

# **City of Milwaukee Employees' Retirement Services**

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## ***Benefit Administration Internal Audit***

**NOVEMBER 2020**

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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 (A&O) Committee, a Benefit Administration Internal Audit was performed from July 3, 2020 – November 6, 2020. The City of Milwaukee Employees' Retirement System (ERS) has the responsibility of administering the benefits of its member constituency, which is comprised of employees and retirees of the City of Milwaukee and its related agencies.

ERS administers group life, health, and (COBRA) dental benefits for retired and disabled Fire, Police and other City of Milwaukee employees. ERS also administers group life benefits for active City of Milwaukee employees. Milwaukee Public Schools (MPS), Milwaukee Area Technical College (MATC) and Milwaukee Metropolitan Sewage District (MMSD), however, administer their own benefits.

### **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 Benefit Administration processes. The scope of the Benefit Administration internal audit included the following processes:

- Benefit Insurance Rates
- Participant Health, Dental and Life Insurance Selections
- Health, Dental and Life Insurance City Monthly Fund Transfers
- Participant Health, Dental and Life Insurance Changes
- Management and Termination of Participant Life Insurance
- Life Insurance Death Claims
- Safeguarding of Participant Personal Information
- User Access Review

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

### **Overall Assessment**

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Historically, ERS management has implemented and maintained a solid internal control environment for its Benefit Administration process. ERS employees have either worked remotely or have worked in the office according to an office rotation plan established due to the pandemic. The Internal Control Environment operated effectively during the pandemic with the shift to a remote worker model being used by ERS. Based on the results of our review, no internal control deficiencies were 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 procedures were performed during the internal audit:

- Reviewed existing documented procedures for process updates related to the benefit process.
- Reviewed and agreed Health, Dental and Life Insurance rates used within MERITS to approved rates. Determined they were reviewed and approved by another person who was independent and knowledgeable of the process.
- Selected a sample of 25 participants for testing and determined the participants' policy election form was on file and the correct rate was being applied for:
  - Health Insurance
  - Dental Insurance
  - Life Insurance
- Tested three months of Fund Transfers for Health, Dental and Life Insurance premium payments. For each month tested:
  - Determined the transfers were properly reconciled and authorized by ERS management.
  - Determined that the MERITS Employee Insurance Deduction register was properly reconciled to the Monthly Fund Transfer.
- Selected a sample of eight participants who made changes to their Insurance policy selections and determined that the policy change was properly authorized.
- Selected a sample of 25 Life Insurance Death Claims for testing and determined that the death claims were calculated accurately, and properly supported before the claim was processed for payment.
- Selected a sample of five Active Members who were on Leave of Absence:
  - Determined that the members Life Insurance premiums were put on hold and that the members were being properly invoiced for their premiums.
  - Determined that the cash controls put in place to manage the receipt of checks from active employees and agencies owing premiums for group life insurance are properly safeguarded, deposited and reviewed by the ERS management.
- Evaluated access to MERITS and relevant System applications for propriety and potential segregation of duties concerns.
- Assessed physical and system controls over sensitive member information:
  - Determined that User Access for systems used by ERS were regularly reviewed and approved by management for the MERITS systems.

- Through virtual 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 Benefit Administration process.