



City of Milwaukee –Employees' Retirement System (ERS)

Benefits Administration Audit Report

MAY 2017

EXPERIS
RISK ADVISORY SERVICES
WISCONSIN OFFICE

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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.