

**CITY OF WAUKESHA**

Waukesha, Wisconsin

REPORT ON FEDERAL AND STATE AWARDS

For the Year Ended December 31, 2012

# CITY OF WAUKESHA

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REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditors' Report

To the Common Council  
City of Waukesha  
Waukesha, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Waukesha, Wisconsin as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City of Waukesha's basic financial statements and have issued our report thereon dated July 26, 2013.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City of Waukesha's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Waukesha's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Waukesha's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. These material weaknesses are items 2012-01 and 2012-02.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City of Waukesha's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***City of Waukesha's Response to Findings***

The City of Waukesha's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Waukesha's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Milwaukee, Wisconsin  
July 26, 2013

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND MAJOR STATE PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE;  
AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
REQUIRED BY OMB CIRCULAR A-133 AND THE *STATE SINGLE AUDIT GUIDELINES*

Independent Auditors' Report

To the Common Council  
City of Waukesha  
Waukesha, Wisconsin

***Report on Compliance for Each Major Federal and Major State Program***

We have audited the City of Waukesha, Wisconsin's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines* that could have a direct and material effect on each of the City of Waukesha's major federal and major state programs for the year ended December 31, 2012. The City of Waukesha's major federal and major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City of Waukesha's basic financial statements include the operations of the Housing Authority of the City of Waukesha, which received \$5,302,836 in federal awards which are not included in the schedule of expenditures of federal awards during the year ended December 31, 2012. Our audit, described below, did not include the operations of the Housing Authority of the City of Waukesha because the component unit had a separate audit in accordance with OMB Circular A-133.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City of Waukesha's major federal and major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *State Single Audit Guidelines*. Those standards, OMB Circular A-133, and the *State Single Audit Guidelines* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or major state program occurred. An audit includes examining, on a test basis, evidence about the City of Waukesha's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

### ***Auditor's Responsibility*** (cont.)

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and major state program. However, our audit does not provide a legal determination of the City of Waukesha's compliance.

### ***Opinion on Each Major Federal and Major State Program***

In our opinion, the City of Waukesha complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and major state programs for the year ended December 31, 2012.

### ***Report on Internal Control Over Compliance***

Management of the City of Waukesha is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the City of Waukesha's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Waukesha's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Purpose of this Report***

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and the *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal and State Awards Required by OMB Circular A-133 and the State Single Audit Guidelines**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Waukesha, Wisconsin as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City of Waukesha's basic financial statements. We issued our report thereon dated July 26, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by OMB Circular A-133 and the *State Single Audit Guidelines* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Bruce Felix Richard Bruse, CPA*

Milwaukee, Wisconsin  
September 13, 2013

CITY OF WAUKESHA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
For the Year Ended December 31, 2012

Grantor Agency / Pass-Through Agency/ Program Title	Federal CFDA Number	Passed Through Agency	Passed Through Agency ID	Award Amount	Revenues						Expenditures		
					(Accrued) Deferred Beginning Balance	Revenue Recorded	Cash Received (Refunded)	Accrued (Deferred) Ending Balance	Local	Total Revenues	Grantor	Local	Total
<b>FEDERAL PROGRAMS</b>													
<b>U.S. Department of Housing and Urban Development</b>													
CDBG Entitlement Grants Cluster													
Community Development Block Grant/Entitlement Grants													
2010	14.218	WC	N/A	\$ 245,000	\$ (12,946)	\$ 14,444	\$ 22,390	\$ 5,000	\$ -	\$ 14,444	\$ 14,444	\$ -	\$ 14,444
2011	14.218	WC	N/A	238,000	(47,573)	87,264	72,575	62,262	-	87,264	87,264	-	87,264
2012	14.218	WC	N/A	187,296	-	62,651	21,000	41,651	-	62,651	62,651	-	62,651
Program income	14.218	WC	N/A	-	(10,308)	92,869	-	103,177	-	92,869	92,869	-	92,869
ARRA - Community Development Block Grant	14.253	WC	N/A	116,000	(114,887)	-	114,887	-	-	-	-	-	-
Total CDBG Entitlement Grants Cluster					(185,714)	257,228	230,852	212,090	-	257,228	257,228	-	257,228
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (State-Administerd Small Cities Program)													
14.228	WC	N/A		230,000	14,773	14,773	-	-	-	14,773	14,773	-	14,773
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (State-Administerd Small Cities Program)													
14.228	WC	N/A		525,000	(480,738)	-	480,738	-	-	-	-	-	-
Total Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (State-Administerd Small Cities Program)					(465,965)	14,773	480,738	-	-	14,773	14,773	-	14,773
Lead-Based Paint Hazard Control in Privately-Owned Property													
14.900	N/A	N/A		1,100,000	-	244,443	82,430	162,013	-	244,443	244,443	-	244,443
Lead Hazard Reduction Demonstration Grant Program													
14.905	N/A	N/A		92,060	(88,068)	-	88,068	-	-	-	-	-	-
ARRA - Lead Hazard Reduction Demonstration Grant Program													
14.909	DOA	LHC 09.18		180,000	-	21,986	21,986	-	48,899	21,986	21,986	48,899	70,885
Total U.S. Department of Housing and Urban Development					(739,747)	538,430	904,074	374,103	48,899	538,430	538,430	48,899	587,329
<b>U.S. Department of Justice</b>													
Bulletproof Vest Partnership Program													
16.607	N/A	N/A		1,600	-	1,598	1,598	-	-	1,598	1,598	-	1,598
Edward Byrne Memorial Justice Assistance													
2009	16.738	N/A	N/A	16,355	9,241	3,252	-	(5,989)	-	3,252	3,252	-	3,252
2011	16.738	N/A	N/A	13,472	13,472	10,047	-	(3,425)	-	10,047	10,047	-	10,047
Total Edward Byrne Memorial Justice Assistance					22,713	13,299	-	(9,414)	-	13,299	13,299	-	13,299
ARRA - Internet Crimes Against Children Task Force Program (ICAC)													
16.579	DOJ	N/A		1,500	-	1,500	1,500	-	-	1,500	1,500	-	1,500
Total U.S. Department of Justice					22,713	16,397	3,098	(9,414)	-	16,397	16,397	-	16,397
<b>U.S. Department of Transportation</b>													
Highway Planning and Construction													
20.205	DOT	1693-47-00		220,720	(1,702)	29,121	30,823	-	-	29,121	29,121	-	29,121
Highway Planning and Construction													
20.205	DOT	1693-48-02		144,680	(24,876)	119,276	144,152	-	-	119,276	119,276	-	119,276
Total Highway Planning and Construction					(26,578)	148,397	174,975	-	-	148,397	148,397	-	148,397
Highway Safety Cluster													
State and Community Highway Safety													
2012	20.600	DOT	2012-40-05-PT	35,000	(3,676)	30,720	34,396	-	-	30,720	30,720	-	30,720
2013	20.600	DOT	2013-40-05-PT	34,700	-	3,676	-	3,676	-	3,676	3,676	-	3,676
Alcohol Impaired Driving Countermeasures Incentive Grant I													
2012	20.601	DOT	2012-31-05-K8	35,000	(3,353)	30,800	34,153	-	-	30,800	30,800	-	30,800
2013	20.601	DOT	2013-31-05-K8	29,600	-	3,353	-	3,353	-	3,353	3,353	-	3,353
Total Highway Safety Cluster					(7,029)	68,549	68,549	7,029	-	68,549	68,549	-	68,549

CITY OF WAUKESHA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
For the Year Ended December 31, 2012

Grantor Agency / Pass-Through Agency/ Program Title	Federal CFDA Number	Passed Through Agency	Passed Through Agency ID	Award Amount	Revenues							Expenditures		
					(Accrued) Deferred Beginning Balance	Revenue Recorded	Cash Received (Refunded)	Accrued (Deferred) Ending Balance	Local	Total Revenues	Grantor	Local	Total	
<b>FEDERAL PROGRAMS (cont.)</b>														
<b>U.S. Department of Transportation (cont.)</b>														
Federal Transit Cluster														
Federal Transit Formula Grants														
WI-90-0472	20.507	DOT	N/A	\$ 1,608,656	\$ -	\$ 8,043	\$ 8,043	\$ -	\$ -	\$ 8,043	\$ 8,043	\$ -	\$ 8,043	
WI-90-0492	20.507	DOT	N/A	972,312	(10,206)	5,733	15,939	-	-	5,733	5,733	-	5,733	
WI-90-0531	20.507	DOT	N/A	1,062,154	(23,350)	6,269	29,619	-	-	6,269	6,269	-	6,269	
WI-90-0545	20.507	DOT	N/A	1,108,365	-	7,030	1,723	5,307	-	7,030	7,030	-	7,030	
WI-90-0589	20.507	DOT	N/A	994,169	-	953,015	710,303	242,712	-	953,015	953,015	-	953,015	
WI-90-0649	20.507	DOT	N/A	967,563	(924,658)	23,376	948,034	-	-	23,376	23,376	-	23,376	
ARRA-WI-95-0017	20.507	DOT	N/A	1,477,951	-	458,676	-	458,676	-	458,676	458,676	-	458,676	
Total Federal Transit Formula Grants					(958,214)	1,462,142	1,713,661	706,695	-	1,462,142	1,462,142	-	1,462,142	
Federal Transit - Capital Investment Grants	20.500	N/A	N/A	123,200	-	123,200	84,125	39,075	-	-	123,200	-	123,200	
Federal Transit - Capital Investment Grants	20.500	DOT	WI-04-0009	416,000	(410,937)	-	410,937	-	-	-	-	-	-	
Total Federal Transit - Capital Investment Grants					(410,937)	123,200	495,062	39,075	-	-	123,200	-	123,200	
Congestion Mitigation and Air Quality Grant	20.507	DOT	WI-95-X004	334,242	(22,651)	1	22,652	-	-	1	-	-	1	
Congestion Mitigation and Air Quality Grant	20.507	DOT	WI-95-X010	60,750	(11,082)	33,206	44,288	-	-	33,206	-	-	33,206	
Congestion Mitigation and Air Quality Grant	20.507	DOT	WI-90-X423	477,524	(396)	5,564	5,960	-	-	5,564	-	-	5,564	
Congestion Mitigation and Air Quality Grant	20.507	DOT	WI-95-X035	71,500	-	4,184	-	4,184	-	4,184	-	-	4,184	
Total Congestion Mitigation and Air Quality Grant					(34,129)	42,955	72,900	4,184	-	-	42,955	-	42,955	
Total Federal Transit Cluster					(1,403,280)	1,505,097	2,197,498	710,879	-	1,462,142	1,505,097	-	1,505,097	
Total U.S. Department of Transportation					(1,436,887)	1,845,243	2,525,147	756,983	-	1,679,088	1,845,243	-	1,845,243	
<b>U.S. Department of Homeland Security</b>														
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DMA	FEMA-1768-DR-	123,944	15,541	26,469	11,696	(768)	-	26,469	26,469	-	26,469	
Assistance to Firefighters Grant	97.044	N/A	N/A	21,680	(21,137)	-	-	21,137	-	21,137	-	-	-	
Homeland Security Grant Program	97.067	OJA	2008-HS-18H-92	6,500	-	6,115	6,115	-	-	6,115	6,115	-	6,115	
Total U.S. Department of Homeland Security					(5,596)	32,584	17,811	20,369	-	53,721	32,584	-	32,584	
<b>TOTAL FEDERAL PROGRAMS</b>					<b>\$(2,159,517)</b>	<b>\$ 2,432,654</b>	<b>\$ 3,450,130</b>	<b>\$ 1,142,041</b>	<b>\$ 48,899</b>	<b>\$ 2,287,636</b>	<b>\$ 2,432,654</b>	<b>\$ 48,899</b>	<b>\$ 2,481,553</b>	

**CITY OF WAUKESHA**

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
For the Year Ended December 31, 2012

Grantor Agency / Pass-Through Agency / Program Title	State ID Number	Award Amount	Revenues						Expenditures			
			(Accrued) Deferred Beginning Balance	Revenue Recorded	Cash Received (Refunded)	Accrued (Deferred) Ending Balance	Local	Total Revenues	Grantor	Local	Expenditures	
<b>STATE PROGRAMS</b>												
<b>Wisconsin Department of Transportation</b>												
2009 Transit Operating Aids	395.104	\$ 4,777,366	\$ 119,511	\$ -	\$ -	\$ (119,511)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2010 Transit Operating Aids	395.104	4,521,788	(398,770)	-	-	398,770	-	-	-	-	-	-
2011 Transit Operating Aids	395.104	4,725,251	(357,762)	-	-	357,762	-	-	-	-	-	-
2012 Transit Operating Aids	395.104	4,242,261	-	4,068,656	3,819,406	249,250	-	4,068,656	4,068,656	-	4,068,656	-
Paratransit Aids Through 85.205	395.104	75,542	-	75,542	75,542	-	-	75,542	75,542	-	75,542	-
Total Wisconsin Department of Transportation			(637,021)	4,144,198	3,894,948	886,271	-	4,144,198	4,144,198	-	4,144,198	-
<b>Wisconsin Department of Military Affairs</b>												
State Match - Federal Disaster Assistance Grant	465.305	20,657	-	1,949	1,949	-	-	1,949	1,949	-	1,949	-
<b>Wisconsin Department of Natural Resources</b>												
Acquisition and Development of Local Parks	370.TA2	210,000	105,000	-	-	(105,000)	-	-	-	-	-	-
<b>TOTAL STATE PROGRAMS</b>			<u>\$ (532,021)</u>	<u>\$ 4,146,147</u>	<u>\$ 3,896,897</u>	<u>\$ 781,271</u>	<u>\$ -</u>	<u>\$ 4,146,147</u>	<u>\$ 4,146,147</u>	<u>\$ -</u>	<u>\$ 4,146,147</u>	<u>\$ -</u>

# CITY OF WAUKESHA

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended December 31, 2012

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### **NOTE 1 – BASIS OF PRESENTATION**

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The accompanying schedule of expenditures of federal and state awards (the “schedule”) includes the federal and state grant activity of the City of Waukesha under programs of the federal and state government for the year ended December 31, 2012. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State Single Audit Guidelines*. Because the schedule presents only a selected portion of the operations of the City of Waukesha, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Waukesha.

Federal awards received directly by the Housing Authority of the City of Waukesha are not included in this report since the Housing Authority has been audited for their grants and those amounts are reported in a separate report.

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### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The underlying accounting records for some grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred. The accounting records for other grant programs are maintained on the accrual basis, i.e., when the revenue has been earned and the liability is incurred.

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### **NOTE 3 – PRIOR YEAR FINDINGS**

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The finding from 2011 reported as 2011-01 is still valid in 2012 and has been repeated as finding No. 2012-01.

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### **NOTE 4 – PASS-THROUGH GRANTORS**

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Federal funds have been passed through the following grantors:

- DOJ – Wisconsin Department of Justice
- DOT – Wisconsin of Transportation
- DOA – Wisconsin Department of Administration
- DMA – Wisconsin Department of Military Affairs
- OJA – Office of Justice Assistance
- WC – Waukesha County



# CITY OF WAUKESHA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2012

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### SECTION I – SUMMARY OF AUDITORS’ RESULTS (cont.)

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#### *FEDERAL OR STATE AWARDS* (cont.)

Identification of major state programs:

<u>State Number</u>	<u>Name of State Program</u>
395.104	Transit Operating Aids

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### SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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#### ***FINDING NO. 2012-01: INTERNAL CONTROL OVER FINANCIAL REPORTING – FINANCIAL STATEMENT PREPARATION***

***Criteria:*** Statement on Auditing Standards No. 115 requires communication of significant deficiencies and material weaknesses in the year end reporting process.

***Condition:*** The City’s personnel do not presently have the necessary time needed to prepare the financial statements, including the schedules of federal and state awards, in accordance with generally accepted accounting principles. Accordingly, the City presently contracts with its audit firm to perform this function.

***Questioned Cost:*** None.

***Effect:*** Preparation of the year end financial statements, including the schedules of federal and state awards, by City personnel is not currently done.

***Recommendation:*** Management should evaluate if the benefits achieved by resolving this internal control deficiency warrants the additional cost to hire additional finance staff to achieve the goal of having its external financial statements prepared by City personnel.

***Management’s Response:*** Management concurs with the finding. However, due to new management within the City, further investigation and analysis by management is required to determine the cost effectiveness of hiring additional staff to achieve the goal of having its external financial statements prepared by City personnel.

#### ***FINDING NO. 2012-02: BANK RECONCILIATIONS***

***Criteria:*** Statement on Auditing Standards (SAS) Nos. 104-111, collectively known as the risk assessment standards, sufficient internal accounting controls should be in place that mitigate the risk of material misstatement in the financial records due to fraud or error.

# CITY OF WAUKESHA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2012

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### SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (cont.)

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#### ***FINDING NO. 2012-02: BANK RECONCILIATIONS*** (cont.)

##### ***Condition:***

##### ***Reconciling Items not recorded in the General Ledger***

During the reconciliation process, it was noted that there are several reconciling items that carryforward monthly with no general ledger account activity being posted until year end. This methodology can lead to inaccurate information within the City's general ledger that is used for decision making purposes. These items that have been identified should be posted appropriately during the reconciliation process and not included as reconciling items on the final monthly bank reconciliation. Examples of these reconciliation items are:

- Transit bank account activity
- Necessary corrections to journal entries as indentified during the reconciliation process
- Payroll activity (manual checks)
- Checking accounts included in the reconciliation whose monthly activity is not recorded until year end.

We also noted one instance of where the general ledger entry to record sewer activity for the month did not agree to the actual deposit. The deposit related to August and actual deposit was approximately \$8,000 less than what was recorded in the general ledger.

Based on the volume of unrecorded activity and noted errors, the general ledger cash balance was decreased approximately \$65,336,000 which consisted of two large entries and numerous other adjustments.

##### ***Bank Reconciliation Review***

During discussions with finance department staff, it was noted that there is no independent review of the completed monthly bank reconciliation. Moving forward, Baker Tilly recommends that someone other than the preparer review the completed bank reconciliations to verify accuracy to the general ledger.

##### ***Bank Reconciliation Process***

The complexity of the reconciliation process needs to be reviewed as it entails multiple excel spreadsheets which increases risk of errors. We noted that the City's goal is to eventually have a master account that will expedite the process but they it currently is not in place. We also noted that new cash accounts were created in 2012; however client did not appear to be familiar enough with MUNIS to change the report parameters to include all cash accounts. It was only after noting significant variances that those accounts were included in reports. Ongoing MUINS training appears to be needed.

***Questioned Cost:*** None.

***Effect:*** Audit journal entries were made to correct the bank reconciliation and the general ledger.

# CITY OF WAUKESHA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2012

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### SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (cont.)

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**FINDING No. 2012-02: BANK RECONCILIATIONS** (cont.)

**Recommendation:** Management should evaluate the process and controls over the bank reconciliation process.

**Management's Response:** Management concurs with the finding. However, due to new management within the City, further investigation and analysis by management is required to determine the cost effectiveness of hiring additional staff to achieve the goal of having its external financial statements prepared by City personnel.

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### SECTION III – FEDERAL AWARDS AND STATE AWARDS FINDINGS AND QUESTIONED COSTS

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None.

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### SECTION IV – OTHER ISSUES

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Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern?

\_\_\_\_\_ yes       X  no

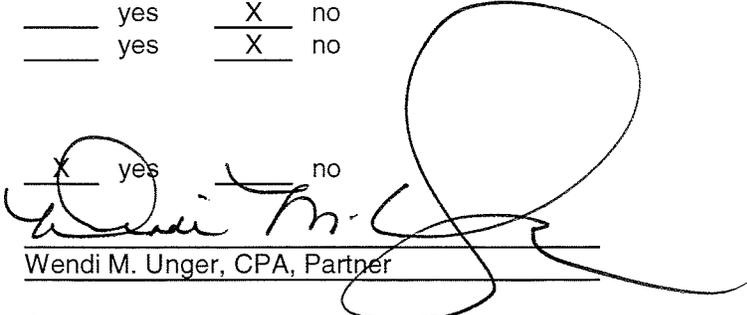
Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*:

Department of Transportation	_____ yes	<u> X </u> no
Department of Military Affairs	_____ yes	<u> X </u> no
Department of Natural Resources	_____ yes	<u> X </u> no

3. Was a Management Letter or other document conveying audit comments issued as a result of this audit?

X  yes      \_\_\_\_\_ no

4. Name and signature of partner

  
\_\_\_\_\_  
Wendi M. Unger, CPA, Partner

5. Date of report

\_\_\_\_\_  
September 13, 2013