



City of Milwaukee Employees' Retirement Services

Accounting and Financial Reporting Audit

AUGUST 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 Accounting and Financial Reporting Audit was performed during the period July 16, 2019 – August 31, 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.

ERS uses Sage 300 as its general ledger application to compile financial information from several sources. Sage 300 also interfaces with MERITS, its pension administration system, to capture agency contribution and member benefit payment data. ERS uses complex spreadsheets to download and reconcile all investment information to complete the financial statements on an annual basis.

Audit Scope & Objectives

The objective of the Accounting and Financial Reporting audit included the review of processes and controls related to the design and operating effectiveness of financial reporting controls, including:

- Review and approval of vouchered payments;
- Account reconciliations;
- Journal entry review and approval;
- Actuarial reports;
- Segregation of duties;
- Financial reporting accuracy; and
- Access restrictions to accounting software and complex accounting spreadsheets.

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 Accounting & Financial Reporting 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 testing period, January 2018 through July 2019.

- Performed a walkthrough of five Standard Practice Instructions (SPI) for accuracy.
- Verified depreciation schedules were calculated properly, reviewed and approved by management.
- Confirmed the annual budget is reviewed by Senior Management and approved by the Board of Directors.
- Selected and verified that two monthly reimbursement payments due to the City of Milwaukee for administrative services were made accurately and timely.
- Selected and reviewed a sample of 25 journal entries and determined that they were reviewed and approved by management prior to being recorded in the General Ledger.
- Reviewed the procedures used by management to ensure that the Actuarial Report was properly calculated and valued.
- Selected and reviewed a sample of 25 invoice batches to determine they were reviewed and approved by key personnel prior to submitting to the City of Milwaukee for payment.
- Tested three monthly account reconciliations for all bank and investment accounts and attached journal entries. Agreed the reconciled balances to the general ledger and verified the reconciliations and journal entries were reviewed by someone independent from the process.
- Reviewed the system User access controls that management has put in place to manage and control sensitive information and access to key financial spreadsheets.
- Reviewed the key financial spreadsheets and verified ending balances used for reporting purposes agreed to the general ledger.
- Determined that management regularly evaluates Finance personnel for the purpose of assessing employee cross training.
- Reviewed and evaluated management's procedures for assessing and evaluating SSAE 18 SOC-1 third party servicer internal controls and related User Control Considerations for the Northern Trust system.