will promptly develop and implement a procedure to convene and document a planning meeting attended by audit project in-charge audit staff and the department's Fraud Hotline auditor to consider specific steps that might be included in the audit planning process to identify potential fraud, waste or abuse, as well as compliance with legal and regulatory requirements significant to the audit objectives.

City Campus, 9th Floor • 2711 West Wells Street
Milwaukee, Wisconsin 53208 • Telephone (414) 278-4206 • Fax (414) 223-1895

Mr. Russell Needler
August 2, 2007
Page Two

Peer reviews

The previous external quality control review of the department occurred in 1998. In order to remain in compliance with GAS, the department should continue to have reviews as required under Yellow Book standards.

We agree to schedule future external peer reviews on a timetable that complies with Government Auditing Standards.

Once again, thank you for your efforts and constructive insights.



Jerome J. Heer
Director of Audits

Cc: Eric Palmer, City of Atlanta, GA
Bill Greene, City of Phoenix, AZ
Drew Harmon, City of Roanoke, VA