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

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## ***Accounting and Financial Reporting Audit Report***

**DECEMBER 2015**

**EXPERIS**  
RISK ADVISORY SERVICES  
WISCONSIN OFFICE

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*This report is intended solely for the use of City of Milwaukee Employees’ Retirement System and is not intended to be and should not be used by any other parties without the prior written consent of Experis.*

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## **EXECUTIVE SUMMARY**

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### **BACKGROUND**

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At the direction of the Administration and Operations Committee, the Accounting and Financial Reporting Audit was performed during the period October 16 – November 11, 2015. The City of Milwaukee Employees' Retirement System (ERS) has the responsibility for administering retirement, separation, survivor and disability benefits for its members' constituency, which is comprised of employees and retirees of the City of Milwaukee and its related agencies.

ERS uses AccPac as its general ledger application to compile financial information from several sources. AccPac interfaces with MERITS, its pension administration system, to capture agency contribution and member benefit payment data. ERS uses complex spreadsheets to download and reconcile all investment information to complete the financial statements on an annual basis.

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### **AUDIT SCOPE AND OBJECTIVES**

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The objective of the Accounting and Financial Reporting audit encompassed the review of processes and controls related to the following:

- Completeness and accuracy of recorded journal entries and financial reporting
- Design and operating effectiveness of financial reporting controls, including but not limited to account reconciliations, journal entry reviews, segregation of duties, and restricted access to accounting software and complex accounting spreadsheets
- 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, observing the performance of applicable procedures and controls, and the examination of related documentation.

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## **PROCEDURES PERFORMED**

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The following procedures were performed during the internal audit. All transactions tested occurred during the period of December 2014 through September 2015.

- Reviewed upload of MERITS information extract and financial closing procedures in detail.
- Verified depreciation schedules are calculated properly.
- Confirmed annual budget is reviewed by Senior Management and approved by the Board of Directors.
- Verified payments due to the City of Milwaukee were made accurately and timely.
- Reviewed invoice batches to ensure they were reviewed and approved by key personnel prior to submitting to the City of Milwaukee for payment.
- Tested three months of account reconciliations and related journal entries. Agreed the balances to the general ledger and verified the reconciliations and journal entries were reviewed.
- Reviewed system user access lists for the accounting systems for reasonableness.
- Tested controls over key financial spreadsheets for accuracy and verified ending balances used for reporting purposes agreed to the general ledger.

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## **OVERALL ASSESSMENT**

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ERS management has implemented a solid internal control environment for its Accounting and Financial Reporting process. Based on the results of our review, **no internal control deficiencies** were noted.

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.

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**OBSERVATIONS, RECOMMENDATIONS & MANAGEMENT'S RESPONSE**

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None.