



City of Milwaukee – Employees’ Retirement System (ERS)

Human Resources and Payroll Internal Audit Report

DECEMBER 2015

EXPERIS
RISK ADVISORY SERVICES
WISCONSIN OFFICE

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EXECUTIVE SUMMARY

Background

At the direction of the Administration and Operations Committee, a Human Resources and Payroll audit was performed during the period October 5 – October 23, 2015. The City of Milwaukee Employees' Retirement System (ERS) provides Human Resource and Payroll services to the employees of ERS. These services are performed and provided jointly with the Department of Employee Relations ("DER").

Audit Scope & Objectives

The objective of the Human Resources and Payroll audit encompassed the review of processes and controls related to the following:

- Review the risks inherent within the Human Resources and Payroll functions, and evaluate the adequacy of controls designed to mitigate those risks.
- Test the key process controls to determine operating effectiveness.

Various audit techniques were used to assess and examine the effectiveness of the ERS internal control environment. Audit techniques included conducting interviews with ERS personnel, observation of performance of required procedures and controls, and examination of related documentation.

The audit did not include any discussions or test procedures with the DER.

Procedures Performed

The following procedures were performed during the internal audit.

- Reviewed existing documented procedures related to the Human Resources and Payroll processes.
- Tested a sample of new hires, transfers, and wage adjustments to ensure proper supporting documentation was on file and accurate. Also, verified that salary adjustments were in compliance with DER salaried and hourly plans.
- Tested three months of payroll certifications to ensure the payrolls were approved and reported accurately to the City of Milwaukee.
- Recalculated the net wages of ten employees to ensure deductions were properly taken. Confirmed the wage rate of the employees to the rate in the PeopleSoft system as well as the employee deductions.
- Recalculated the final paychecks for terminated employees to ensure vacation and sick banks were accurately paid out.
- Confirmed that exit checklists were utilized for recent terminations to ensure physical and security access for terminated employees was removed timely.

- Observed that confidential employee information is stored securely during non-business hours.

Overall Assessment

ERS management has implemented a solid internal control environment for its Human Resources and Payroll processes. Based on the results of our review, **no internal control deficiencies** were identified.

Audits are only one part of a comprehensive risk management and control program. Recommendations are provided with the objective to assist the Board, Audit Committee and management in the effort to eliminate, reduce or mitigate overall risks. The procedures performed, findings, and recommendations, including management's written response, are included in the next sections of the report.

OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSE

None.