



September 20, 2023

Enrollment and Member Services Audit

City of Milwaukee Employees' Retirement System

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Background

At the request and direction of the Administration and Operations (A&O) Committee, an audit of the Enrollment and Member Services process and controls for the City of Milwaukee Employees' Retirement System (CMERS) was performed during the period from June 1, 2023, through July 15, 2023. The audit was requested to review and evaluate, the organization's Enrollment and Member Services process and controls against leading practices, and test those controls to determine whether control deficiencies existed within the internal control environment or whether there were identified control design or operating deficiencies. This audit cannot be relied upon to disclose errors, fraud, or noncompliance with laws and regulations.



Internal Control Assessment Objectives and Scope

The objective of the Enrollment and Member Services Audit was to review, evaluate, and test processes and controls currently in place against leading practices and evaluate operating effectiveness. The focus of the assessment was to address the following risks:

1. Assess the suitability of the design for process and controls over the Enrollment and Membership Process, including the inherent risk of inaccurate reporting or payment processing.
2. Assess the governance and accountability over in scope process and controls, including the inherent risks from misappropriation, fraud, and abuse.
3. Compare current state internal controls versus leading practices and test for operating effectiveness.
4. Propose future state changes that mitigate risk or enhance CMERS' internal control structure and outcomes.

The following processes and sub-processes are in-scope, as well as segregation of duties in each area:

The objective of the Enrollment and Member Services Audit included the review of processes and controls related to the design and test of operating effectiveness, including:

1. Monitoring and Communication of Legal and Regulatory Developments
2. Data Entry and Documentation Management
3. System Access Restrictions
 - a. User System Access Review and Approval
 - b. Segregation of Duties
4. Organizational Resilience
 - a. Review and Update of Standard Practice Instructions (SPIs)
 - b. Cross Training Procedures



Procedures Performed

The Enrollment and Member Services Audit was performed in collaboration with members of CMERS.

As part of the audit, various techniques were used to audit and assess the effectiveness of the internal controls, including:

1. Interviewed members of CMERS
 - Dan Gopalan, Chief Financial Officer
 - Terry Siddiqui, IT Consultant
2. Gathered supporting documents describing current state processes (e.g., policies, procedures, screenshots, flowcharts, reconciliations, analyses, etc.)
3. Gathered evidence and tested CMERS processes and controls for the following functions;
 - Monitoring and Communication of Legal and Regulatory Developments
 - Data Entry and Documentation Management
 - System Access Restrictions
 - Organizational Resilience
4. Ranked current-state processes against five levels of maturity definition (1. Initial; 2. Repeatable; 3. Defined; 4. Managed; and 5. Optimized)

We would like to acknowledge and thank management with whom we interacted. The time, effort, and discussions they provided were instrumental in our understanding and provided the necessary information to complete our project. During the course of our assessment and audit, management and personnel provided all the materials requested and answered all of our questions promptly. Below is the executive summary of our findings.



Audit and Assessment Results – Executive Summary

All the established processes and controls that were assessed during the audit were rated as Defined Maturity*: Management has established defined and documented formalized processes, procedures, and transaction flows that are regularly updated. This level of maturity is considered suitable for these control environments by management and internal audit.

Processes	Control Description	Control Deficiency?	Issues Identified	Process Maturity Level
Monitoring and Communication of Legal and Regulatory Developments	<p>Legal and Regulatory developments are monitored by the City Counsel and CMERS BOD. Those changes impacting CMERS are discussed in BOD subcommittee meetings and / or monthly BOD meetings.</p> <p>Changes impacting CMERS members are evaluated and, as appropriate, are made to the MERITS system. Those changes made to MERITS are properly reviewed by the appropriate members CMERS management.</p>	No	None	Defined
Data Entry and Documentation Management	<p>Employee Participant Hard and Soft documents are received daily at CMERS and are entered into MERITS by an Enrollment Specialist. Data entered into MERITS is then audited by a second Enrollment Specialist to ensure that the data is accurate. Employee Participant data cannot be entered and activated in MERITS without being first audited by another employee.</p> <p>Employee Hard Copy documents are scanned and stored in MERITS by the Record Tech, who reviews the documentation to ensure that the appropriate information is present and the data has been properly entered and stored in MERITS.</p> <p>When complete, the Record Tech approves the Monthly Document Package and Cover Sheet. The Program Assistant then reviews and approves the Monthly package to ensures that each document has been accounted for and scanned to ensure the package is accurate and complete.</p>	No	None	Defined
System Access Controls	Employee access to CMERS systems is reviewed by management twice a year to ensure that ERS's employees and business partners have the	No	None	Defined



	appropriate system access, and that no “high-risk” Segregation of Duties conflicts exist.			
Organization Resilience	Standard Practice Instructions (SPIs) are regularly reviewed and updated by management to reflect current processes and controls.	No	None	Defined
	Management regularly cross trains and evaluates department personnel as to their ability to competently perform duties outside of the employee’s current role and responsibilities.	No	None	
PROCESS MATURITY DEFINITIONS				
*DEFINED MATURITY	Policies and processes are established, are reviewed, and updated as needed (e.g., annually) to reflect changing business needs; preventive and detective controls are employed but are primarily reliant on manual activities; performance monitoring is performed using a mix of manual and automated processes. <i>See Appendix for all Maturity Definitions.</i>			

Following the conclusion of our testing of CMERS Internal Control Environment, we identified No Internal Control Deficiencies.



Observations, Recommendations, and Management Responses

None.



Closing

We wish to extend our appreciation to management and staff for their timely cooperation and assistance during the project.

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CliftonLarsonAllen LLP

August 29, 2023



Appendix

Maturity Definitions

Capability Level	Capability Description	Capabilities Attribute
5. Optimized	Policies and processes are continuously reviewed and improved within a highly automated control environment.	<ul style="list-style-type: none"> • Processes and controls are continuously reviewed and improved • Preventive and detective controls are highly automated to reduce human error and cost of operation. • Comprehensive, defined performance metrics exist, with extensive automated performance monitoring. • Extensive use of best practices, benchmarking, and/or self-assessment to continuously improve process.
4. Managed	Policies and processes are documented, standardized, regularly updated and controls increasingly use automation.	<ul style="list-style-type: none"> • Procedures and controls are well documented and kept current. • Preventive and detective controls are employed, with greater use of automation to reduce human error. • Many metrics are used with a blend of automated and manual performance monitoring. • Best practices and/or benchmarking are used to improve process
3. Defined	Policies and processes are established, are reviewed, and updated as needed (e.g., annually) to reflect changing business needs; preventive and detective controls are employed but are primarily reliant on manual activities; performance monitoring is performed using a mix of manual and automated processes.	<ul style="list-style-type: none"> • Procedures are well documented, but not kept current to reflect changing business needs. • Preventive and detective controls are employed, still reliant on manual activities. • Some metrics are used, but performance monitoring is still manual and/or infrequent. • Generally occurs during periodic (e.g., annual) policy and procedure renewal.
2. Repeatable	Some standard processes are defined, and success depends largely on "tribal knowledge" and detective controls.	<ul style="list-style-type: none"> • Some standard procedures exist, relies on "tribal knowledge." • Mostly detective are in place, minimal preventive controls, and highly manual. • Few performance metrics exist, thus performance monitoring is inconsistent or informal. • Most likely in reaction to audits or service disruptions.
1. Initial	Few processes are defined and success depends on individual effort and heroics.	<ul style="list-style-type: none"> • No formal procedures exist. • Controls are non-existent or primarily in reaction to a "surprise." • There are no metrics or performance monitoring.

