

COUNTY OF MILWAUKEE
Inter-Office Communication

Date: November 20, 2012

To: Supervisor Willie Johnson, Jr., Co-Chair, Committee on Finance, Personnel & Audit
Supervisor David Cullen, Co-Chair, Committee on Finance, Personnel & Audit

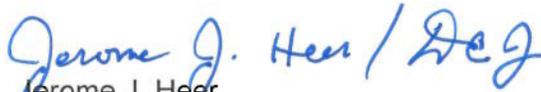
From: Jerome J. Heer, Director of Audits

Subject: Status Report – Audit of ERS Pension Benefit Calculations (File No. 12-318)

At its meeting on May 17, 2012, the Committee on Finance and Audit passed a motion to approve and recommend for adoption the recommendations made in our audit report "Excessive Manual Review and Intervention is Required to Ensure Pension Benefit Calculations from Milwaukee County ERS' Automated V-3 System are Accurate."

The attached status report summarizes the progress made toward implementation of these recommendations. As stated in the report, Human Resources management has completed implementation of ten of the fourteen recommendations. Please note our comments where we state our disagreement with management's approach to Recommendation No. 6 and our plans to review management's efforts regarding Recommendation Nos. 8 and 10 in advance of the next status report.

This status report is informational and we will work with management to provide an updated status report for the June 2013 committee meeting cycle.


Jerome J. Heer

JJH/PAG/cah

Attachment

cc: Scott Manske, Milwaukee County Comptroller
Finance, Personnel & Audit Committee Members
Chris Abele, Milwaukee County Executive
Kerry Mitchell, Executive Director, Department of Human Resources
Kelly Bablitch, Chief of Staff, County Board Staff
Steve Cady, Research Analyst, County Board Staff
Carol Mueller, Chief Committee Clerk

STATUS OF IMPLEMENTING DEPARTMENT OF AUDIT REPORT RECOMMENDATIONS

Audit Title: Excessive Manual Review and Intervention is Required to Ensure Pension Benefit Calculations from Milwaukee County ERS' Automated V-3 System are Accurate **File Number:** 12-318

Audit Date: March 2012

Status Report Date: November 16, 2012

Department: Human Resources –
Division of Employee Benefits

Number & Recommendation	Deadlines Established		Deadlines Achieved		Implementation Status		Comments
	Yes	No	Yes	No	Completed	Further Action Required	
1. Develop written protocols defining the number of pay periods used to calculate three-year and five-year Final Average Salary figures, respectively, for determining ERS retiree benefits in compliance with s. 201.24, Section II 2.8 of the Milwaukee County Ordinances. We suggest consistent application of the 78 highest consecutive pay periods for three-year FAS and the 130 highest consecutive pay periods for five-year FAS.					Yes	No	Auditee: ERS agreed with the recommendation and updated the procedure manuals accordingly. This project was completed in May 2012. A Change Order was requested to make the necessary V3 system modification.
2. Continue monitoring COLA adjustments and document efforts to verify reliable application of appropriate COLAs by the V-3 System.					Yes	No	Auditee: Ongoing quality assurance efforts regarding Cost of Living Adjustments (COLA) are in place. A full review of all COLAs is performed monthly. Issues are identified (over/underpayments) and corrective action is taken monthly. As an additional note, the programming issue with COLAs related to backDROPS that was separately identified by ERS was resolved in May 2012.
3. Review and correct all Option 6 cut-off date errors in the V-3 System					Yes	No	Auditee: ERS corrected all known option 6 errors. ERS continues to actively self-audit, and will similarly correct any issue identified in the future.

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	4. Work with Corporation Counsel to revise s. 201.24 of the County Ordinances to codify the backDROP cut-off dates.					Yes	
5. Develop written procedures regarding the procession of Option 6 pension applications, including measures to ensure cut-off dates for Option 6 members with backDROP dates are entered into V-3 appropriately and to ensure remaining benefits are paid to the estates of members who die without a beneficiary before receiving 120 guaranteed payments.					Yes	No	Auditee: Written procedures regarding option 6 were implemented in July 2012. These procedures address the execution of remaining payments to the estate of retirees who die prior to receiving the guaranteed number of payments.

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	6. Create an automatic computer-generated cut-off for Option 6 beneficiary payments once the guaranteed 120 payment requirements have been met.					No	
7. Expedite review of all remaining instances of benefits overpayments and underpayments referred by the Department of Audit during the course of this audit and take appropriate corrective action.					Yes	No	<p>Auditee: ERS completed all corrections prior to July 2012</p>

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	8. Conduct a manual review of member accounts in those instances where missing or contradictory information in the V-3 System and/or paper files cast doubt on the accuracy of Option 7 payments. This may require contacting retirees and/or survivors to resolve issues with Option 7 that were not satisfied during this audit.					No	
9. Refer the Option 4 (25% Joint and Survivor) case that was processed as Option 7 to Corporation Counsel for a legal review and opinion as to appropriate action, if any.					No	Yes	Auditee: This issue is still pending. Response will be updated to reflect resolution by end of December 2012.
10. Address all data errors in V-3 relating to the Option 7 cases that we have brought to management's attention in the course of this audit.					No	Yes	Auditee: ERS has reviewed all issues that were brought forward. However, the age of the cases and document retention issues has limited our ability to completely resolve all questions. ERS will continue to make all reasonable efforts to ensure data integrity. Audit Services Division: <i>Audit Services will review ERS' efforts in this area in advance of the next status report.</i>

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11. Continue ongoing problem identification and resolution processes, including manual reviews and intervention to V-3 and correct all system data that is incorrect to make sure the system is a true account of each record.					Yes	No	Auditee: ERS has made, and will continue to make all reasonable quality assurance reviews. Identifying and resolving data integrity issues will remain an ongoing effort. Management has identified issues resulting in compromised data integrity and is addressing these with the V3 system vendor.
12. Revise ERS procedures manual to include the Peer to Peer Review Process.					Yes	No	Auditee: Procedure manuals have been updated to include the peer-to-peer review process. Additionally, the Fiscal office has final review and sign-off of all finals
13. Identify those problems attributable to staff errors and develop additional focused training and reinforcement efforts to improve performance.					Yes	No	Auditee: ERS has filled the Retirement Systems Specialist and ERS Assistant Manager roles, and subsequently increased its use of metrics for tracking and identifying staff errors. Some initial training issues have been addressed, but this will continue to be an ongoing effort. Additional staff development and training initiatives are in planning phase for implementation in 2013.
14. Review the Benefit Division's policy on the retention of records and ensure all documents necessary to recreate and verify retirement benefits calculations are retained in the V-3 System.					Yes	No	The Benefit Division's policy has been reviewed and distributed. Due to staff turnover, monitoring and re-training will be an ongoing effort.