



City of Milwaukee Employees' Retirement Services

Contributions 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 Contributions 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.

The ERS pension trust fund is a defined benefit pension plan that provides a monthly benefit to retirees after reaching a minimum retirement age. ERS serves as the fiduciary agent in collecting pension amounts from eight agencies outside ERS, but within the City of Milwaukee. Bi-weekly contributions are sent to ERS by these agencies for retirement and disability benefits.

Audit Scope & Objectives

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

- Verification of completeness and accuracy of contributions recorded and account reconciliations performed
- Review of the risks inherent within the contributions process, and the adequacy of control design to mitigate those risks
- Testing of key process controls to determine operating effectiveness.
- Validating User security access to MERITS

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.

- Reviewed existing documented procedures for process updates related to the contributions process.
- Tested controls over suspended member records. Tested three agency edit reports to determine if suspended member records were resolved accurately and timely.
- Tested the accuracy of three months of agency reconciliations and ensured the number of records and dollar amounts posted to the MERITS system for each contribution cycle agreed to the agency bimonthly reports.

- Tested three months of agency contributions to ensure bank deposits were accurately and completely recorded in the MERITS system and on the Employer Statements.
- Tested the outstanding agency receivables reconciliations.
- Tested the completeness and accuracy of changes to member contributions in MERITS.
- Assessed physical and system controls over sensitive member information.

Overall Assessment

ERS management has implemented a solid internal control environment for its Contributions 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, Audit Committee and management in the effort to eliminate, reduce or mitigate overall risks.

OBSERVATIONS, RECOMMENDATIONS & MANAGEMENT'S RESPONSE

None.