



City of Milwaukee Employees' Retirement Services

Contributions Audit

DECEMBER 2018

EXPERIS FINANCE
RISK ADVISORY SERVICES
WISCONSIN OFFICE

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EXECUTIVE SUMMARY

Background

At the direction of the Administration and Operations (A&O) Committee, a Contributions Audit was performed during the period November 13 – December 21, 2018. 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 eligible retirees. ERS serves as the fiduciary agent in collecting pension amounts from seven 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 audit encompassed the review of 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.

Overall Assessment

ERS management has implemented a solid internal control environment for its Contributions 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, A&O Committee and management in the effort to eliminate, reduce or mitigate overall risks. The procedures performed are included in the next section of the report.

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 six agency "reject-edit" reports to determine if suspended member records were resolved accurately and timely.
- Tested the accuracy of six pay periods of agency reconciliations and determined the number of records and dollar amounts posted to the MERITS system for each contribution cycle agreed to the agency reports.
- Tested six pay periods of agency contributions to verify wire transfer deposits were accurately and completely recorded in the MERITS system and in Northern Trust.
- Determined that management oversight procedures used to identify participant contribution rate changes in MERITS were operating effectively.
- Tested the Contribution rates for 14 employees to determine that the contribution rates used in MERITS were in agreement with the rates directed by Chapter 36 of the Milwaukee City Charter.
- Determined that management regularly evaluates personnel assigned to manage the Contributions process.
- Assessed physical and system controls over sensitive member information.
- Reviewed approved contract changes for member contributions and determined they are accurately entered into MERITS.