



City of Milwaukee Employees' Retirement Services

Benefit Payroll Audit Report

APRIL 15, 2016

**EXPERIS FINANCE
RISK ADVISORY SERVICES
WISCONSIN OFFICE**

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ERS
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EXECUTIVE SUMMARY

Background

At the direction of the Administration and Operations Committee, a Benefit Payroll Audit was performed during the period March 21 – April 15, 2016. The City of Milwaukee Employees' Retirement System (ERS) has the responsibility of administering the benefits of its member constituency, which is comprised of employees and retirees of the City of Milwaukee and its related agencies.

ERS manages the benefits of City of Milwaukee workers in accordance with legislative guidance and contractual obligations. A database of monthly benefits is maintained for over 12,500 retired and/or disabled City workers. ERS uses the MERITS application to calculate and prepare monthly pay checks for each member or surviving beneficiary, as applicable. The prepared benefit payroll file from MERITS must be transferred to the Planet Press application for proper print format and to have check printing initiated. A third-party vendor (DMC) is used to stuff the monthly checks, ACH notices and newsletters into envelopes. DMC also delivers the envelopes to the post office for metering and mailing. ARIS Maps and various Standard Practice Instructions (SPIs) are maintained to document individual processes.

Audit Scope & Objectives

The objective of the Benefit Payroll Process was to review and assess processes and controls related to the following:

- Benefit payroll audit and verification processes over database changes
- Preparation of payment file(s) and initiation of print process
- Bank system access and money transfer controls
- Physical security over check stock, undelivered checks and hard copy files
- User security access to MERITS
- Accuracy of financial reconciliations within the process

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 audit.

- The following procedures were performed during the internal audit. All transactions tested occurred during the period of January 2015 through February 2016.
- Reviewed and updated the process narrative and risk/control matrix (RCM)
- Reviewed a sample of ARIS maps for accuracy

- Examined evidence that all changes made to benefit payroll data were independently reviewed and verified for accuracy and validity
- Evaluated access to MERITS and relevant bank applications for propriety and potential segregation of duties concerns
- Verified MERITS pay totals to monthly bank transfers
- Assessed physical and system controls over sensitive member information
- Discussed and reviewed controls over receivables created through the death of a member
- Reviewed COLA and tax withholding tables/schedules established in MERITS

Overall Assessment

ERS management has implemented a solid internal control environment for its Benefit Payroll process. Based on the results of our audit, **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 & Operations Committee and management in the effort to eliminate, reduce or mitigate overall risks.

OBSERVATIONS, RECOMMENDATIONS & MANAGEMENT'S RESPONSE

None.