

# **City of Milwaukee – Employees’ Retirement System (ERS)**

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## ***Human Resources and Payroll Internal Audit***

**OCTOBER 2020**

**JEFFERSON WELLS**  
RISK AND COMPLIANCE  
WISCONSIN OFFICE

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## **EXECUTIVE SUMMARY**

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### **Background**

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At the direction of the Administration and Operations Committee, a Human Resources and Payroll audit was performed from July 30 – August 30, 2020. The City of Milwaukee Employees' Retirement System (ERS) provides Human Resource and Payroll services to the employees of ERS. ERS' HR and Payroll functions include shared services performed with the Department of Employee Relations ("DER") and the Comptroller's Office.

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### **Audit Scope & Objectives**

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The objective of this internal audit was to determine the design and operating effectiveness of the controls in place to mitigate the risks in the Human Resources and Payroll processes. The scope of the Human Resources and Payroll internal audit included the following processes:

- Approval for New Hires, Promotions, Transfers and Terminations
- Time Off approvals
- Wage increase approvals
- Payroll Expense Reconciliations
- User Access Review

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.

Processes in which DER or the Comptroller's Office is the primary business owner were not tested as a part of this internal audit.

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### **Overall Assessment**

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ERS management has implemented and maintained a solid internal control environment over the Human Resources and Payroll processes. ERS employees have either worked from home or have worked in the office according to an office rotation plan since the COVID-19 pandemic began. There have been no changes in either the Internal Control Environment or in its ability to operate effectively during the pandemic. Based on the results of our review, internal control deficiencies were not identified.

Internal Audits are only one part of a comprehensive risk management and control program. The procedures performed are included in the next section of this report.

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## **Procedures Performed**

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The following internal audit procedures were conducted for the period January 1, 2019 through April 30, 2020, unless otherwise noted:

- Reviewed existing documented procedures for process updates related to the Human Resources and Payroll processes.
- Assessed physical and system controls over sensitive member information.
  - Determined that User Access to systems used by ERS was regularly reviewed and approved by management.
  - Through direct physical observation, noted that employee workstations were clear of sensitive member information at the end of the day and were in compliance with ERS policy.
  - Determined a Remote Access policy is established.
    - Additional procedures will be performed during the IT General controls audit for employees working remotely during the pandemic.
- Determined that management regularly evaluates personnel assigned to manage the Human Resource and Payroll processes.
- Selected a sample of ten employees and determined that the wage increases were properly approved.
  - Recalculated each of the selected employees wage increases and determined that they had been properly calculated.
- Tested a sample of three new hires, transfers, and wage adjustments to ensure proper supporting documentation was on file and accurate.
  - Verified that salary adjustments were in compliance with DER salaried and hourly plans.
- Selected a sample of 15 employees and determined that employee time off was properly approved and recorded.
- Tested four months of payroll periods to ensure the payrolls were approved and reported accurately to the City of Milwaukee.
- Selected a sample of three recently hired employees and determined that employee background checks generated proper certifications from DER.
- 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.
- Selected a sample of three terminated employees and recalculated the final paychecks for those 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.