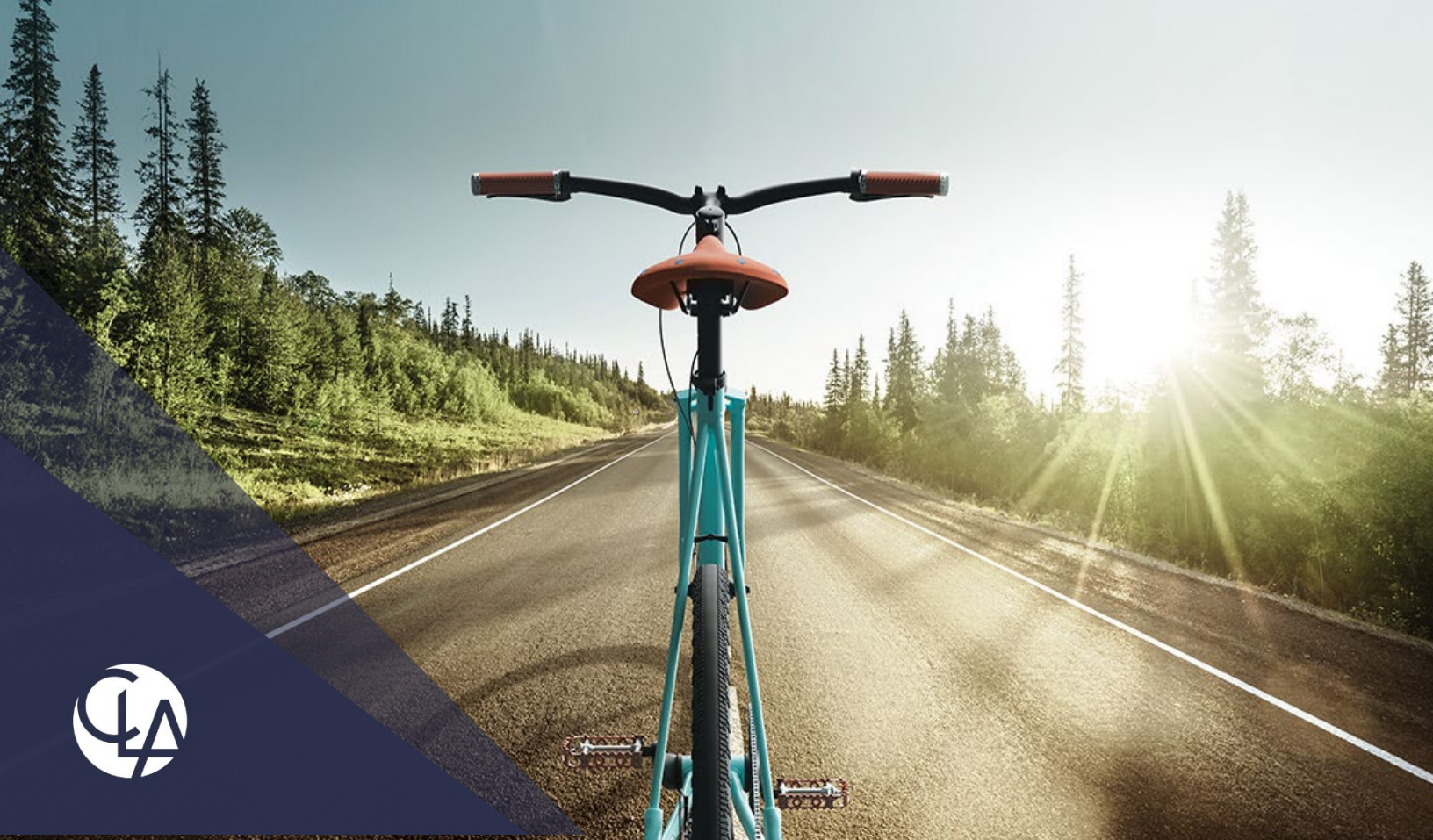




**Audit of Milwaukee Fire Department
Payroll Calculations**

AYCHA SAWA
City Comptroller

September 2023



July 14, 2023

Internal Audit of Fire Department Payroll Calculations City of Milwaukee

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I. Audit Scope, Objective & Findings

Why We Did This Audit

As approved by the City Comptroller, an assessment of the City of Milwaukee's Fire Department (MFD) Payroll Calculations performed by MFD personnel was performed for the period from January 1, 2021, through December 31, 2022. The assessment was requested by an alderman to review the accuracy of various payroll payment types, after a civil suit was brought against the City in 2020 related to the Fair Labor Standards Act and renumeration.

Scope

The scope was to conduct an audit of payroll calculations performed by MFD personnel for vacation buyout, terminal leave, holiday pay, compensatory time pay, paramedic pay, transitional vacation account buyout, injury leave to sick leave conversions, and recoupment of premiums payments of unpaid time from January 1, 2022, through December 31, 2022, which was extended to June 23, 2023.

Objective

The objective of the audit was to assess the accuracy of the payroll calculations performed by MFD personnel for the aforementioned payment types.

Findings

Overall, controls implemented by MFD personnel for processing City of Milwaukee MFD payment types are in place and operating effectively, and no gross miscalculations were identified through our audit.

Our testing did identify one finding and four observations and recommendations.

II. Methodology

Audit methodology included developing an understanding of the processes and controls over MFD payment types of vacation buyout, terminal leave, holiday pay, compensatory time pay, paramedic pay, transitional vacation account buyout, injury leave to sick leave conversions, and recoupment of premiums payments of unpaid time.

The audit procedures developed to evaluate the processes and controls to meet the audit objectives included process walkthroughs, inspection of relevant supporting documentation, and the testing of controls as follows:

- Reviewed the Milwaukee Professional Firefighters Association Labor Agreement: Local 215 and Employee Regulations and Benefits-Milwaukee Chapter 350 for each applicable payment type.
- Conducted walkthroughs to understand process and controls:
 - Business Finance Manager of the MFD when calculating each payment type
 - Human Resources onboarding and termination of employees
- Conducted interview of City Comptroller's Office personnel to understand their role in review and release of payroll processing.

See Detailed Methodology in Appendix A.

III. Findings, Observations, & Recommendations

Overall, controls related to City of Milwaukee MFD payment types are in place and operating effectively, and no gross miscalculations were identified through our review. Our testing did identify the following finding and observations during the course of our audit.

FINDING

Payments of Lieutenant Premium: During testing it was realized a one percent premium payment lieutenants receive before paramedic pay had stopped being applied to their final employee paycheck, in-line with a position change within the department.

Recommendation: While not an in-scope payment type, we recommend management implement controls to verify the one percent premium payment is identified and implemented during payroll processing, and an analysis be performed of lieutenant payments dating back to a personnel change.

OBSERVATIONS

Observation 1 – Automation of Payment Types: MFD performs manual calculations each payroll period for both the injury to sick leave conversion and recoupment of premium payment calculations. These are robust manual processes that appear to have the ability to be automated, based upon other similar calculations performed within the system.

Recommendation: We recommend the City assess implementing automation for these payment types as part of their project to replace and implement current payroll associated applications by January 2026 for the purposes of increased efficiency, reduced errors, enhanced security, and improved financial control.

Observation 2 – Application Data Transfers: During discussions with MFD personnel, it was determined scheduling is recorded in the Telestaff application, is then manually entered into the time tracking application CityTime, before finally getting uploaded into PeopleSoft, the Human Capital Management application. The multiple applications used for timekeeping and payroll processing increases the risk of inaccurate information resulting from the numerous data transfers.

Recommendation: We recommend management, as part of their project to replace and implement current payroll associated applications by January 2026, assess opportunities to consolidate the number of data transfers performed between applications for the purposes of increased efficiency, reduced errors, enhanced security, and improved financial control.

Observation 3 – Service Organization Control (SOC) Report Review: CorVel, a third party, is used by the City of Milwaukee for administering and processing workers compensation claims. Annually, the third party's SOC1 and SOC2 Reports are obtained and reviewed.



Recommendation: We recommend staff document their review of the SOC Reports to determine third party management has appropriately addressed any control exceptions noted within the report, and that the Complementary Subservice Organization Controls are implemented or risks present due to non-implementation are accepted.

Observation 4 – Payroll Closeout Chart Quarterly Review: The Business Finance Manager and her team maintain a Payroll Closeout Chart, which lists numerous quality assurance tasks that the team completes each payroll cycle.

Recommendation: We recommend staff meet quarterly to reassess the Payroll Closing Chart and make appropriate updates based upon current needs of the department.



IV. Closing

We wish to extend our appreciation to management and staff for their timely cooperation and assistance during the project.

* * * * *

This report is intended for use by the public, Finance & Personnel Committee members, the Mayor, MFD, and other relevant parties. This full audit report contains the scope, objectives, background, methodology, finding, and recommendations utilized.

Finally, this report has been prepared in accordance with Statement of Standards for Consulting Services issued by the American Institute of Certified Public Accountants and is solely for use by management. It is not intended for use, in whole or in part, by outside parties without the specific consent of CliftonLarsonAllen LLP.

CliftonLarsonAllen LLP

July 14, 2023



Appendix A. Detailed Methodology

METHODOLOGY (Payment Types 1 - 5)					
Payment Type	Testing Performed	# Tested	% Tested	Exceptions Noted	Detail
Overview	For payment types 1 - 5 below, obtained a report containing all MFD retirees between January 2001 and June 2023. Statistical testing was performed, and from a population of 83 retirees, a randomly generated sample size of 34 was selected (41%). Of the sample size, each individual was tested to verify their salary matched their job code and pay per Salary Ordinances, and data integrity and accuracy of all retirees' in-scope payment types of vacation buyout, terminal leave, holiday pay, compensatory time pay, and paramedic pay were also tested for accuracy.				
1. Vacation Buyout	Of the sample selection, 30 retirees had vacation buyout payments (88%) performed, and all payments were tested to verify the payment was authorized, information used to calculate the payment tied back to source reports, and recalculation determined the payment was processed accurately.	30	88%	1	Payment transposition of a 7 and a 9, resulting in a variance of \$18 in the employee's favor.
2. Terminal Leave	Of the sample selection, 27 retirees had terminal leave payments (79%) performed, and all payments were tested to verify the payment was authorized, information used to calculate the payment tied back to source reports, and recalculation determined the payment was processed accurately.	27	79%	0	-
3. Holiday Pay	Of the sample selection, 25 retirees had holiday payments (74%) performed, and all payments were tested to verify the payment was authorized, information used to calculate the payment tied back to source reports, and recalculation determined the payment was processed accurately.	25	74%	0	-
4. Compensatory Time Pay	Of the sample selection, 20 retirees had compensatory time payments (59%) performed, and all payments were tested to verify the payment was authorized, information used to calculate the payment tied back to source reports, and recalculation determined the payment was processed accurately.	20	59%	0	-
5. Paramedic Pay	Of the sample selection, four retirees had paramedic payments performed, and all payments were tested to verify the payment was authorized, information used to calculate the payment tied back to source reports, and recalculation determined the payment was processed accurately.	5	15%	1	See Finding in Findings, Observations, and Recommendations section related to Lieutenant Premiums



METHODOLOGY

(Payment Types 6 - 8)

Overview	For items 6 - 8 below, statistical testing was performed from reports provided. From the population listed, a randomly generated sample size of 15% was selected for payment types 6 and 8, and all of payment type seven was sampled based upon the population size. Of the samples selected, data integrity and accuracy of payment types of injury leave to sick leave conversion, transitional vacation account buyout, and recoupment of premium payments of unpaid time were tested for accuracy.				
Payment Type	Testing Performed	# Tested	% Tested	Exceptions Noted	Detail
6. Injury Leave to Sick Leave Conversion	Of a population of 86, a randomly generated sample of 13 payment types (15%) was performed, and all payments were tested to verify the payment was authorized, information used to calculate the payment tied back to source reports, and recalculation determined the payment was processed accurately.	13	15%	0	-
7. Transitional Vacation Account Buyout	Of a population of five all payments were tested to verify the payment was authorized, information used to calculate the payment tied back to source reports, and recalculation determined the payment was processed accurately.	5	100%	0	-
8. Recoupment of Premium Payments of Unpaid Time	Of a population of 111, a randomly generated sample of 16 payment types (15%) was performed, and all payments were tested to verify the payment was authorized, information used to calculate the payment tied back to source reports, and recalculation determined the payment was processed accurately.	16	15%	0	-
Total Tested: 141 Payments					





Aycha Sawa, CPA, CIA
Comptroller

Bill Christianson
Deputy Comptroller

Toni Biscobing
Special Deputy Comptroller

Richard Bare, CPA
Special Deputy Comptroller

September 6, 2023

Honorable, Mayor Cavalier Johnson
The Members of the Common Council
City of Milwaukee

Dear Mayor and Council Members:

The attached report summarizes the results of the Audit of the MFD Payroll Calculations. The audit was performed by specialists of Clifton Larson Allen, with oversight by City of Milwaukee Internal Audit. The assessment was requested by an alderman to review the accuracy of various payroll payment types, after a civil suit was brought against the City in 2020 related to the Fair Labor Standards Act and remuneration.

The scope of the audit was MFD payroll calculations of vacation buyout, terminal leave, holiday pay, compensatory time pay, paramedic pay, transitional vacation account buyout, injury leave to sick leave conversions, and recoupment of premiums payments of unpaid time from January 1, 2022 through December 31, 2022, which was extended to June 23, 2023.

The objective of the audit was to assess the accuracy of the MFD payroll calculations for the aforementioned payment types.

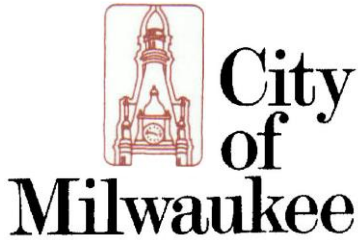
Overall, controls related to City of Milwaukee MFD payment types are in place and operating effectively, and no gross miscalculations were identified through the review. However, the testing did identify one finding and four observations and recommendations during the course of the audit.

Appreciation is expressed for the cooperation extended to the auditors by personnel of MFD and Payroll Department of City Hall.

Sincerely,

A handwritten signature in black ink, appearing to read "Aycha Sawa".

Aycha Sawa, CPA, CIA
Comptroller



Fire Department

Aaron Lipski
Chief

Joshua Parish
Assistant Chief

David Hensley
Assistant Chief

Schuyler Belott
Assistant Chief

August 25, 2023

Ms. Aycha Sawa
Comptroller
Office of the Comptroller
200 E. Wells St., Room 404
Milwaukee, WI 53202

Dear Comptroller Sawa,

In regards to the Internal Audit of Fire Department Payroll Calculations, Milwaukee Fire (MFD) offers the following:

Finding: Payments of Lieutenant Premium

MFD-Payroll has reviewed all separations occurring between Pay Period 10, 2022 (5/1/2022) and Pay Period 13, 2023 (6/24/2023) for missed Lieutenant Premium Payments. Seven members were identified as missing the Lieutenant Premium Payment on their final check. The missed payments ranged from \$5.45 to \$32.71 with a total financial impact of \$122.16 owed to the members. Adjustments have been entered into the payroll system to correct this error. MFD-Payroll maintains a checklist for tasks each pay period and has added a check box for "All separating members paid appropriate premiums: paramedic, lieutenant, EMT 1%" as a reminder to take one final look at these premium payments to ensure accurate payments before each pay period closes.

Observation 1 & 2: Automation of Payment Types and Application of Data Transfers

Due to the limitations of the City's current payroll and time keeping systems and the complexity of the sworn members' 24-hour schedules, many of MFD's payroll entries and adjustments require manual dollar calculations prior to entry into the payroll system. The City has already begun the process to implement a new Financial and Human Capital Management system. MFD will continue to provide feedback into the process with the goal of minimizing the need for manual calculation and consolidating inputs from multiple systems.

Observation 3: Service Organization Control (SOC) Report Review

The workers compensation program and the Corvel contract for administration of the program is overseen by the Department of Employee Relations. MFD will share the audit report, including this observation and recommendation with the Worker's Compensation & Safety Manager.



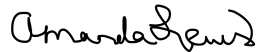
Observation 4: Payroll Closeout Chart Quarterly Review

MFD maintains a Payroll Closeout Chart as well as a Buyout Chart that guides many payroll audits and processes. Charts are updated as new needs are identified. MFD-Payroll will continue to update as needed, but will also thoroughly review both charts quarterly for updates and document with revision dates.

MFD is always willing to review processes and to make appropriate alterations when efficiencies or deficiencies are identified. We appreciate the outside analysis of processes and calculations and are satisfied with the findings. We have made corrections where necessary and will continue to provide our members with accurate payroll.

If you have any further questions or concerns, please contact me at 414-286-5205.

Sincerely,

A handwritten signature in black ink that reads "Amanda Lewis". The signature is written in a cursive style with a large initial 'A'.

Amanda Lewis
Business Finance Manager
Milwaukee Fire Department