



City of Milwaukee
Employees' Retirement System

Bernard J. Allen
Executive Director

David M. Silber, CFA, CAIA
Chief Investment Officer

Beth Conradson Cleary
Deputy Director

May 10, 2017

Mr. Jim Owczarski
City Clerk
Room 205, City Hall

Dear Mr. Owczarski:

Please be advised that an Administration & Operations (A&O) Committee Meeting of the Annuity and Pension Board has been scheduled for **Thursday, May 18, 2017 at 9:00 a.m. in the Employees' Retirement System Conference Room at 789 N. Water Street, Suite 300.** If a quorum of the Board is present, this meeting will convene as a Special Board Meeting. The agenda is as follows:

- I. Experis Internal Audit Reports.
- II. Approval of A&O Committee Audit Charter and Internal Audit Charter.
- III. Approval of First Amendment to Conduent HR Consulting, LLC (f/k/a Buck Consultants, LLC) Agreement (name change).
- IV. IT Projects Portfolio.
- V. Organizational/Personnel Update.

Sincerely,

A handwritten signature in black ink, appearing to read "Bernard J. Allen", is written over the typed name and title.

Bernard J. Allen
Executive Director

BJA:jmw

NOTICE TO PUBLIC - Meetings of the City of Milwaukee Annuity and Pension Board are open to the public. Those in attendance wishing to address the Board on a specific agenda item may do so by registering in advance of the meeting with the Board Secretary.

PLEASE NOTE - Upon reasonable notice, efforts will be made to accommodate the needs of disabled individuals through sign language interpreters or other auxiliary aids. For additional information or to request this service, please call 414-286-3557.

Employees' Retirement System of the City of Milwaukee:

Internal Audit Update

May 18, 2017



Executive Summary

Since the “A&O Committee – Internal Audit Update,” provided in October 20, 2016, Experis has completed the 2017 Risk Assessment and five audits; Ethics & Governance, Benefit Calculation, Benefit Administration, Enrollment & Member Services and Human Resources & Payroll Process.

Fieldwork and testing for the IT Technology Audit is currently taking place. The result of this audit will be reported and presented during a future AO Committee meeting in Q2/Q3.

Conclusion

The Ethics & Governance, Benefit Administration, Benefit Calculation, Enrollment & Member Services and Human Resources & Payroll Process audits identified no internal control issues or areas of concern.

The detailed audit procedures, findings, and recommendations can be found in the full internal audit reports that were provided separately.

2017 Audit Plan Status

2017 Audit/Initiative	Hours Budget	Actual Hours*	Actual Cost*	Target Start Date	Status/Comments
Ethics & Governance	50	45	\$ 5,310	Complete	Presented 5/18/17
Benefit Calculation	100	94	\$ 11,092	Complete	Presented 5/18/17
Membership & Enrollment	80	75	\$ 8,850	Complete	Presented 5/18/17
Finance & Accounting	100	.5	\$ 59	Q3 2017	
HR / Payroll	45	40	\$ 4,720	Complete	Presented 5/18/17
Benefit Administration	120	92	\$ 10,856	Complete	Presented 5/18/17
Network Vulnerability	140	-	-	Q3 2017	
IT Technology	90	-	-	Q2 2017	Audit started 5/15/17
Social Engineering	60	-	-	Q3 2017	
2017 Risk Assessment Update	70	70	\$ 11,200	Complete	Presented 5/18/17
Management Requests / Special Projects	80	-	-	Various	
Engagement Management	130	43.25	\$ 7,030	Ongoing	Administration and meetings
Total Budgeted Hours:	1,105	459.75	\$ 59,117		
Total Budgeted Cost:	\$157,730				

* Totals through 5/3/2017

City of Milwaukee Employees' Retirement System

Risk Assessment and Internal Audit Plan for Fiscal Year 2017

MAY 18, 2017

EXPERIS FINANCE
RISK ADVISORY SERVICES
WISCONSIN OFFICE

TABLE OF CONTENTS

EXECUTIVE SUMMARY..... 3

 Background3

 Scope and Objective3

 Summary of Risk Assessment Methodology3

 Executive Summary6

 Internal Control Process Evaluation.....7

EXHIBITS

 2017 Risk Based Internal Audit Plan..... Exhibit I

 Category Risk Rating Definitions.....Exhibit II

 Internal Audit Risk Based Process Mapping.....Exhibit III

EXECUTIVE SUMMARY

Background

City of Milwaukee Employee Retirement System (ERS) is headquartered in Milwaukee, Wisconsin. 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 manages the benefits of City of Milwaukee workers in accordance with legislative guidance and contractual obligations.

Scope and Objective

A high-level assessment of the risks associated with the various operational areas within ERS was performed in January 2017 by Experis Finance at the direction of ERS Management. From this assessment, a risk-based audit plan was developed to determine the adequacy of ERS's internal controls and operating procedures. The plan provides greater emphasis to identified higher risk areas and allows audit resources to be used in the most cost effective manner.

Discussions with ERS process owners and leadership were performed to determine the primary risks to ERS and areas of focus. The results of this risk assessment are summarized in Exhibits II and III. Based on the Risk Assessment, the Risk Based Internal Audit Plan was developed (Exhibit I).

Summary of Risk Assessment Methodology

The following steps were performed in completing the Internal Audit Risk Assessment:

1. Gain understanding of key operational areas and procedures through employee interviews and review of documentation.

- Key operating processes and personnel were identified.
- Interviews with the ERS management and key personnel were conducted to obtain their perspective of the risks faced by ERS and to verify their roles and responsibilities in the ERS's current operating environment, and strategic initiatives.
- The results of previous audits were reviewed and discussed with management and considered in the assessment.
- Discussed planned employee job transitions and employee issues within the organization in 2017.
- Discussed changes to the IT environment related to logical access, change management and operations.
- Discussed the impact of cyber security risks and third-party risk management.
- Discussed upcoming IT projects including the MERITS upgrade to determine impact to audit scope.

2. Define risk ratings and definitions for the risk framework.

The risk ratings definitions are as follows:

Risk Ratings	Definitions
Likelihood	Likelihood that a risk would occur during a specified period of time.
Impact	Impact on earnings, management availability, and the fulfillment of business objectives.
Velocity	The speed of occurrence of a particular risk impacting ERS.

The following table shows the Risk Ratings definitions considered when determining the definitions for the Risk Factors (see #3 below):

	Low	Medium	High
Likelihood	The risk is unlikely to occur during the specified period of time.	The risk is likely to occur during the specified period of time.	The risk is expected to occur during the specified period of time.
Impact	The risk will not materially affect complete achievement of anticipated financial assets, management availability or fulfillment of business objectives.	The risk will affect complete achievement of anticipated financial assets, management availability or fulfillment of business objectives.	The risk will materially affect achievement of anticipated financial assets, management availability or fulfillment of business objectives.
Velocity	Risk will occur slowly and allow for sufficient preparatory time. Management has the ability to react in time to mitigate risk.	Risk may occur quickly, and management has the ability to react in time to mitigate risk.	Risk may occur quickly, and management does not have the ability to react in time to mitigate risk.

3. Identify and define the inherent risk factors associated with the key operating areas within ERS (See Exhibit II and III).

Risk Factors	Definitions
Financial Statement Materiality	The risk that financial statements that are prepared and reported are materially inaccurate and lead the reader to arrive at the wrong conclusion. Example: Assets managed, accuracy of benefit liabilities and pension obligations and benefit liabilities and the accuracy of the benefit payments.
Strategic Risk	The risk arising from adverse investment / business decisions, inadequate systems that impede participant operations or jeopardize participant data, inability to pay pension participants.
Operational Risk	The risk arising from inadequate or failed internal processes or systems and the misconduct or errors of people.
IT and System Application Risk	The risks of inappropriate/excessive logical access, inconsistent/absent change management processes, or informal/immature data center operations. The risks apply at multiple levels which include the network, application, database, and operating system levels.
External Regulatory Compliance Risk	The risk arising from violations of laws, rules, regulations or from nonconformance with prescribed practices, internal policies and procedures.
Control Environment Risk	The risk that the internal control environment does not provide the discipline and structure to identify the failures, misconduct, errors or adverse events above.
Fraud Risk	The risk intentional acts are committed on or by ERS by internal or external sources that can cause a loss of ERS funds, value, or reputation and result in an unauthorized benefit by others.
Reputation Risk	The risk to current operations arising from negative public opinion resulting from an event within the entity.

The Risk Ratings (see #2 above) and inherent Risk Factors are defined in Exhibit II and used in the rating process in Exhibit III.

4. Assess each key operational area according to the risk factors and risk ratings defined above.

An overall risk rating was assigned to be used in determining the risk based audit plan. Refer to the Risk Based Process Map in Exhibit III.

5. Develop the Risk Based Audit Plan.

Priority in the audit plan was given to operating areas with the highest perceived risk based on the factors above and financial statement materiality. See Exhibit I for the recommended Risk-Based Internal Audit Plan. Risk assessments and risk-based audit plans are most effectively executed if the risk assessment and audit planning process is performed on an annual basis, at a minimum, with on-going re-assessment throughout the year.

The audit procedures within each section are prioritized as follows for:

- High & Medium-High: Risk and control matrix is completed and control is reviewed to determine it is designed effectively to mitigate risk. Control is tested based on sample size determined by internal auditor.
- Medium: Risk and control matrix is completed and control is reviewed to determine it is designed effectively to mitigate risk. Level of testing performed is determined based on risk during fieldwork.
- Low & Low-Medium: Risk and control matrix is updated with the control write-up based on management inquiry. Similar to Medium Risk, the level of testing performed is determined based on risk during fieldwork.

The audit procedures listed on the audit plan are not all-inclusive, rather an example of areas that will most likely have an area of focus. The actual prioritization and scope of the audits will be determined during the planning phase prior to fieldwork with the business owner and the audit liaison.

Executive Summary

In 2016, Experis audits focused on several key processes within ERS, specifically;

- Investment Management
- Network Vulnerability
- Contributions
- IT General Controls
- Benefit Payroll
- Social Engineering
- Vendor Management
- Software Licensing

Management was proactive in 2016 and immediately addressed issues identified during fieldwork and, as appropriate, adopted process improvement opportunities during the audit.

During the 2017 Risk Assessment, Experis considered those changes that had occurred following the 2016 Risk Assessment and those events that were anticipated to occur during 2017. Changes identified during the process were evaluated and then, as appropriate, factored into the audit plan. Some of the changes we inquired about included; employee turnover, staff promotion / transition, procedural or system changes and changes in government legislation.

Based on our analysis, we determined that the Internal Audit Plan should continue to follow the current audit rotation schedule and focus on those processes that are key and critical to the day-to-day operations.

Internal Control Process Evaluation

The 2017 Internal Risk Assessment and Audit Plan for Non-IT processes focus on various key processes within ERS. Each of the audits take into consideration both internal and external forces that may have impacted these key processes, such as the risk of accelerated employee turnover due to stagnant wages. The audit plan in 2017 will address the following processes;

- Ethics & Governance
- Benefit Calculation
- Membership & Enrollment
- Finance & Accounting
- HR / Payroll
- Benefit Administration

The Information Technology (IT) audit will focus on general controls surrounding the network and key applications such as MERITS. Additionally, network security controls such as firewalls, intrusion detection, wireless access points, and email spam filters will be assessed using multiple tools and techniques. The audit and assessments will be completed as follows:

- Information Technology Audit
- Social Engineering Assessment
- Network Security Assessment

The audit plan also includes a provision for non-specific Consulting Services hours in order to cover any management requests.

This Risk Assessment and Internal Audit Plan should be utilized by the Administration and Operations (AO) Committee and management as an on-going management tool. Any changes in the ERS control environment (including but not limited to organizational, process related, product development, changes in vendors, etc.) or internal audit objectives should be communicated, so the audit plan can be adjusted, if needed.

Following are the procedural areas within ERS and a brief synopsis on how each risk assessment was determined.

Ethics & Governance

The Ethics & Governance process is both responsible and essential for the management and communication of policies and values within ERS. While the process is mature and identified no issues during the 2015 audit, the need to regularly verify and validate the organization's governance process and its "Tone from the Top" message is both key and critical. Process is considered to have an overall Low-Medium risk profile and will be audited in 2017.

Accounting & Finance

Recent employee turnover in the Accounting department has reduced the organization's institutional knowledge and created functional impediments within the department. ERS has effectively managed this challenge through the utilization of a temporary resource. There were no audit issues identified during the 2015 audit. Process is considered to have an overall Medium risk profile and will be audited in 2017.

Investment Management

The Investment Management process is responsible for insuring that the investment portfolio (approximately \$4.9 Billion) can meet City of Milwaukee pension obligations. In 2016, one internal control improvement recommendation with a Low-Medium Risk rating was identified. This recommendation was subsequently addressed by ERS. While this process is considered a Medium-High risk profile due to the importance of the process and the magnitude of the investment balance, the day to day controls overseeing the Retirement System's assets are tightly controlled by management and the AO Committee. These strong controls reduce the residual risk, and as a result, an audit is scheduled for 2018.

Enrollment & Member Services

The Enrollment and Member Service processes are mature and the area has an overall inherent low risk. No audit issues were identified during the 2015 audit. Process is considered to have an overall Low-Medium risk profile. However, the Enrollment & Member Services department has experienced some recent staff turnover, and has successfully filled these open positions with existing ERS staff. Given the recent staff changes, an audit is scheduled for 2017.

Benefit Calculation

Process has higher inherent risk as benefit miscalculation could result in loss of funds and reputational harm, however the process is tightly controlled and there were no audit issues identified during the 2015 Audit. Area is considered to have a Medium risk profile and will be audited in 2017.

Contributions

Agency contribution issues have been reduced through process improvements, which also reduce pending receivables. Accordingly, risk in this area has also been reduced. No audit issues were identified during the 2016 Audit. Area is considered to have a Medium risk profile and will be audited in 2018.

Benefit Payroll

Process has higher inherent risk as 1) regular benefit payments must be made to the fund participants and 2) the miscalculation of benefits payments would significantly harm ERS's reputation. No issues were identified during the 2016 audit. Area is considered to have a Medium risk profile and will be audited in 2018.

Benefit Administration (Life, Health and Dental)

Life, health and dental benefit plans are self-funded by the City and are administered by third party service providers. No audit issues were identified during the last audit in 2015. Area is considered to have a Medium risk profile and will be audited in 2017.

HR/Payroll

The HR/Payroll Process is considered to have a Low risk profile. While the payroll system is run by City of Milwaukee Department of Employee Relations and ERS risk is limited, the HR/Payroll process does have an average amount of inherent risk associated with the process. Although the process is mature and identified no issues during the 2015 audit, the process is critical to the ERS day to day operations, and will therefore be included in the 2017 audit plan.

Vendor Management

ERS has standardized the provisions and terms in its contracts for nearly all of its regular and reoccurring contractors. No audit issues were identified during the 2016 audit. Area is considered to have a Low-Medium risk profile and will be audited in 2018.

Information Technology

IT Technology is critical to the management and delivery of ERS retirement services. A failure within the ERS IT control environment would impede ERS's ability to meet its strategic goals, cause damage to its reputation or impede the organization's ability to deliver member services and benefits. While strategic and reputation risks are both rated high, the IT processes in place within the organization are mature and have an overall residual low risk. In 2016, no issues were identified during the audit. Area is considered a Medium risk area. In 2017, the primary focus of the audit will remain on MERITS logical security along with change management which is managed via Serena Business Manager.

Network Security

There are multiple controls that are in place to protect the network which includes firewalls, routers, secure wireless and network segmentation. Additionally, risks associated with cybersecurity were considered due to the large number of data breaches in today's society. The cybersecurity threat is ever increasing in today's society, but ERS has maintained controls such as firewalls, access protection and limited external network points to mitigate those risks. In 2016, one issue with a Medium Risk rating was identified. This issue was subsequently addressed by management. Area is considered a Medium risk area and will be audited in 2017.

Business Continuity

Business Continuity continues to be vital to the organization due to environmental, social and political threats in the world. There are multiple pieces of a holistic business continuity plan which include Business Continuity Plans, Disaster Recovery Plans, and/or Crisis Management Plans. The intent will be to review all areas to determine if there are gaps in the processes. No audit issues were identified during the 2015 audit. Area is considered a Medium risk area. The Business Continuity Audit scheduled for 2017, has been delayed until 2018 due to employee turnover and the reassignment of internal IT resources.

Social Engineering

All organizations continue to face the threat of someone trying to obtain confidential or sensitive information by social engineering methods. The methods rely heavily on human interaction that appears to be legitimate requests. In order to help mitigate this threat, organizations have adopted the Best Practice of testing the effectiveness of the organization's security awareness training and practices. In 2016 no issues were identified during the audit. Area is considered a Medium risk area. In 2017, the plan will be to test the awareness employees have on this topic by using social engineering methods to gain information.

Exhibit I

**Employees' Retirement System
2017 Internal Audit Plan
January 2017**

	2016 Audit Risk	2017 Audit Risk	Last Audit	Proposed Timing of Next Audit	2017 Estimated Hours	2017 Budget	2018 Projected Hours (A)	Comments (B)
Ethics and Governance Audit								
<p>Audit Focus: Perform a review of key policies and procedures in order to ensure that they are in place and are being complied with by ERS.</p> <p>Risks: Conflicts of interest, breach of fiduciary duty and/or ethical guidelines, risk to reputation, succession planning, board and management oversight.</p>	2	2	April 2015	Q1 2017	50	\$5,900	-	<p>The Ethics & Governance process is both responsible and essential for the management and communication of policies and values within ERS. While the process is mature and identified no issues during the 2015 audit, the need to regularly verify and validate the organization's governance process and its "Tone from the Top" message is both key and critical. Process is considered to have an overall Low-Medium risk profile and will be audited in 2017.</p>
Accounting / Finance Audit								
<p>Audit Focus: Review accounting policies/procedures and perform Trial Balance Sheet Audit in order to ensure accounts are properly supported and recorded in the financial statements.</p> <p>Risks: External financial reporting misstatement, risk to reputation, misapplication of accounting standards, misappropriation of funds.</p>	3	3	December 2015	Q3 2017	100	\$11,800	-	<p>Recent employee turnover in the Accounting department has reduced the organization's institutional knowledge and created functional impediments within the department. ERS has effectively managed this challenge through the utilization of a temporary resource. There were no audit issues identified during the 2015 audit. Process is considered to have an overall Medium risk profile and will be audited in 2017.</p>

Exhibit I

**Employees' Retirement System
2017 Internal Audit Plan
January 2017**

	2016 Audit Risk	2017 Audit Risk	Last Audit	Proposed Timing of Next Audit	2017 Estimated Hours	2017 Budget	2018 Projected Hours (A)	Comments (B)
Investments								
<p>Audit Focus: Perform a review of the controls in place that ensure that ERS financial assets are properly controlled and recorded in the financial statements.</p> <p>Audit Risks: Noncompliance with the Investment Policy, external manager nonperformance and/or noncompliance, entry into nontraditional investments, risk to reputation, inaccurate external manager compensation.</p>	4	4	March 2016	Q1 2018	-	-	80	<p>The Investment Management process is responsible for insuring that the investment portfolio (approximately \$4.9 Billion) can meet City of Milwaukee pension obligations. In 2016, one internal control improvement recommendation with a Low-Medium Risk rating was identified. This recommendation was subsequently addressed by ERS. While this process is considered a Medium-High risk profile due to the importance of the process and the magnitude of the investment balance, the day to day controls overseeing the Retirement System's assets are tightly controlled by management and the AO Committee. These strong controls reduce the residual risk, and as a result, an audit is scheduled for 2018.</p>
Enrollment and Member Services								
<p>Audit Focus: Review procedures and controls that ensure that all City Employees are being properly included in the Employee Retirement System.</p> <p>Risks: Inaccuracies, incompleteness, or untimeliness of member enrollment completion, inaccuracies in system entry.</p>	2	2	May 2015	Q3 2017	80	\$9,440	-	<p>The Enrollment and Member Service processes are mature and the area has an overall inherent low risk. No audit issues were identified during the 2015 audit. Process is considered to have an overall Low-Medium risk profile. However, the Enrollment & Member Services department has experienced some recent staff turnover, and has successfully filled these open positions with existing ERS staff. Given the recent staff changes, an audit is scheduled for 2017.</p>

Exhibit I

**Employees' Retirement System
2017 Internal Audit Plan
January 2017**

	2016 Audit Risk	2017 Audit Risk	Last Audit	Proposed Timing of Next Audit	2017 Estimated Hours	2017 Budget	2018 Projected Hours (A)	Comments (B)
Benefit Calculation								
<p>Audit Focus: Review procedures and controls that ensure that employee benefit calculations used to pay employee retirement benefits are accurate and employee information used to calculate the Employee Pension Obligation is properly recorded.</p> <p>Risks: Inaccuracies in benefit calculation, ineligible payment calculations, risk to reputation, changes resulting from contract settlements, legal opinions, or regulations.</p>	3	3	April 2015	Q1 2017	100	\$11,800	-	Process has higher inherent risk as benefit miscalculation could result in loss of funds and reputational harm, however the process is tightly controlled and there were no audit issues identified during the 2015 Audit. Area is considered to have a Medium risk profile and will be audited in 2017.
Contributions								
<p>Audit Focus: Assess and review those processes and procedures that are part of the Employee Retirement Contribution process. Review Contribution calculations, receipt and reconciliation functions.</p> <p>Risks: Inaccurate or missed agency contributions, overdue receivables, changes in contribution obligations.</p>	3	3	April 2016	Q2 2018	-	-	100	Agency contribution issues have been reduced through process improvements, which also reduce pending receivables. Accordingly, risk in this area has also been reduced. No audit issues were identified during the 2016 Audit. Area is considered to have a Medium risk profile and will be audited in 2018.
Benefit Payroll								
<p>Audit Focus: Review processes and procedures in place to ensure that benefit payroll is being properly calculated and disbursed to the program's participants.</p> <p>Risks: Unauthorized override, inaccurate deductions and payment to state, risk to reputation, federal entities for payroll taxes, duplicate or ineligible payments.</p>	3	3	April 2016	Q2 2018	-	-	80	Process has higher inherent risk as 1) regular benefit payments must be made to the fund participants and 2) the miscalculation of benefits payments would significantly harm ERS's reputation. No issues were identified during the 2016 audit. Area is considered to have a Medium risk profile and will be audited in 2018.
Benefit Administration (Health/Dental/Life)								
<p>Audit Focus: Review processes and procedures that calculate premium, payroll deduction process and retiree election documents.</p> <p>Risks: Inaccuracies in premium calculation, risk to reputation, payroll deduction, retiree elections, unauthorized changes.</p>	3	3	December 2015	Q1 2017	120	\$14,160	-	Life, health and dental benefit plans are self-funded by the City and are administered by third party service providers. No audit issues were identified during the last audit in 2015. Area is considered to have a Medium risk profile and will be audited in 2017.

Exhibit I

**Employees' Retirement System
2017 Internal Audit Plan
January 2017**

	2016 Audit Risk	2017 Audit Risk	Last Audit	Proposed Timing of Next Audit	2017 Estimated Hours	2017 Budget	2018 Projected Hours (A)	Comments (B)
<p>HR/Payroll</p> <p>Audit Focus: Review HR and Payroll processes in order to ensure Payroll is being properly calculated and disbursed.</p> <p>Risks: Unauthorized changes in HR and Payroll processes, inaccurate employee record maintenance.</p>	1	1	December 2015	Q1 2017	45	\$5,310	-	<p>The HR/Payroll Process is considered to have a Low risk profile. While the payroll system is run by City of Milwaukee Department of Employee Relations and ERS risk is limited, the HR/Payroll process does have an average amount of inherent risk associated with the process. Although the process is mature and identified no issues during the 2015 audit, the process is critical to the ERS day to day operations, and will therefore be included in the 2017 audit plan.</p>
<p>Vendor Management</p> <p>Audit Focus: Review ERS policies and procedures and determine if they are in compliance and any potential areas for improvement.</p> <p>Risks: Lack of vendor selection due diligence, lack of monitoring of contractual provisions and vendor performance.</p>	2	2	March 2016	Q1 2018	-	-	60	<p>ERS has standardized the provisions and terms in its contracts for nearly all of its regular and reoccurring contractors. No audit issues were identified during the 2016 audit. Area is considered to have a Low-Medium risk profile and will be audited in 2018.</p>

Exhibit I

**Employees' Retirement System
2017 Internal Audit Plan
January 2017**

	2016 Audit Risk	2017 Audit Risk	Last Audit	Proposed Timing of Next Audit	2017 Estimated Hours	2017 Budget	2018 Projected Hours (A)	Comments (B)
Information Technology Audit								
<p>Audit Focus: This review attempts to gain an overall impression of the controls that are present in the environment surrounding the information systems. Additionally, the review includes design and operating effectiveness of logical access security, change management, and data center & network operations.</p> <p>Risk: Users have access privileges beyond those necessary to perform their assigned duties.</p> <p>Risk: Systems are not adequately configured or updated to restrict system access to properly authorized and appropriate users.</p> <p>Risk: Inappropriate changes are made to application systems or programs that contain relevant automated controls (i.e., configurable settings, automated algorithms, automated calculations, and automated data extraction) and/or report logic.</p> <p>Risk: Inappropriate changes are made to system software (e.g., operating system, network, change-management software, access-control software).</p> <p>Risk: The network does not adequately prevent unauthorized users from gaining inappropriate access to information systems.</p> <p>Risk: Individuals gain inappropriate access to equipment in the data center and exploit such access to circumvent logical access controls and gain inappropriate access to systems.</p> <p>Risk: Lack of IT strategic goals aligned with the ERS strategic goals. Additionally, lack of defined benefits, risks, and stakeholder transparency.</p>	3	3	March 2016	Q2 2017	90	\$13,320	90	<p>IT Technology is critical to the management and delivery of ERS retirement services. A failure within the ERS IT control environment would impede ERS's ability to meet its strategic goals, cause damage to its reputation or impede the organization's ability to deliver member services and benefits. While strategic and reputation risks are both rated high, the IT processes in place within the organization are mature and have an overall residual low risk. In 2016, no issues were identified during the audit. Area is considered a Medium risk area. In 2017, the primary focus of the audit will remain on MERITS logical security along with change management which is managed via Serena Business Manager.</p>

Exhibit I

**Employees' Retirement System
2017 Internal Audit Plan
January 2017**

	2016 Audit Risk	2017 Audit Risk	Last Audit	Proposed Timing of Next Audit	2017 Estimated Hours	2017 Budget	2018 Projected Hours (A)	Comments (B)
<p>Network Security</p> <p>Audit Focus: The numerous controls that protect the network including the following: - Internal Vulnerability Assessment - External Vulnerability & Penetration Assessment - Firewall Review - Websphere Review - Wireless Configuration Review - Router Configuration Review</p> <p>Risk: Lack of security controls could allow unauthorized individuals access to ERS data and resources.</p>	3	3	October 2016	Q4 2017	140	\$23,800	140	There are multiple controls that are in place to protect the network which includes firewalls, routers, secure wireless and network segmentation. Additionally, risks associated with cybersecurity were considered due to the large number of data breaches in today's society. The cybersecurity threat is ever increasing in today's society, but ERS has maintained controls such as firewalls, access protection and limited external network points to mitigate those risks. In 2016, one issue with a Medium Risk rating was identified. This issue was subsequently addressed by management. Area is considered a Medium risk area and will be audited in 2017.
<p>Business Continuity</p> <p>Audit Focus: Business Continuity Management may include the Business Continuity Plans, Disaster Recovery Plans, and/or Crisis Management Plans. The primary focus will be the IT Disaster Recovery Plan recovery of critical technology assets, including systems, applications, databases, storage devices, and other network resources.</p> <p>Risk: Ability to recover in an acceptable timeframe and recovery point may not be possible given current procedures and capabilities</p>	3	3	December 2015	Q1 2018	-	-	40	Business Continuity continues to be vital to the organization due to environmental, social and political threats in the world. There are multiple pieces of a holistic business continuity plan which include Business Continuity Plans, Disaster Recovery Plans, and/or Crisis Management Plans. The intent will be to review all areas to determine if there are gaps in the processes. No audit issues were identified during the 2015 audit. Area is considered a Medium risk area. The Business Continuity Audit scheduled for 2017, has been delayed until 2018 due to employee turnover and the reassignment of internal IT resources.

Exhibit I

**Employees' Retirement System
2017 Internal Audit Plan
January 2017**

	2016 Audit Risk	2017 Audit Risk	Last Audit	Proposed Timing of Next Audit	2017 Estimated Hours	2017 Budget	2018 Projected Hours (A)	Comments (B)
Social Engineering Assessment								
<p>Audit Focus: Testing of one or more types of intrusion that relies heavily on human interaction and often causes people to break normal security procedures.</p> <p>Risk: The ability of a party/person to obtain ERS information without permission from the authority.</p>	3	3	June 2016	Q3 2017	60	\$10,200	40	All organizations continue to face the threat of someone trying to obtain confidential or sensitive information by social engineering methods. The methods rely heavily on human interaction that appears to be legitimate requests. In order to help mitigate this threat, organizations have adopted the Best Practice of testing the effectiveness of the organization's security awareness training and practices. In 2016 no issues were identified during the audit. Area is considered a Medium risk area. In 2017, the plan will be to test the awareness employees have on this topic by using social engineering methods to gain information.
GENERAL MANAGEMENT								
Annual Risk Assessment (Update and Audit Planning)			N/A	Q1 2016	70	\$10,850	70	2017 Risk Assessment is a combined Assessment (IT and Non-IT Processes).
<p>Management Requests/Special Projects Contingency time for procedures not included in Internal Audit Plan above, based on requests by management or the Board.</p>			N/A	-	120	\$19,800	120	
<p>Engagement Management - Administration and quality assurance - Management meetings - A&O Committee meetings and document preparation</p>			N/A	-	130	\$21,350	130	
Total Audit Hours / Cost					1,105	\$157,730	950	

The Audit Plan is subject to change based on the results of the pre-audit risk assessment and any management requests. Any changes will be reviewed

(A) 2018 Projected Hours is an estimate of next year's audit activity and is being provided to management for planning purposes. This estimate will be

(B) Comments are summarizations of audit reports presented to the A&O Committee, open audit issues from prior audits, and discussions with

**Employees' Retirement System
Category Risk Rating Definitions
January 2017**

RISK FACTORS	IMPACT, LIKELIHOOD AND VELOCITY RATINGS				
	LOW	LOW - MEDIUM	MEDIUM	MEDIUM - HIGH	HIGH
	1	2	3	4	5
FINANCIAL STATEMENT MATERIALITY	Less than 1% of total assets/income.	1% to 3% of total assets/income	More than 3% but less than 5% of total assets/income.	More than 5% but less than 10% of total assets/income.	Greater than 10% of the total assets/income
STRATEGIC RISK* (risk of not meeting strategic goals)	Process not directly linked to ERS's strategic goals.	Process is linked to at least one strategic goal - however, significant failure in process will not materially impact strategic goals.	Process is linked to a few of ERS's strategic goals - significant failure in process may materially impact strategic goals.	Process is linked to a majority of the ERS's strategic goals, and significant failure in the process will impact the achievement of many of the strategic goals.	Process is integral in achieving overall strategic goals for ERS. Failure in process will result in not achieving most of the strategic goals.
OPERATIONAL RISK (volume vs. accuracy, complexity, interfaces, management and staff - experience/ competency/ tenure)	Transaction volume low / accuracy not compromised / routine transactions / highly automated processes / tenured staff / highly trained and experienced in process.	Transaction volume moderate / accuracy not compromised for timely completion / limited complexity / mainly automated / experienced staff.	Transaction volume moderate / accuracy not normally compromised for timely completion / some complexity in transactions / majority of process automated - but many manual processes and management reporting / experienced staff.	Transaction volume high / accuracy may be compromised for completion / complex transactions / limited workflow automation / manual management reporting / staff may be new to process or ERS.	Transaction volume high / accuracy can be compromised for completion without easy detection / complex transactions / manual processes / new processes or systems / new staff.

**Employees' Retirement System
Category Risk Rating Definitions
January 2017**

IMPACT, LIKELIHOOD AND VELOCITY RATINGS					
RISK FACTORS	LOW	LOW - MEDIUM	MEDIUM	MEDIUM - HIGH	HIGH
	1	2	3	4	5
IT AND SYSTEM APPLICATION RISK	Basic network topology and IT infrastructure, applications are maintained in-house, minimum subject matter expertise required to support business processes, mature change management processes, application data and reports used for limited decision making purposes internally.	Moderate network topology and IT infrastructure, majority of applications are maintained in-house, occasional subject matter expertise required to support business processes, mature change management processes, application data and reports used in multiple business processes for decision making purposes internally.	Moderate network topology including Internet-facing applications, applications are maintained in-house and in the cloud, subject matter expertise frequently required to support business processes, change management processes established, application data and reports used in multiple business processes for internal and external decision making purposes.	Complex network topology including Internet-facing applications, IT infrastructure is not consistent across multiple locations, applications are maintained in-house and in the cloud, subject matter expertise required to support most business processes, change management processes exists but not consistent, application data and reports used in multiple business processes for internal and external decision making purposes.	Complex network topology including Internet-facing applications, IT infrastructure is not consistent across multiple locations, applications are maintained by third party service providers or in the cloud, subject matter expertise required to support most business processes, absence of change management processes, application data and reports used in multiple business processes for internal and external decision making purposes.
EXTERNAL REGULATORY COMPLIANCE RISK (compliance with regulations, dependence on vendor(s), depth of review by third parties (regulators, auditors, etc.))	Limited regulatory oversight/concern and no regulatory changes in-process or expected. Process not dependent on outside vendor support, external factors have little impact on on-going operations.	Some regulatory oversight/concern and activity has limited regulatory changes in-process or expected. Little dependency on vendor support / external factors have little impact on on-going operations.	Some regulatory oversight or concern and activity has moderation regulatory changes in-process or expected. Vendor support for some portion of process / external factors have some impact on on-going operations.	Regulatory oversight/recent concerns in industry and activity has numerous regulatory changes in-process or expected. Large quantity of data provided by third party vendor / external factors have impact on on-going operations.	Significant regulatory oversight or concern and activity has numerous or volatile regulatory changes in-process or expected. Significant quantity of data provided by third party vendor / external factors have significant impact on on-going operations.

**Employees' Retirement System
Category Risk Rating Definitions
January 2017**

IMPACT, LIKELIHOOD AND VELOCITY RATINGS					
RISK FACTORS	LOW	LOW - MEDIUM	MEDIUM	MEDIUM - HIGH	HIGH
	1	2	3	4	5
CONTROL ENVIRONMENT RISK	Process, procedures, and personnel in place for more than 2 years and no reportable issues.	Process, procedures, and personnel in place for more than 2 years with minimal issues reported.	Newer process, procedures and/or process owners in place for less than 2 years.	New business and/or IT procedures or process owner; or may reflect significant issues reported in the last audit cycle.	No business and/or IT process owners in place or procedures identified for significant activity.
FRAUD RISK	No access to allocate negotiable assets, access sensitive data or conduct financial reporting.	Limited access to allocate negotiable assets, systems and/or sensitive information or access financial reporting.	With management oversight, there is access to allocate negotiable assets, sensitive information or conduct financial reporting.	Informal preventive and detective controls to manage or allocate negotiable assets, sensitive information or conduct financial reporting and/or informal segregation of duties.	Exposure to monetary loss, financial information or improper financial reporting is significant due to a lack of internal control and/or little to no segregation of duties.
REPUTATION RISK	Negative events have no immediate impact on reputation; IT - minimal to no reputation risks.	Isolated incidents have low reputation risk; IT - minimal to low reputation risks.	Loss of confidence confined to a specific type of retiree or small group of retirees; IT - low to moderate reputation risks.	Organization-wide loss of confidence. Long-term impairment; IT - moderate to high reputation risks.	Substantial impact on future operations and achievement of goals. Significant loss of confidence; IT - high to unacceptable reputation risks.
MANAGEMENT CONCERNS	Management confident control procedures are effective; IT - minimal to no management concern.	Management indicated minimal to low concern in the normal course of business; IT - minimal to low management concern.	Management indicated limited concerns in the normal course of business. Could develop into more severe problems if not corrected; IT - low to moderate management concern.	Deteriorating trends in the control environment due to changes in personnel, products, or procedures; IT - moderate to high management concern.	Management indicated that controls are not in place; IT - high to unacceptable levels of management concern.
PRIOR AUDIT COMMENTS	No reportable issues from prior audit. Acceptable prior risk rating.	Moderate or low severity issue from prior audit. Acceptable prior risk rating.	Significant issue(s) from prior audit. Acceptable prior risk rating.	Marginal prior audit rating. Moderate prior risk rating.	Marginal prior audit rating. High prior risk rating.

**Employees' Retirement System
Risk Based Process Mapping Sheet
January 2017**

AUDIT AREAS	PROCESS OWNERS	FINANCIAL STATEMENT MATERIALITY	STRATEGIC RISK	OPERATIONAL RISK	IT AND SYSTEM APPLICATION RISK	EXTERNAL REGULATORY COMPLIANCE RISK	CONTROL ENVIRONMENT RISK	FRAUD RISK	REPUTATION RISK	MANAGEMENT CONCERNS	PRIOR AUDIT COMMENTS	FINAL RISK WEIGHTED RATING (1)
Ethics and Governance	Jerry Allen & Melody Johnson	N/A	3	3	N/A	3	1	2	4	1	1	2
Accounting & Finance	Melody Johnson	3	3	4	3	3	3	3	4	4	1	3
Investment Management	Jerry Allen & David Silber	4	4	3	3	3	3	3	5	4	1	4

**Employees' Retirement System
Risk Based Process Mapping Sheet
January 2017**

AUDIT AREAS	PROCESS OWNERS	FINANCIAL STATEMENT MATERIALITY	STRATEGIC RISK	OPERATIONAL RISK	IT AND SYSTEM APPLICATION RISK	EXTERNAL REGULATORY COMPLIANCE RISK	CONTROL ENVIRONMENT RISK	FRAUD RISK	REPUTATION RISK	MANAGEMENT CONCERNS	PRIOR AUDIT COMMENTS	FINAL RISK WEIGHTED RATING (1)
Enrollment and Member Services	Michael Dzuik	2	2	4	2	1	3	2	3	3	1	2
Benefit Calculation	Melody Johnson	4	3	4	2	2	3	3	4	3	1	3
Contributions	Melody Johnson	3	3	2	2	2	2	2	3	3	2	3
Benefit Payroll	Melody Johnson	3	4	3	3	2	2	3	4	4	2	3

**Employees' Retirement System
Risk Based Process Mapping Sheet
January 2017**

AUDIT AREAS	PROCESS OWNERS	FINANCIAL STATEMENT MATERIALITY	STRATEGIC RISK	OPERATIONAL RISK	IT AND SYSTEM APPLICATION RISK	EXTERNAL REGULATORY COMPLIANCE RISK	CONTROL ENVIRONMENT RISK	FRAUD RISK	REPUTATION RISK	MANAGEMENT CONCERNS	PRIOR AUDIT COMMENTS	FINAL RISK WEIGHTED RATING (1)
Benefit Administration (Life, Health & Dental)	Michael Dzuik	3	2	2	2	2	2	2	3	3	2	3
HR / Payroll	Melody Johnson	1	2	1	N/A	1	1	3	3	2	1	1
Vendor Management	Melody Johnson	2	3	3	2	1	2	3	4	3	1	2
Information Technology	Kelly Reid	N/A	4	4	3	3	3	3	5	2	2	3

**Employees' Retirement System
Risk Based Process Mapping Sheet
January 2017**

AUDIT AREAS	PROCESS OWNERS	FINANCIAL STATEMENT MATERIALITY	STRATEGIC RISK	OPERATIONAL RISK	IT AND SYSTEM APPLICATION RISK	EXTERNAL REGULATORY COMPLIANCE RISK	CONTROL ENVIRONMENT RISK	FRAUD RISK	REPUTATION RISK	MANAGEMENT CONCERNS	PRIOR AUDIT COMMENTS	FINAL RISK WEIGHTED RATING (1)
Network Security	Kelly Reid	N/A	4	2	3	3	2	3	5	2	2	3
Business Continuity	Kelly Reid	N/A	4	3	3	2	2	2	4	2	1	3
Social Engineering	Jerry Allen / Kelly Reid	N/A	3	3	2	3	2	4	5	2	3	3

(1) The final risk weighted rating is not an arithmetic average since greater weights are given to certain factors such as financial statement materiality, susceptibility to fraud, management concern, and reputation risk.



City of Milwaukee –Employees' Retirement System (ERS)

Ethics and Governance Internal Audit Report

MAY 2017

EXPERIS
RISK ADVISORY SERVICES
WISCONSIN OFFICE

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TABLE OF CONTENTS

EXECUTIVE SUMMARY	3
BACKGROUND.....	3
AUDIT SCOPE AND OBJECTIVES	3
PROCEDURES PERFORMED.....	4
OVERALL ASSESSMENT	4
OBSERVATIONS, RECOMMENDATIONS & MANAGEMENT'S RESPONSE	5

EXECUTIVE SUMMARY

BACKGROUND

At the direction of the Administration and Operations Committee, an Ethics and Governance audit was performed during the period February 10 – February 25, 2017. 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.

The Annuity and Pension Board (Board) governs the ERS, and serves as trustee of the System's funds. Board members are fiduciaries of the trust, along with the Executive Director, Deputy Director and Chief Investment Officer and other ERS Senior Management serving in specific capacities. The ERS' Executive Director is responsible for daily operations, and also serves as secretary for the Board. The Board is composed of eleven members:

- Three active employee members elected by active employees and one member elected by retirees, and serve a four-year term.
- Three other members are appointed by the Common Council President, and serve a two-year term.
- In 2014, the charter was amended and three members were added to the Board. These members are appointed by the Mayor of Milwaukee.
- The City Comptroller is ex-officio and serves on the Board as a part of his duties as an elected official.

AUDIT SCOPE AND OBJECTIVES

The objective of the Ethics and Governance audit encompassed the review of processes and controls related to the following:

- ERS compliance with conflict of interest provisions among its Board members and senior management employees
- Board governance practices, including compliance with the Board Rules and Regulations
- Adherence to the ERS code of ethics certification requirement among ERS employees

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.

PROCEDURES PERFORMED

The following procedures were performed during the internal audit. All transactions tested occurred during the period of January 2016 through February 2017, unless noted otherwise.

- Reviewed the Board's adherence with the Board Rules and Regulations.
- Reviewed Board minutes for evidence that the Board and its committees meet periodically with management and third parties to maintain oversight over investment performance, quality of member service, accuracy of reporting, information technology, compliance, and associated risks in these areas.
- Reviewed Board minutes for evidence that Audit Charters, Rules and Regulations, and ERS policies were reviewed and updated as needed.
- Verified that Board members and senior management employees complied with conflict of interest provisions via the Statement of Economic Interests.
- Verified ERS employees reviewed and signed the Basic Office Guidelines, which reflects the office code of conduct.

OVERALL ASSESSMENT

ERS management has implemented a solid internal control environment for its Ethics and Governance process. 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, Administration and Operations 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 section of this report.

OBSERVATIONS, RECOMMENDATIONS & MANAGEMENT'S RESPONSE

None.



City of Milwaukee –Employees' Retirement System (ERS)

Benefits Calculation Audit Report

MAY 2017

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TABLE OF CONTENTS

EXECUTIVE SUMMARY.....	3
BACKGROUND.....	3
AUDIT SCOPE AND OBJECTIVES	3
PROCEDURES PERFORMED	3
OVERALL ASSESSMENT	4
OBSERVATIONS, RECOMMENDATIONS & MANAGEMENT'S RESPONSE	5

EXECUTIVE SUMMARY

BACKGROUND

At the direction of the Administration and Operations Committee, the Benefits Calculation Audit was performed during the period April 1 – April 30, 2017. 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. A database of monthly benefits is maintained for over 12,000 retired and/or disabled City workers. ERS uses the MERITS application to calculate benefits in accordance with legislative statutes and contractual obligations and process monthly pay checks for each member or surviving beneficiary, as applicable. Prior to payment processing, each retiree's benefits calculation is independently reviewed for accuracy. As changes to benefit calculations occur as a result of collective bargaining, legal opinion, or legislative activity, MERITS is updated and all changes to MERITS are reviewed for accuracy prior to implementation.

AUDIT SCOPE AND OBJECTIVES

The objective of the Benefit Calculation audit encompassed the review of processes and controls related to the following:

- Calculation and independent review of member benefits
- Verification processes over changes to benefits calculation methodology
- Physical security over members' confidential paperwork

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.

PROCEDURES PERFORMED

The following procedures were performed during the internal audit. All transactions tested occurred during the period of January 2016 through February 2017.

- Verified on a sample basis that member compensation history was reviewed and earnings adjusted for any retroactive payments
- Verified on a sample basis that benefits calculations for service retirement, Global Pension Settlement (GPS) lump sum bonus, disability, and death benefits were accurately calculated and independently reviewed
- Verified a sample of contract changes were properly approved and entered into MERITS accurately
- Examined evidence that a sample of changes made to the benefits calculation methodology were independently reviewed and verified for accuracy and validity
- Assessed physical controls over sensitive member information
- Reviewed a sample of Standard Practice Instructions Guidelines (SPI) for accuracy

OVERALL ASSESSMENT

ERS management has implemented a solid internal control environment for its Benefit Calculation 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, Administration and Operations 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 section of this report.

OBSERVATIONS, RECOMMENDATIONS & MANAGEMENT'S RESPONSE

None.



City of Milwaukee – Employees' Retirement System (ERS)

Enrollment and Member Services Internal Audit Report

MAY 2017

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TABLE OF CONTENTS

EXECUTIVE SUMMARY.....	3
Background	3
Audit Scope & Objectives	3
Procedures Performed.....	3
Overall Assessment	4
OBSERVATIONS, RECOMMENDATIONS & MANAGEMENT'S RESPONSE	5

EXECUTIVE SUMMARY

Background

At the direction of the Administration and Operations Committee, a Membership and Enrollment Services audit was performed during the period February 10 – March 3, 2017. 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.

As part of its administrative responsibilities, ERS enrolls new employees as retirement system members in the MERITS pension administration system. Any documentation that is used to support the enrollment process is imaged and indexed within the member's record to make available electronically in MERITS to support various pension administration workflows. To provide its members with information regarding their benefits, including the process to enroll and apply for benefits, the ERS member services area provides its members counseling sessions and information through various channels, including publications as well as the ERS website.

Audit Scope & Objectives

The objective of the Enrollment and Member Services audit encompassed the review of processes and controls related to the following:

- Review the risks inherent within the Enrollment and Member Services 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.

PROCEDURES PERFORMED

The following procedures were performed during the internal audit.

- Reviewed existing documented procedures for process updates related to the Enrollment and Member Services process.
- Tested the timeliness of new member record entry into MERITS.
- Observed that confidential member information is stored securely during non-business hours.

- Tested the updating and revision process for correspondence (i.e. letters, forms) sent to members.
- Verified regulatory developments are monitored and presented to the Board for approval.
- Reviewed ERS's process for gathering and reporting member feedback.
- Completed a walkthrough of the document imaging process.

Overall Assessment

ERS management has implemented a solid internal control environment for its Membership and Enrollment 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, Administration and Operations 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 section of this report.

OBSERVATIONS, RECOMMENDATIONS & MANAGEMENT'S RESPONSE

None.



City of Milwaukee – Employees' Retirement System (ERS)

Human Resources and Payroll Internal Audit Report

MAY 2017

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TABLE OF CONTENTS

EXECUTIVE SUMMARY	3
Background	3
Audit Scope & Objectives	3
Procedures Performed	3
Overall Assessment.....	4
OBSERVATIONS, RECOMMENDATIONS & MANAGEMENT'S RESPONSE.....	4

EXECUTIVE SUMMARY

Background

At the direction of the Administration and Operations Committee, a Human Resources and Payroll audit was performed during the period February 10 – March 3, 2017. 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. All transactions tested occurred during the period of January 2016 through February 2017.

- 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, Administration and Operations 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 section of this report.

OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSE

None.



City of Milwaukee –Employees' Retirement System (ERS)

Benefits Administration Audit Report

MAY 2017

EXPERIS
RISK ADVISORY SERVICES
WISCONSIN OFFICE

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TABLE OF CONTENTS

EXECUTIVE SUMMARY.....	3
BACKGROUND	3
AUDIT SCOPE AND OBJECTIVES	3
PROCEDURES PERFORMED	4
OVERALL ASSESSMENT	4
OBSERVATIONS, RECOMMENDATIONS & MANAGEMENT'S RESPONSE	5

EXECUTIVE SUMMARY

BACKGROUND

At the direction of the Administration and Operations Committee, the Benefit Administration Audit was performed during the period April 1 – April 30, 2017. The City of Milwaukee Employees' Retirement System (ERS) has the responsibility for administering retirement and disability benefits for its members' 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. On behalf of the City of Milwaukee, 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) administer their own benefits.

AUDIT SCOPE AND OBJECTIVES

The objective of the Benefit Administration audit encompassed the review of processes and controls related to the following:

- Verification of completeness and accuracy of benefits recorded and account reconciliations performed
- Review of the risks inherent within the benefits administration process, and evaluation of the adequacy of control design to mitigate those risks
- Testing of 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.

PROCEDURES PERFORMED

The following procedures were performed during the internal audit. All transactions tested occurred during the period of January 2016 through February 2017.

- Reviewed existing documented procedures for process updates related to the benefits administration process.
- Tested the accuracy of health and dental payroll deductions updated in MERITS.
- Reviewed member health and dental elections for accuracy in MERITS.
- Tested three months of health and dental benefit reconciliations between MERITS and provider invoicing.
- Reviewed member records for accuracy of group life insurance deductions.
- Tested that active members on leave of absence were appropriately invoiced for their group life insurance premiums.
- Tested three months of payments to the group life insurance carrier for accuracy and completeness.
- Reviewed death claims for accuracy and completeness of documentation to support the claim to the group life carrier.

OVERALL ASSESSMENT

ERS management has implemented a solid internal control environment for its Benefit Administration 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, Administration and Operations 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 section of this report.

OBSERVATIONS, RECOMMENDATIONS & MANAGEMENT'S RESPONSE

None.

Employees' Retirement System of the City of Milwaukee

Administration & Operations Committee Audit Charter May 2017

Purpose

The purpose of this Administration and Operations (A&O) Committee Audit Charter dated May 2017 is to assist the Board Members in fulfilling their oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the agency's process for monitoring compliance with laws and regulations and the code of conduct. Because of the existing member composition of the A&O Committee as well as the limited number of members, this committee will also have responsibility for the Internal Audit function.

I. AUTHORITY

II. RESPONSIBILITIES

- (1) Financial Statements**
- (2) System of Risk Management**
- (3) Internal Control**
- (4) Internal Audit**
- (5) External Audit of the Financial Statements**
- (6) Agency's Processes for Monitoring Compliance**
- (7) Special Investigations and Whistleblower Mechanism**
- (8) A&O Committee Management and Reporting Responsibilities**

III. MEETINGS

I. AUTHORITY

The A&O Committee has authority to request the Board to conduct or authorize investigation in to any matters within its scope of responsibility. It is empowered to:

- Recommend independent auditors to be engaged by the agency, review and approve the planned and budgeted fees of the independent auditors, review and evaluate the performance of the independent auditors and obtain Board approval for any proposed discharge of the independent auditors.
- Pre-approve all auditing and non-audit services.
- Resolve any disagreements between management and the audit team encountered during the course of the audit including any restrictions on the scope of the work or access to required information.
- Retain independent accountants, or others to advise the A&O Committee or assist in the conduct of an investigation as necessary.
- Seek any information required from employees, all of who are directed to cooperate with the committee's requests.

II. RESPONSIBILITIES

The committee will oversee the following responsibilities:

(1) Financial Statements

- Review significant accounting and reporting issues, including complex or unusual transactions, highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review with management and the external auditors the results of the external audit, including any difficulties encountered.
- Review the annual financial statements and consider whether they are complete, consistent with information known to committee members and reflect appropriate accounting principles.
- Review with the City Attorney or outside legal counsel the status of legal matters that may have an effect on the financial statements.
- Review with management and the external auditors all matters required to be communicated to the committee under generally accepted auditing Standards.
- Understand how management develops interim financial information, and the nature and extent of external and internal auditor involvement.
- Review interim financial reports with management and the external auditors and consider whether they are complete and consistent with the information known to committee members.

(2) System of Risk Management

- Ensure that the organization has a comprehensive policy on risk management.
- Consider the effectiveness of the organization's risk management system, including risks of information technology systems.
- Consider the risks of business relationships with significant vendors and consultants.
- Review reports on management's self-assessment of risks and the mitigations of these risks.
- Understand the scope of the internal auditor's review of risk management over financial reporting and internal controls and obtain reports on significant findings and recommendations with management's responses.
- Hire outside experts and consultants in risk management as necessary.

(3) Internal Control

- Consider the effectiveness of the organization's internal control system, including information technology security and control.
- Understand the scope of internal auditor's and external auditor's review of internal control over financial reporting and its processes and obtain reports on significant findings and recommendations with management's responses.
- Ensure that the organization has a comprehensive policy on internal control and compliance and periodically review the policies on ethics, the code of conduct and fraud.

- Review the role of the internal auditor's involvement in the governance process, including governance documentation and training.
- Ensure that contracts with external service providers contain appropriate record-keeping and audit language.

(4) Internal Audit

- Assure and maintain through the organizational structure of the agency and by other means, the independence of the internal audit process. Review with management the department charter, objectives, plans, activities, staffing, budget, qualifications, and organizational structure of the internal audit function.
- Obtain the information and training needed to enhance the committee members' understanding of the purpose of internal audits so that the committee may adequately oversee the internal audit function.
- Ensure there are no unjustified restrictions or limitations placed on Internal Audit and internal audit staff. Ensure that internal auditors have access to all documents, information and systems in the organization.
- Receive and review all internal audit reports and management letters. Review any changes in the scope of their internal audit. Review the responsiveness and timeliness of management's follow-up activities pertaining to any reported findings and recommendations.
- Review the performance of Internal Audit periodically.

(5) External Audit of the Financial Statements

- Review the external auditor's proposed audit scope and approach, including coordination of audit effort with internal audit. Pre-approve all services to be performed by the external financial statement auditor.
- Review the independence of the external financial statement audit firm by obtaining statements from the auditors on relationships between the audit firm and the organization, including any non-audit services, and discussing these relationships with the audit firm. Obtain from management a listing of all services provided by the external audit firm.
- Review the performance of the external financial statement audit firm.
- Exercise final approval on the request for proposal, the appointment, and retention or discharge of the audit firm.
- Review and approve the audited financial statements, associated management letter, attestation on the effectiveness of the internal control system and procedures for financial reporting, other required auditor communications, and all other auditor reports and communications relating to the financial statements.
- Define the services that the external financial statement auditor is allowed to perform and the services that are prohibited. Ensure production of a report of all costs of and payments to the external financial statement auditor. The listing should separately disclose the costs of the financial statement audit, other attest projects, agreed-upon-procedures and any non-audit services provided.

(6) Agency's Processes for Monitoring Regulatory Compliance

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instance of noncompliance.
- Review the findings of any examinations by regulatory agencies and any auditor observations, including investigations of misconduct and fraud.
- Review the process for communicating to all affected parties the ethics policy, code of conduct and fraud policy to agency personnel and for monitoring compliance.
- Obtain regular updates from management and organization legal counsel regarding compliance matters.
- Monitor changes and proposed changes in laws, regulations and rules affecting the agency.

(7) Special Investigations and Whistleblower Mechanism

- Institute and oversee special investigations as needed.
- Provide an appropriate confidential mechanism for whistleblowers to provide information on potentially fraudulent financial reporting or breaches of internal control to the A&O Committee, City Comptroller's Audit Division-Audit Hotline or City of Milwaukee Ethics Board.

(8) A&O Committee Management and Reporting Responsibilities

- Provide an open avenue of communication between internal audit, the external financial statement auditors, other external auditors, and management Board members.
- Confirm annually that all responsibilities outlined in this charter have been carried out and review the charter on an annual basis to determine updates.
- Report annually to the Board, members, retirees and beneficiaries describing the committee's composition, responsibilities and how they were discharged and any other pertinent information, including approval of non-audit services and proposed changes and ensure appropriate disclosure as may be required by law or regulation.
- Evaluate the committee's and individual member's performance on a regular basis and report to the Board.

III. MEETINGS

The A&O Committee will meet at least four times a year on a quarterly basis. All committee members are expected to attend each meeting. The agendas for meetings should be prepared and provided to members in advance, along with appropriate briefing materials. The committee may invite members of management or others to attend meetings and provide pertinent information as necessary. Minutes will be prepared by and filed with the Board members.

Employees' Retirement System of the City of Milwaukee

Internal Audit Charter May 2017

Purpose

The purpose of this Internal Audit Charter dated May 2017, is to assist the internal auditors in fulfilling their mission and fiduciary responsibilities under the oversight of the Administration and Operations (A&O) Committee. The provisions of this charter apply to the activities of the Employees' Retirement System (ERS) of the City of Milwaukee Internal Audit function only, and should be used for no other purpose. This document includes the following topics.

- I. MISSION**
- II. OBJECTIVES & SCOPE**
- III. INDEPENDENCE**
- IV. AUTHORITY**
- V. ACCESS**
- VI. RESPONSIBILITIES & ACCOUNTABILITY**
- VII. PROFESSIONAL STANDARDS**
- VIII. REPORT DISTRIBUTION & FOLLOW-UP**
- IX. RELATIONSHIP TO PREVENTION, DETECTION & CORRECTION ACTIVITIES**
- X. SIGNATURE SECTION**

I. MISSION

The mission of Internal Audit is to provide independent, objective assurance and consulting services designed to add value and improve the operations of ERS. It assists the Board and the Executive Director in accomplishing their oversight responsibilities by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control, and governance processes. The following are specific tasks to be carried out by Internal Audit to accomplish the mission:

- Supporting the agency's efforts to achieve its objectives through conducting a risk assessment every three years, designing, reviewing and executing an annual audit plan, and providing a wide range of quality independent internal auditing services.
- Assessing the integrity, quality, and efficiency of the systems of internal control.
- Assessing the degree to which ERS complies with various policies, procedures, laws, and regulations in a manner that facilitates operational efficiency, quality of service, and fiduciary responsibility.

- Examining and testing the performance of important control elements.
- Assessing the integrity of the financial reporting processes.
- Communicating results of audit projects through timely written reports delivered to the Board, the Executive Director, and management identified as stakeholders.
- Assessing through follow-up audit projects the degree to which management action plans created in response to recommendations in audit reports are carried out effectively and timely.

II. OBJECTIVES & SCOPE

Auditing Objectives. The objectives of the auditing services are to provide independent assurance to the A&O Committee and management that ERS' assets are safeguarded, operating efficiency is enhanced, and compliance is maintained with prescribed laws and regulations and Board and management policies. These objectives of auditing services include an independent assessment of the agency's risk awareness, reliability and integrity of the organization's data and information, and achievement of the agency's goals and objectives.

Consulting and Advisory Objectives. The objectives of internal audit's consulting and advisory services are to provide ERS management with recommendations for improving processes that will advance the goals and objective to successfully achieve the overall mission of the organization. The objectives will also allow internal audit the opportunity to follow-up with management to ensure action steps were taken to mitigate the risk.

Scope. The scope of work of internal audit is to determine whether the agency's network of risk management, internal control, and governance processes, as designed and represented by management, are adequate and functioning in a manner to ensure:

- Programs are operating within the highest fiduciary standards and are in compliance with the requirements defined in the Federal and State constitutions, laws, and regulations, local government ordinances and rules, and the policies and procedures of the agency.
- Programs and processes are in synchrony with industry best practices, using the best public and private examples and all resources available as benchmarks.
- Significant legislative or regulatory issues impacting the agency are recognized and addressed appropriately and timely.
- Operations, processes and programs are consistent with established missions, objectives and goals and they are being executed in accordance with management's plan.
- Existing policies and procedures are appropriate and updated.
- Internal and external risks are identified and managed.
- Employers appropriately enroll employees, accurately report member earnings, and appropriately report other employee data.
- Interaction with appropriate governance groups occurs as needed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.

- Resources are acquired economically, used efficiently, and adequately protected.
- Quality service and continuous improvement are fostered in the organization's control process.
- Contractors, including third-party administrators, are meeting the objectives of the contracts, while in conformance with applicable laws, regulations, policies, procedures and best practices and the agency's contract monitoring process is effective to ensure minimal risk.
- Responsibilities and activities of the external financial statement auditors are coordinated with those of the internal auditors in order to provide continuity of audit efforts and to avoid duplication.
- Access for auditors is provided as appropriate.
- Specific operations, processes or programs are reviewed at the request of the A&O Committee, the Board, and management.

Opportunities for improving member service, management of risks, internal control, governance, cost benefit, and the organization's effectiveness and image may be identified during audits. This information will be communicated to the A&O Committee and to appropriate levels of management.

III. INDEPENDENCE

Independent Professional Standards. The A&O Committee recognizes that professional independence requires the auditors have knowledge of operations and appropriate expertise in the subject matter that is being audited. Internal Audit must provide the credentials of any or all staff members upon request of the A&O Committee.

Conflict of Interest. Internal Audit shall discuss any potential issues regarding impairment of independence and/or conflicts of interest and their mitigation(s) with the A&O Committee as necessary.

IV. AUTHORITY

The Internal Audit function is established by the Board of this agency and governed by the A&O Committee. This Charter is approved and all future amendments to it are to be approved by the A&O Committee through a majority vote. This Charter shall be reviewed at least annually and updated as required by the A&O Committee.

Internal Audit functionally reports to the A&O Committee. Meetings are held with the A&O Committee on at least a quarterly basis. The portion of the A&O Committee agenda regarding Internal Audit generally include:

- A discussion of current year Plan status
- Points of emphasis of audit reports issued in the quarter
- Status of audits in process
- Changes or proposed changes to the Plan
- Audit follow-up status reports as necessary (based on exceptions noted)
- Special requests for audits from the Board or from Management with Board approval

- Closed sessions, when necessary, as provided for under the Wisconsin open meetings law

The A&O Committee retains the right to provide input and approve the annual audit plan presented by Internal Audit. The risk assessment and Plan are discussed in the meeting at the end of the quarter in which they are completed. Internal Audit shall inform the A&O Committee of the status of the audit plan and any changes needed. Management may request special audits outside of the plan to be conducted, which must be approved by the A&O Committee. The mission, responsibilities, and workings of the A&O Committee are described in the committee charter.

Internal Audit staff is not authorized to initiate or approve accounting transactions external to those related to the function. Internal Audit staff is not authorized to direct the activities of any agency employee not employed by the function, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

V. ACCESS

The Internal Audit staff, as appropriate, are granted authority for full, free and unrestricted access to all of the agency's functions, records, files and information systems, personnel, contractors, external auditors, physical properties, rental locations, and any other item relevant to the function, process or department under review. All contracts with vendors shall contain standard audit language enabling the internal auditors and other auditors and specialists to have access to relevant records and information. Documents and information given to Internal Audit shall be handled in the same prudent and confidential manner as by those employees normally accountable for them. All of the ERS employees are required to assist the staff of Internal Audit in fulfilling their audit functions and fiduciary duties.

VI. RESPONSIBILITIES & ACCOUNTABILITY

Internal Audit is responsible for the following in order to meet the mission, objectives and scope of this Charter:

1. Establish policies for conducting Internal Audit activities and directing its technical and administrative functions according to the agency's policies and direction provided by the A&O Committee and professional standards described in Section VII.
2. Perform a risk-assessment every three years and review the flexible annual audit plan that will accomplish the mission, objectives and scope of this Charter. This plan will include some unassigned hours in order to provide flexibility for changing conditions. This plan shall in part be based upon risks and control concerns identified by management.
3. Facilitate the implementation of the audit plan.
4. Implement the annual audit plan, as approved, including, as appropriate, any plan amendments, special tasks or projects requested by management, the Board and the A&O Committee.

5. Obtain updates to follow-up on management action plans as they relate to the recommendations provided by Internal Audit for improvement to ensure the risks are being mitigated timely.
6. Transmit copies of all audit reports and management letters to the A&O Committee.
7. Assess periodically whether the purpose, authority and responsibility, as defined in this Charter, continue to be adequate to accomplish its mission, objectives and scope. The result of this periodic assessment should be communicated to the A&O Committee.
8. Assist in the investigation of significant suspected fraudulent activities within the organization and notify the A&O Committee, the Board and other Executives, as appropriate, of the results.

VII. PROFESSIONAL STANDARDS

Internal Audit shall follow the professional standards of relevant professional organizations. These professional standards include, but are not limited to, the following:

- Institute of Internal Auditors (IIA) Professional Standards and Code of Ethics
- American Institute of Certified Public Accountants (AICPA) Professional Standards and Code of Ethics, as applicable
- Generally Accepted Government Auditing Standards (GAGAS) from the United States General Accounting Office (GAO), as applicable

VIII. REPORT DISTRIBUTION & FOLLOW-UP

Draft audit reports are first distributed to the Executive Director or their designee for comments. After comment, they are then distributed to the applicable department head. Internal Audit is responsible for obtaining management responses and issuing the final version of the audit report according to the following time schedule:

- Once a draft report is issued to a department head, 15 business days are allowed for management responses to be prepared and forwarded to Internal Audit. Internal Audit may extend the deadline, though the maximum number of business days for a response will be 25 days.
- Upon receipt of acceptable management responses, Internal Audit has 10 business days to issue the final version of the report.
- In cases where the department under review does not meet the above schedule, Internal Audit has the authority to issue the report without management responses to the chairman of the A&O Committee.

Final audit reports are distributed as follows:

- The department head, under review, receives a complete copy of the full report.
- The Executive Director, the Board, and the A&O Committee also receive a copy of the full report.

IX. RELATIONSHIP TO PREVENTION, DETECTION AND CORRECTION ACTIVITIES

Internal Audit strives to participate in the initial stages of major agency-wide projects so that risks can be appropriately managed and internal controls instituted in the design phase in order to prevent problems and minimize the associated costs. It recognizes that it is more expensive to detect and correct problems than it is to prevent them in the initial stages of a project.

X. SIGNATURE SECTION

The A&O Committee reviewed and adopted this Internal Audit Charter in May 2017, and transmitted it to the Board. The Internal Audit Charter is effective immediately and is hereby signed by the following persons who have authority and responsibilities under this Charter.

Chair, A&O Committee

Date

Chairman, ERS Board

Date

Executive Director

Date

**FIRST AMENDMENT
TO THE AGREEMENT BETWEEN
THE EMPLOYES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE
AND
CONDUENT HR CONSULTING, LLC
(FORMERLY BUCK CONSULTANTS, LLC)**

THIS IS THE FIRST AMENDMENT ("First Amendment") to the Agreement ("Agreement") beginning February 12, 2013, between the Employees' Retirement System of the City of Milwaukee ("ERS") and Conduent HR Consulting, LLC ("Conduent"), which was named Buck Consultants, LLC at the time the Agreement was executed;

WHEREAS, since the execution of the Agreement, Buck Consultants, LLC was included in the corporate restructuring of its parent company, and has now become Conduent HR Consulting, LLC; and

WHEREAS, Conduent has agreed to fulfill all terms of the Agreement and remain liable for all of Buck Consultants, LLC's obligations under the Agreement; and,

WHEREAS, ERS and Conduent wish to amend the Agreement to reflect Buck Consultants, LLCs' name change to Conduent HR Consulting, LLC;

NOW, THEREFORE, in consideration of the mutual covenants herein stated, ERS and Conduent agree to amend the Agreement as follows:

1. The name "Conduent HR Consulting, LLC" is substituted for each and every appearance of the name "Buck Consultants, LLC".
2. ERS and Conduent affirm the non-amended provisions of the Agreement.
3. This First Amendment is the entire amendment to the Agreement between ERS and Conduent. No other terms or conditions, oral or written, shall be effective, binding or alter the terms of this Amendment or the Agreement unless expressly agreed to in writing by ERS and Conduent.
4. This First Amendment may be executed in any number of counterparts, each of which shall be deemed to be an original; all such counterparts shall, together, constitute only one instrument. PDFs shall be deemed the same as originals.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto execute this First Amendment:

Conduent HR Consulting, LLC

Name: Jon Baeta

Date

Title: HRS Consulting US Market Leader

THE EMPLOYES' RETIREMENT SYSTEM OF THE CITY OF MILWAUKEE

John D. Barmore, Board President

Date

Bernard J. Allen, Executive Director

Date

Countersigned:

Assistant City Attorney
As to Form and Execution

Date

1054-2017-397:239073.1



Administration and Operations Committee

ERS IT Portfolio Report

May 18th, 2017

- Information Technology Projects Summary
- Application Stats
- What's Next
- IT Portfolio

Information Technology Projects Summary

- ERS-IT Reorganization Plan (In Progress)
- MERITS Optimization – HCP (Health Care Processing), BAA & PAP - Benefit Amount Adjustment, and Payroll Processing (In Progress)
- Member Self Service Survey to other Retirement Systems (In Progress)
 - Change of Address online feature
 - Exploring adding functionality to provide better services
- Struts 2 Upgrade (In Progress)
- 2016 Firewall and Active Directory Reviews and Cleanups (In Progress)
- 2016 IP Address Review and Cleanup (In Progress)
- 2017 SQL Database Review and Cleanup (In Progress)
- VMware Host Upgrades (In Progress)
- LAMP (Completed)
- Member Education Videos POC (In Progress)
- CMERS Website Upgrade (In Progress)
- 2016 DNS Review and Cleanup (Completed)
- Met with vendor (Northwoods) to plan CMERS Website Upgrade
- Reviewing/Confirming all goals and objectives of the IT strategic Plan FY 2012-2017 are completed (In progress)

Application Stats

Category	High Priority	Low Priority	Total
Current Inventory	14	4	18
PIR	5	0	3
CCR	9	4	13
Pending/Hold	0	2	2
Deployed(Awaiting Next stage) /Ready for Production	2	0	2
Net Current Inventory	12	0	14

What's Next...

- Continue all “In Progress” items on page 3
- Move CMERS Print Maintenance Services from Sentinel to Milwaukee Office Products
 - Lock down printers by use of VLAN
 - Setup Encryption for usage reporting to vendor (Secure communication)
 - Execute plan to consolidate toner and printer maintenance services for cost savings of approx. \$500 p/month
- IT General Controls Audit
 - Pre-engagement checklist
 - Review and Update all IT Policies and Operating Procedures (In progress)
- Review all Backup/retention schedules and make recommendations for changes
- Develop a staging, testing and controlled patch deployment improvement for desktops

Glossary of Terms

- *Applications/Acronyms Definitions:*

- **Perforce:** Primary application the development team uses to make code changes to MERITS. It provides the environments for testing, development and CCR/PIR deployments.
- **AccPac:** Accounting software that supports the general ledger.
- **Altiris:** Asset management software the technical team uses to inventory and support all IT assets. This application manages updates to computers, imaging, and software distribution from a centralized console.
- **Websphere Application Server (WAS):** The application server that we use to connect Web site users to Member Self Service and other MERITS related web services.
- **JAVA:** The programming language that MERITS was developed in and is running.
- **PIR:** Problem Incident Report- A person reports a bug with the application and requests priority resolution.
- **CCR:** Change Control Request- A person request a new feature, change or enhancement to MERITS.
- **Retirement Application Processing (RAP):** Functional module in Merits that processes retirement applications through workflow.
- **Merits Program Lifecycle Management (MPLM):** Process to upgrade, patch and keep current all of the MERITS related subsystems and ERS business applications.
- **Storage Area Network (SAN):** Primary storage technology used to centrally store all ERS data and manages Disaster Recovery.
- **Disaster Recovery Plan (DRP):** The technical planning, design and testing of all IT systems and staff to ensure that all technical systems can run at the off site location in Madison, WI called Femrite. IT staff does semi annually testing to ensure all applications and IT services are up and running within the designated service level objectives.
- **Recovery Time Objective/Recovery Point Objective (RTO/RPO):** These are I.T. service level goals for the amount of time it takes to cutover I.T. services to the Femrite location and the point in time (per the last backup) where we recover at. Currently at 24 hours recovery time and 8 hours for any loss of data. I.T. currently exceeds this expectation based off the last 2 tests.
- **Business Continuity Plan (BCP):** The process that ensure the ERS can continue running its services and daily operations at the Remote Office in the event that the primary location is not accessible. We engage ERS business users to physically work at the Remote office location and document the results on a reoccurring basis.
- **Remote Office (RO):** Backup Remote work facility located at TPP 10850 W. Park Place. It is connected to both the 789 N. Water Street facility and the Femrite Data Center in Madison, and users can physically work there and connect to any needed data center.
- **MERITS Optimization:** Project approved in 2012 to go through all 17 application modules in MERITS and clean up code, ensure best practices are implemented, SQL stored procedures for faster performance, reporting and user experience. It is the clean up of any non ERS related code that may have been carried over from the original jClarety (HP software) implementation.
- **ARIS:** Web based software used for mapping legal opinions to MERITS workflow processes and procedures.

Portfolio as of May 1, 2017

Project Health	% Complete	Project Priority	Complexity (S / M / L)	Project Name	Project Mgr	Description	Strategic Goal: G1 - G7	Status:	External Vendor Required: Y/N	Actual Start Date	Target Completion Date	Estimates (Hours)	Actuals (Hours)	Hours Variance = Estimates - Actuals	Hardware/Software & External Labor Budget (\$)	Actual Spent-to-Date on Hardware /Software & External Labor (\$)	Estimate to Completion (ETC) (of Hardware/ Software & External Labor Costs)
G	84%	1	L	BAA / PAP Optimization	Manchu	Evaluate, assess and implement MERITS Optimization and Clean-up	G7	IP	N	8/3/15	9/5/17	4,343	2,908	1,436	N/A	N/A	N/A
G	17%	2	L	Struts 2 Upgrade (functional areas besides MAM)	Manchu	Software development upgrade all other functional areas	G7	IP	Y	10/17/16	8/15/19	11,438	1,515	9,923	\$730,290	\$79,949	\$650,341
G	50%	3	L	HCP Optimization	Manchu	Evaluate, assess and implement MERITS Optimization and Clean-up	G7	IP	N	10/26/16	9/22/17	1,406	642	764	N/A	N/A	N/A
G	95%	4	S	2017 Desktop Rotation	Powell	Swap out old PCs and iPads for newer, better models	G7	IP	N	1/20/17	5/1/17	193	242	(49)	\$34,425	\$25,521	\$8,904
G	61%	5	S	Member Education Videos [POC]	Zaffiro	Produce videos for website	G4	IP	N	2/23/17	5/24/17	183	53	130	\$2,500	\$1,889	\$0
G	60%	6	M	Websphere Server Patching @	Manchu	Websphere application server patching.	G7	IP	Y	4/3/17	6/30/17	115	55	60	\$9,768	\$7,992	\$1,776
G	34%	7	M	VMware vSphere Upgrade @	Raynal	Virtualization software upgrade	G7	IP	N	3/31/17	7/1/17	100	46	54	N/A	N/A	N/A
G	90%	8	S	Printer Maint. Contract @	Zaffiro	Find best deal for printing	G1	IP	N	3/1/17	5/26/17	80	60	20	N/A	N/A	N/A

Green = On Target - No Significant Issues
 Yellow = On Watch List – Issues Being Addressed
 Red = Project cannot move forward as planned without management attention or approval.

NS = Not Started OH = On Hold
 IP = In Process C = Complete
 @ = Activity (no charter)

Special Note: Struts 2 Upgrade costs are part of the 3-year HP maintenance contract.

Completed Projects & Tasks in Last 12 Months	Finished	Hours / \$ Spent
Legal Opinions on cmers.com @ (Zaffiro)	4/1/2016	30 hrs / \$3,480
Desktop Rotation (Rogers)	5/11/2016	117.75 hrs / \$32,267
FileNet P8 Implementation (Manchu / Zaffiro)	5/12/2016	5,363 hrs / \$459,085
Vendor Management Application (Siddiqui)	5/31/2016	68.25 hrs / N/A
IT Social Engineering Audit @ (Reid)	6/2/2016	40 hrs / \$6,600
VMware Host Upgrades (Roemer)	8/1/2016	101 hrs / \$190,337

	Finished	Hours / \$ Spent
Windows 2012 Server Upgrade @ (Raynal)	9/21/2016	876 hrs / \$8,434
IT Disaster Recovery Test @ (Dugan / Rogers)	10/21/2016	111 hrs / N/A
IT Network Vulnerability Audit @ (Reid)	10/20/2016	140 hrs (Expiris Only)/ \$23,100
Physical Inventory @ (Rogers)	12/20/2016	10 hrs / \$265
FileNet P8 Patching @ (Manchu)	1/7/2017	87 hrs / \$13,330
MAM Struts 2 Upgrade (Manchu)	1/25/2017	967 hrs / \$33,294

Organizational/Personnel Update

Administration and Operations Committee

Thursday, May 18, 2017

- ERS Reclasses and Reorgs still in progress.
- ERS is working with DER to fill the Pension Accounting Manager position.
- ERS is working with DER to update two IT positions.
- Proposed IT Reorganization is pending DER classification study.

