



City of Milwaukee Employees' Retirement Services

Ethics and Governance Audit

SEPTEMBER 2019

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, an Ethics and Governance Audit was performed during the period July 16, 2019 – September 3, 2019. 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 eight members:

- Three representatives appointed by the President of the Common Council;
- Three representatives elected by the active members of the ERS;
- One member elected by retired members of the ERS; and
- City Comptroller, who serves as an ex-officio voting member.

Audit Scope & Objectives

The objectives of the Ethics and Governance audit included 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.

Overall Assessment

ERS management has implemented a solid internal control environment for its Ethics and Governance processes. 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 testing period, January 2018 through May 2019.

- Reviewed the Board's adherence with the Board Rules and Regulations:
 - Determined the A&O Committee and Audit Charters were updated annually.
 - Determined Monthly Board Meeting checklist has been completed and followed.
 - Reviewed all policy changes to determine the list has been properly updated.
- Reviewed Board minutes for evidence that the Board and its committees met periodically with management and third parties to maintain or obtain:
 - Oversight over investment performance;
 - Quality of member service;
 - Reporting accuracy;
 - Information technology training;;
 - Compliance with ERS Regulations and Policies; and
 - Proper controls for associated risks in business areas.
- Reviewed Board minutes for evidence that Audit Charters, Rules and Regulations, and ERS policies were reviewed, updated and approved as needed.
- Verified that Board members and senior management employees submitted the required Statement of Economic Interests annually.
- On a test basis, selected five employees and determined that the employees were informed of the city's Fraud, Waste and Abuse of City Resources hotline program at the time they are hired and are aware of the program through office publications.
- Verified all ERS employees reviewed and signed the Basic Office Guidelines, which reflects the office code of conduct, by reviewing management's tracking checklist. Reviewed 15 signed employees' Basic Office Guidelines to determine checklist completeness.