

County of Milwaukee

Communication to Those Charged With
Governance and Management

December 31, 2024

County of Milwaukee, Wisconsin

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To the Board of Supervisors of
the County of Milwaukee

During our audit of the financial statements of the County of Milwaukee, Wisconsin for the year-ended December 31, 2024, we became aware of a limited number of matters that are opportunities for strengthening internal control and operating efficiency. The following comments are related to procedural matters which should be considered by County management. As always, you should consider the costs of making improvements to the expected benefits. A separate report dated July 31, 2025, contains our required communications on internal control matters. This letter does not affect our report dated July 31, 2025, on the financial statements of the County of Milwaukee.

We will review the status of these comments during our next audit engagement. We have discussed many of these comments and suggestions with various County personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters or to assist you in implementing the recommendations.

The County's written responses to the matters identified in our audit have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

This communication is intended solely for the information and use of the Board of Supervisors, management and others within the organization and is not intended to be, and should not be, used by anyone other than these specified parties.

Baker Tilly US, LLP

Milwaukee, Wisconsin
July 31, 2025

**COMMUNICATION OF OTHER CONTROL DEFICIENCIES, RECOMMENDATIONS AND
INFORMATIONAL POINTS TO MANAGEMENT THAT ARE NOT MATERIAL WEAKNESSES OR
SIGNIFICANT DEFICIENCIES**

OFFICE OF THE COMPTROLLER

Expedite Closing and Financial Reporting Process

As part of the year-end process, the County makes what are considered Post Close entries (PCLs). These are done after the general ledger has been closed and funds have had their break evens calculated. We noted significant improvement in the number of PCLs made in the current year after the trial balance was originally provided and the number of entries (31) was more in line with the number of entries in a normal audit year. However, in order to efficiently and timely complete the audit and draft financial statements, we recommend that the County work to expedite the calculation and recording of these entries and look to build these journal entries into the year-end closing calendar.

Office of the Comptroller Response

The Office of the Comptroller agrees with this finding and remains committed to reducing the number of adjusting journal entries made significantly after year-end. For the year ended 2024, the number of such entries made after May 9, 2025, decreased from 111 in the prior year to 31, reflecting continued progress toward a more efficient year-end close process. To further improve timeliness of submission and departmental compliance, the County will reinforce adherence to an updated year-end close calendar and will conduct an in-person year-end closing meeting this fall. This session will outline key calendar changes, define departmental expectations, and emphasize accountability for the timely submission of deliverables.

INFORMATION MANAGEMENT SERVICES DIVISION (IMSD)

IT Assessment Scope

In support of the Milwaukee County (County) Financial Statement Audit, Baker Tilly must gain an understanding of the financial systems and the IT control processes that support each of the below applications. This is completed as the engagement team (team) considers the various risks of the County that exist within the financial statement audit and could allow the team to place reliance on aspects of controls if warranted to adjust the level of work necessary to be completed during their work. The assessment is based on 12 IT general controls based on industry leading practices, including: the COBIT framework, ISO standards, and IT Infrastructure Library (ITIL) process models.

Baker Tilly identified the following applications in scope related to the financial statement audit:

- Infor
- Dayforce
- Scripts
- Synthesis
- Landnav

In addition to the in scope systems, Baker Tilly is required to gain an understanding of the Milwaukee County IT network infrastructure and controls that support the security of the IT environment.

The intention of the recommendations is to focus on IT general control improvement opportunities and will not comment on the many robust areas of the County's systems and procedures.

In this regard, Baker Tilly offered one recommendation to the Information Management Services Division (IMSD) as an opportunity to improve IT controls. IMSD provided a response to the recommendations. However, to avoid disclosing potential County IT vulnerabilities or system architecture publicly, we have agreed with IMSD management and the Comptroller's Office to exclude these items from this report.

PRIOR YEAR COMMENTS ADDRESSED IN THE CURRENT YEAR

The following comments were included in last year's report and were addressed during 2024:

1. Cash reconciliations
2. Accounts payable process
3. New Accounting and Reporting Requirements
 - a. GASB 100
 - b. GASB 101

DEPARTMENTAL CONTROLS

As part of our annual audit process, we focus our efforts on the primary accounting systems, internal controls and procedures used by the County. This is in keeping with our goal to provide an audit opinion, which states that the financial statements of the County are correct in all material respects.

In some cases, the primary system of accounting procedures and controls of the County is supported by smaller systems which are decentralized and reside within a department or location. In many cases, those systems are as simple as handling cash collections and remitting those collections to the county treasurer. In other cases, the department may send invoices or statements of amounts due, and track collections of those amounts in a standalone accounts receivable system.

Generally, the more centralized a function is, the easier it is to design and implement accounting controls that provide some level of checks and balances. That is because you are able to divide certain tasks over the people available to achieve some segregation of duties. For those tasks that are decentralized, it may be more difficult to provide for proper segregation of duties. Therefore, fewer people involved in most or all aspects of a transaction, you lose the ability to rely on the controls to achieve the safeguarding of assets and reliability of financial records.

As auditors, we are required to communicate with you on a variety of topics. Since there is now more emphasis on internal controls and management's responsibilities, we believe it is appropriate to make sure that you are informed about the possibility that a lack of segregation of duties that may occur at departments or locations that handle cash or do miscellaneous billing. The County has a number of decentralized departments and / or locations that may fit this situation.

As auditors, we are required to focus on the financial statements at a highly summarized level and our audit procedures support our opinion on those financial statements. While we do evaluate internal controls at some decentralized departments each year, departments or locations that handle relatively smaller amounts of money are not the primary focus of our audit. It is not unusual to have a lack of segregation of duties within some of these decentralized departments and, therefore, the opportunity for loss is higher there than in centralized functions that have more controls.

Because management is responsible for designing and implementing controls and procedures to detect and prevent fraud, we believe that is important for us to communicate this information to you. We have no knowledge of any fraud that has occurred or is suspected to have occurred within the County departments. However, your role as the governing body is to assess your risk areas and determine that the appropriate level of controls and procedures are in place. As always, the costs of controls and staffing must be weighed against the perceived benefits of safeguarding your assets.

Without adding staff or splitting up the duties, your own day-to-day contact and knowledge of the operation are also important mitigating factors.

Office of the Comptroller Response

The Office of the Comptroller will continue to send an annual communication to department heads and elected administrators, reminding them of their responsibilities for the design and implementation of controls and procedures to detect and prevent fraud. This communication includes a comment in respect to the need for consideration of segregation of duties within decentralized functions.

In addition, the Comptroller's Office will reach out to any new department heads as they are on-boarded to ensure there is full understanding of departmental responsibilities related to internal controls.

NEW ACCOUNTING AND REPORTING REQUIREMENTS

GASB No. 102: Certain Risk Disclosures

The Governmental Accounting Standards Board has issued GASB No. 102 to provide financial statement users with information about certain risks when circumstances make a government vulnerable to a heightened possibility of loss or harm. It requires governments to disclose essential information about risks related to vulnerabilities due to certain concentrations or constraints.

The requirements of this Statement are effective for reporting periods beginning January 1, 2025.

Office of the Comptroller Response

The Office of the Comptroller will review the requirements and they will be reflected in the December 31, 2025 financial statements.

GASB No. 103: Financial Reporting Model Improvements

The Governmental Accounting Standards Board has issued GASB No. 103 to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability.

The requirements of this Statement are effective for reporting periods beginning January 1, 2026.

Office of the Comptroller Response

The Office of the Comptroller will review the requirements and they will be reflected in the December 31, 2026 financial statements.

GASB No. 104: Disclosure of Certain Capital Assets

The Governmental Accounting Standards Board has issued GASB No. 104 to provide users of government financial statements with essential information about certain types of capital assets. The disclosure requirements will improve consistency and comparability between governments.

The requirements of this Statement are effective for reporting periods beginning January 1, 2026.

Office of the Comptroller Response

The Office of the Comptroller will review the requirements and they will be reflected in the December 31, 2026 financial statements.

BAKER TILLY, LLP'S COMMENTS ON MANAGEMENT RESPONSES

We have received the management responses included herein. We believe management generally has been responsive to the recommendations. Management has agreed with our comments and has initiated actions to address to comments.