

**EMPLOYEES' RETIREMENT SYSTEM**  
**THE COUNTY OF MILWAUKEE**  
**Phase 3**

October 2017

Milwaukee, Wisconsin



Candor. Insight. Results.

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Report delivered to:

- > Members of the Pension Audit Committee

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# Executive Summary

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## Background

The Employees' Retirement System (ERS) of the County of Milwaukee (the County) was created to encourage qualified personnel to enter and remain in the service of the County by providing a system of pension, disability and survivor benefits. ERS was created by Section 201 of the General Ordinances in 1937 and the authority to manage and administer the ERS is vested in the Pension Board. Retirement Plan Services (RPS) performs the day to day operations of the ERS.

Baker Tilly was engaged by the Pension Board Chairman, Director of Audit, Interim Director of RPS, and County Corporation Counsel of Milwaukee County on March 28, 2017 to work with the County to evaluate the current state pension administration processes to determine whether improvement opportunities exist for the County to increase payment accuracy for the ERS. The engagement of Baker Tilly was in response to the uncovering of what appeared to be previously-undiscovered systemic payment errors.<sup>1</sup>

## Objectives and Scope

Based on our discussions with the Interim Director of RPS, Pension Board Chairman, Director of Audit and County Corporation Counsel, we jointly determined the objectives of this engagement in relation to the ERS as follows:

- > Documentation of processes: Through a combination of interviews, facilitated workshops, and inspection of documentation, Baker Tilly developed an understanding of the following *current state* processes related to the ERS and payments:
  - o Retirement processing (retirement and re-retirement)
  - o Benefit calculations (retirement and re-retirement)
  - o Payee administration (eligibility, start, stop, cost of living adjustments (COLA), accidental ordinary disability, ordinary disability retirement and buy-back)
  - o Pension reporting
  - o Pension data maintenance
  - o Pension administration
- > Assessed process and control design: Based on the developed process understanding, Baker Tilly critically assessed the process to identify areas of process inefficiency or identify complicating factors that may contribute to pension calculation and payment errors.

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<sup>1</sup> Baker Tilly Assurance services completes the annual audit of the Employees' Retirement System of the County of Milwaukee



- > The V3 system along with third-party vendor, Vitech, was assessed within the above processes as the V3 system is the main retirement software that is used by RPS in administering pension benefits for all eligible members of the County.

## Observations and Recommendations Summary

### Strengths

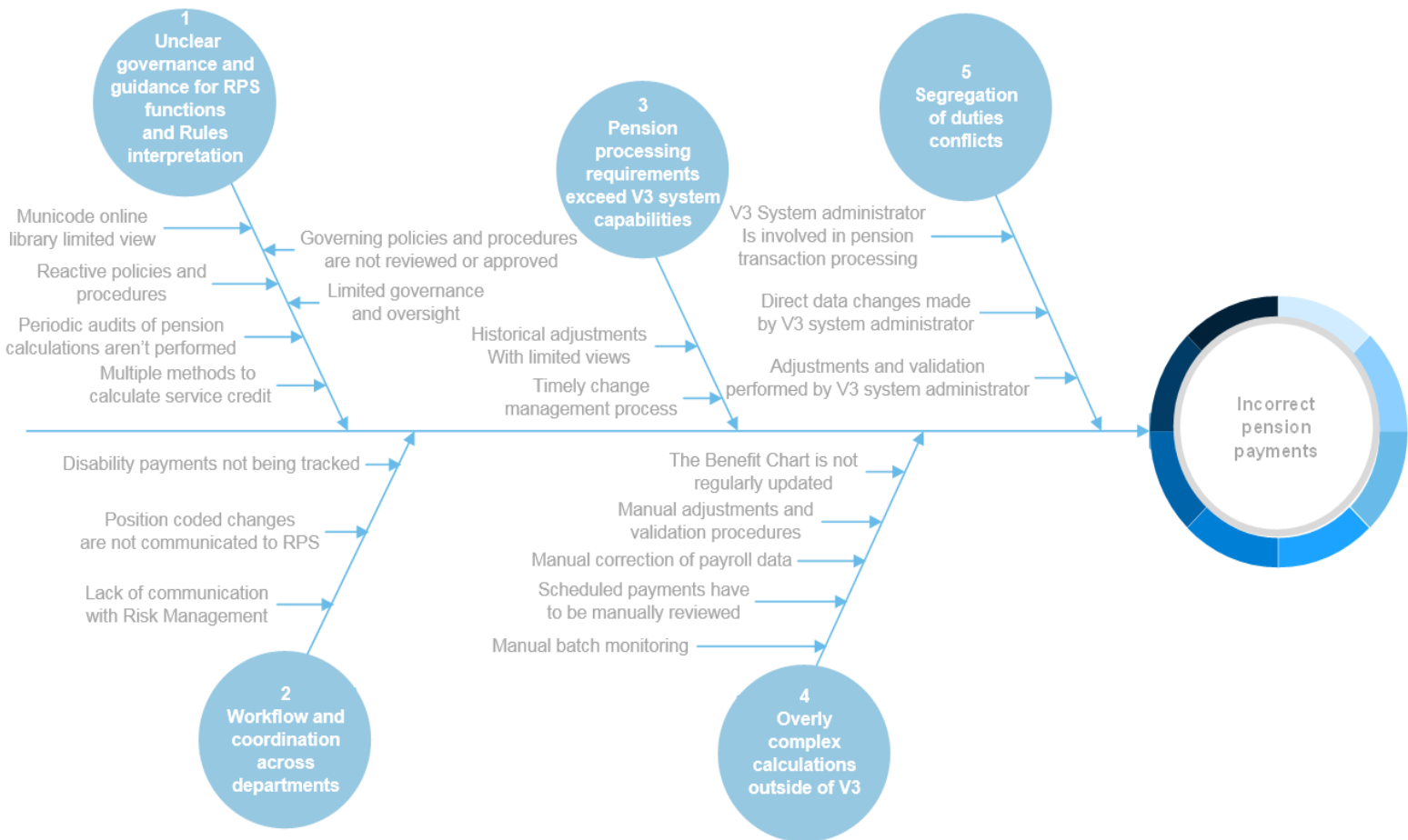
During the engagement, Baker Tilly noted the following strengths:

- > The plan administration process for change management follows the third-party vendor, Vitech's, co-development process prior to applying the changes to V3 production environment. Once approved, the pension change is deployed in production by Vitech (i.e., not executed by RPS). Request for changes are generated through a service management ticketing system.
- > RPS administers multiple in-person meetings and trainings with members and employees to clarify the ERS process. RPS explains beneficiary designation information to members, meets with active employees beginning retirement and explains the accidental disability retirement and ordinary disability retirement requirement application process to injured employees. They also explain the retirement and re-retirement process to newly hired employees in Human Resources (HR) for on-boarding purposes.
- > Controls have been recently developed and put in place to help ensure accurate retirement calculations, such as detailed procedures, checklists, and peer review of manual re-verification of benefit calculations.
- > The employees and management interviewed in RPS have demonstrated a strong attention to integrity and values as it recently implemented new standard documents, improvements in process flows and corrective actions and appear committed to helping find resolution to the inaccurate benefit payments.



## Themes

Depicted below is a cause and effect diagram that indicates key factors and themes that may contribute to possible pension calculation and payment errors. The diagram is only a tool used to visualize these potential causes. For the detailed summary of each theme, refer to pages 6 through 10:





Below is presented, at a summary level, the overarching themes that were observed during our review (see detailed recommendations in the following section):

<b>Theme 1: Unclear governance and guidance for RPS functions and Rules interpretation</b>	
<b>Current State</b>	<p>Updates/changes to Ordinances may not be timely reflected by the Pension Board in Appendix B to the Code of Ordinances (which are the Pension Board–adopted Rules of the Employees' Retirement System Plan (Rules)) or in interpretations of the Rules and often times, such interpretations or dealing with outmoded Rules require RPS to interpret/clarify without appropriate oversight and/or sufficiently clear guidance.</p> <p>The Municode online library, which includes the Rules, does not clearly delineate how Appendix B (or the pension Ordinances) have been revised overtime, particularly prior to 2010. It also does not provide separate copies or references to earlier versions of Appendix B. It is not possible to consistently determine whether Appendix B has an archived change for a given Rule. In turn, if RPS has questions as to which Rule may have applied and at what time, that cannot be determined with certainty.</p> <p>Legal guidance is not provided in a timely manner to RPS and/or the Pension when additional interpretations of the Rules are needed. Legal guidance, when provided regarding particular interpretations of Rules or Ordinances, appears to have varied over time (an example is the applicable interest rate) and sometimes omits discussion of potential additional impacts beyond the immediate rule interpretation at issue. The Board and RPS likely require greater guidance from legal counsel when Rules / Ordinances are inconsistent, outmoded, vague and need revision.</p> <p>While RPS has some defined policies in place, related procedures are inconsistently documented and may not be readily available to RPS. Examples include reactive procedures being created after an identified incident with a member, or documented procedures in an email chain. Approval or sign-off of policies is not indicated.</p>
<b>Summary Recommendation</b>	<p>When new Ordinances are added or interpretations of the Rules are updated within the Municipal Code, enable version control on all previous Rules within Appendix B (e.g., PDF/print and save existing Ordinance prior to interpretation being enacted). This will help enable RPS to conduct an audit over member accounts to easily look back on past interpretations and rule changes to calculate benefits.<sup>2</sup></p>

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<sup>2</sup> Changes/enhancements to the Municode online library have been made between the start of this engagement and the completion of this report. These may, in part, address some of these concerns.



**Theme 1: Unclear governance and guidance for RPS functions and Rules interpretation**

**Summary  
Recommendation  
(Continued)**

Timely changes should be addressed by legal counsel and the Pension Board when needed. To ensure applicable employees are aware of any changes or clarifications that result from the County Board meeting, a cadence should be followed.

The Director of RPS (or other designated policy approver) should be reviewing and approving all policy/Rule/Ordinance changes. To ensure consistency, a standardized format for review/approval should be adopted. When a need for a policy or a policy revision has been identified, a draft of the policy should be submitted in the template format to the designate policy approver. The approval process should consist of a review for consistency, accuracy and conflicts with existing policies in place. The process must include, in all cases, review by the Office of Corporation Counsel, to ensure that revisions/new Rules or Ordinances do not conflict with other policy initiatives and litigation strategies.

Given additional complexity created by Pension Board changes and the regulatory landscape, procedures should be considered for a once-per-year annual review and approval. Defined guidelines should be in place for when the Pension Board approval is required for policies. Review by all policy approvers and the pension board should be regularized.



<b>Theme 2: Workflow and coordination across departments</b>	
<b>Current State</b>	<p>Communication between RPS, the Pension Board and other divisions and departments is limited. Changes often come out of the Pension Board meetings that have not been reviewed by other stakeholders and that may require review/coordination with the HR department, Risk Management, and/or Corporation Counsel, among other stakeholder groups, such as County Board settlements of litigation and collective bargaining agreements. Other times, there is discrepancy on pay code eligibility or the importance of annuity dates within the V3 system between HR and RPS that needs to be resolved. Outside counsel to the pension board may not provide sufficiently clear explanations to RPS, Corporation Counsel, or the Pension Board regarding the impacts of certain decisions/changes on other County HR/employment operations. Also, outside counsel may not be fully aware of these impacts as outside counsel may not always be familiar with other County departmental operations.</p> <p>Additionally, Risk Management has litigated worker's compensation claims which may be applicable to an offset accidental disability retirement or ordinary disability retirement payment, but a breakdown in communication may cause unintended over payments.</p>
<b>Summary Recommendation</b>	<p>In addition to the above-noted recommendations for Theme 1, to ensure RPS and HR staff is aware of any changes or clarifications, a process should be followed and a method developed on how to keep RPS and HR informed regarding changes that occur within different divisions and departments that directly affect RPS or HR on pension issues, including changes coming from the Pension and County Boards. A formalized information-sharing process may be appropriate. Frequent communication should be in place with applicable divisions. Standing reoccurring meetings could take place with Risk Management and HR to discuss applicable accidental disability retirement and ordinary disability retirement offsets and/or with HR to discuss eligibility changes during the period that either came out of the County Board meeting, Pension Board meeting or changes being implemented by HR within Ceridian (payroll system) that could affect the V3 system and require communication of a correction. The Office of Corporation Counsel is likely best situated (as opposed to outside counsel), to identify inter-departmental impacts of Pension and County Board, as well as RPS decisions, policies, and changes, and is therefore, also likely best suited as the primary legal advisor to the Pension Board. This appears to be the directive in pension Ordinance 8.11.<sup>3</sup></p>

<sup>3</sup> Ordinance 8.11 – Legal advisor, “The county corporation counsel shall be the legal advisor of the board. Whenever the county corporation counsel deems it necessary to obtain the services of private legal counsel to advise the board, the county corporation counsel shall follow the provisions of section 56.30(5) of the General Ordinances of Milwaukee County.”





**Theme 3: Pension processing requirements exceed V3 system capabilities**

<p><b>Current State</b></p>	<p>There is a strong and defined change management process in place, however, the development of system changes is lengthy and can be costly (depending on whether a product code change or change order is needed to be executed by Vitech, the third-party vendor).</p> <p>The V3 system is limited in its capacity to perform many functions that the Rules govern, such as estimates for participants, back drops and calculation of service credits thus causing more inquiries from members to be generated to RPS.</p> <p>There are over 70 outstanding issues with the V3 system to help enhance the pension process. Another limiting factor to make these enhancements is if a significant change is made to the Ordinance or interpretation of the Rules, it will have to be re-implemented back through the change management process for the V3 system. With upcoming potential changes to the plan design (Ordinance or interpretation of the Rules), RPS is reticent to make major enhancements to the V3 system.</p>
<p><b>Summary Recommendation</b></p>	<p>The Pension Board should take into consideration changes within the Ordinance or interpretation of the Rules and whether the change will have a significant effect within RPS and the method that the calculation will be performed going forward. Changes within the Ordinance or interpretation should follow a structured cadence and cost-benefit analysis as a change that affects the V3 system could cost internal resources (i.e., V3 system administrator and consultants) and external time and materials (i.e., Vitech). As noted above in the Summary Recommendations for Theme 2, it is likely that Corporation Counsel should take a primary advisory role regarding changes to Ordinances and/or interpretation of Rules considered by the Pension Board, particularly with respect to the fiduciary implications stemming from systems-related implementation challenges. At a minimum, the Office of Corporation Counsel should be consulted on changes to Ordinances and/or interpretation of Rules to ensure agreement with external legal advice.</p>



#### Theme 4: Overly complex calculations completed outside of the V3 system

<b>Current State</b>	Rather than automatic functions within the V3 system, due to known issues or complications and variety of ad hoc changes to baseline calculations that may be required for certain members, RPS completes many tasks manually on Excel spreadsheets, such as the COLA audit, adjustment and validation procedures. In addition, complex calculations error out during execution in the V3 system and manual intervention is required.
<b>Summary Recommendation</b>	Refer to Summary Recommendations for Theme 3.

#### Theme 5: Segregation of duties conflicts

<b>Current State</b>	Segregation of duties (SOD) conflicts were noted in multiple process areas in relation to the V3 system administrator role. In addition to executing system administrator duties, the V3 system administrator is also involved in pension transaction processing (e.g., validation and adjustments).
<b>Summary Recommendation</b>	A primary objective related to SOD is to disseminate tasks and associated privileges for specific security processes among multiple employees to prevent errors, wrongful acts or conflicts of interest. Given industry standards with the size and complexity of the ERS, two additional resources skilled in retirement processing and V3 configuration should be considered within RPS to specifically limit the V3 system administrator's interaction within each pension process as noted on page 3.



Baker Tilly has the following lower priority recommendations and themes to strengthen the RPS internal control environment. These themes do not directly contribute to incorrect benefit pension payments.

Theme 6: Retention of documents	
<b>Current State</b>	Specific documents could not be found to support calculations, process flows or controls. For example, documents related to earned income information such as tax returns or W-2 forms were not available.
<b>Summary Recommendation</b>	RPS should formally document a <i>Data Retention</i> policy pertaining to electronic files received and external documents received via postal mail. Retention of the documents should be in line with County requirements. Corporation Counsel should advise to ensure compliance with state public records laws.

Theme 7: Security of personal identifiable information	
<b>Current State</b>	Commonly, documents were stored in an unprotected Excel workbook consisting of accidental disability retirement and ordinary disability retirement data, benefit charts, COLA adjustments and disbursement information consisting of participant social security numbers.
<b>Summary Recommendation</b>	RPS should ensure it is practicing due care when it comes to documents containing personally identifiable information (PII) and should develop and implement security policies, procedures and standards. Complex Excel workbooks, containing member PII, should be password protected to ensure unauthorized users do not damage the integrity of the member data within. Workbooks containing factors used in calculation of benefit payments, though not PII, should also be password protected to prevent unauthorized modification. Corporation Counsel should advise to ensure compliance with applicable laws and regulations.



## Detailed Report

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### Procedures

Detailed procedures consisted of:

- > Documentation of processes: Through a mix of interviews, as indicated in Appendix 2, facilitated workshops, and inspection of documentation, as indicated in Appendix 1, Baker Tilly developed an understanding of the *current state* processes related to:
  - Retirement processing (process to convert an employee to a retiree)
    - Retirement and Re-Retirement
  - Benefits calculation (process to determine appropriate benefit payment and enter into the V3 system)
    - Retirement and Re-Retirement
  - Payee administration (to create and maintain payee data in the V3 system)
    - Eligibility, start, stop, COLA, accidental disability retirement, ordinary disability retirement and buy-back
  - Pension reporting (data flow and source systems for all pension calculation and payment data)
  - Pension data maintenance (process to modify payee data and detect unauthorized changes)
  - Pension administration (process to modify plan design and payment types in the V3 system and detect unauthorized changes)

Baker Tilly prepared process flows in order to document this understanding. The process flows were documented over the current state process.

- > Assessed process and control design: Based on the developed process understanding, Baker Tilly critically assessed the process to identify areas of process inefficiency or identify complicating factors that may contribute to pension calculation and payment errors.
- > Identified risks and internal controls in place within these processes and evaluated the design of those controls to determine whether controls were reasonably sufficient to identify and correct pension calculation and payment errors.
- > Based on interviews performed, Baker Tilly analyzed processes and identified key factors that may contribute to pension calculation and payment errors.



## Recommendations

Baker Tilly has the following priority recommendations to strengthen the RPS internal control environment. The recommendations address the most significant risk areas.

A. Area of Impact: Retirement Processing		
A1	<b>Issue</b>	A formalized policy or standard process does not exist regarding retirement or re-retirement processing. No formal policy or standard process currently exists for the documented, formal review and written adoption of Pension Board Rules or interpretations (either from the Board or within RPS).
	<b>Recommendation</b>	A policy (or standard) should be in place for retirement processing to help guide decisions. An all-inclusive procedural document should be created to help support the policy (and the specific automated procedures needed within the V3 system and manual procedures needed to be executed) <sup>4</sup> The designated policy approver should approve the policy on an annual basis.
B. Area of Impact: Benefit Calculations		
B1	<b>Issue</b>	A formalized policy or standard process does not exist regarding benefit calculations processing. No formal policy or standard process currently exists for the documented, formal review and written adoption of Pension Board Rules or interpretations (either from the Board or within RPS). Processes on specific steps for benefit calculations are located in multiple drives and in email correspondence, however are not formally reviewed and approved.
	<b>Recommendation</b>	A policy (or standard) should be in place for benefit calculations to help guide decisions. An all-inclusive procedural document should be created to help support the policy (and the specific automated procedures needed within the V3 system and manual procedures needed to be executed). The designated policy approver should approve the policy on an annual basis.
B2	<b>Issue</b>	Sections 301 – 307 of the Ordinance indicate multiple ways to execute the calculation for a service credit (at least four due to full-time, part-time members and certain situations). Calculations involve daily decimal calendar calculations, calculation of absentee hours (up to 160 hours within a one year period) excluding separations, terminations, layoffs, resignations

<sup>4</sup> Processes on specific procedures, checklists and memos exist and one policy is approved, however remaining are not formally reviewed and approved.



B. Area of Impact: Benefit Calculations		
	<b>Issue (Continued)</b>	or retirements) and calculations for teachers employed on a ten-month basis.
	<b>Recommendation</b>	The complex service credit calculation should be streamlined to limit the custom calculations per employee role to minimize risk of error.
<b>B3</b>	<b>Issue</b>	There is uncertain ownership of a Benefit Chart (which is used in the calculation of payments). It is manually maintained to reflect evolving interpretations which may lead to the Benefit Chart becoming out of date and leading to discrepancies. Through inquiry, it was identified that legal counsel may be involved with the creation of the chart (2013), however, it has not been formally updated.
	<b>Recommendation</b>	<p>An owner of the Benefit Chart should be identified and formally reviewed on an annual basis to verify inputs and ensure consistency with the interpretation of the Rules. Defined guidelines should be in place for when there is a need to have legal counsel approve and/or update. Corporation Counsel should likely coordinate and oversee the maintenance and updating of this Chart.</p> <p>The Benefit chart should be distributed for viewing in PDF. <i>Limited authorized</i> employees should have access to the editable document and the Benefit Chart should be password-protected.</p>
<b>B4</b>	<b>Issue</b>	Benefit overpayments and underpayments are not being identified and resolved in a timely manner. RPS doesn't have a process in place to actively identify over/under payments.
	<b>Recommendation</b>	<p>1. RPS should consider implementing a process to audit a small set of retired members' payments on a quarterly basis to ensure payments are accurate (e.g., Quality Control).</p> <p>2. There is not a consistent process in place to re-calculate payments when brought to the attention of RPS. A defined process should be in place to determine the re-calculation amount for payments.</p>
<b>B5</b>	<b>Issue</b>	The V3 system administrator's involvement in validation procedures is needed due to complexity of inputs and the V3 system's limited capacity in executing an automatic calculation. RPS performs validation procedures for monthly benefit payments such as calculating service credits, multipliers and final average salary. For manual adjustments that are needed, the process begins with the RPS Analyst drafting the adjustment, then the RPS Manager reviews and directs final approval to the V3 system administrator, who then executes necessary adjustments.



**B. Area of Impact: Benefit Calculations**

	<p><b>Recommendation</b></p>	<p>Normally, the duties of a system administrator are wide-ranging and can vary. However, system administrators are usually charged with the responsibility of the upkeep, configuration, and reliable operation of associated computer systems and charged with installing, supporting, and maintaining these systems. The V3 system administrator should not be making adjustments to direct member data for payments. Another member within RPS (deemed competent in the subject matter) should be executing the adjustments.</p>
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**C. Area of Impact: Payee Administration**

<p><b>C1</b></p>	<p><b>Issue</b></p>	<p>RPS manually reviews employee annuity codes and position codes (codes that determine eligibility into ERS) due to inaccurate codes being generated in Ceridian (the payroll system). The payroll system may not always contain valid eligibility codes and in such cases, RPS is required to manually intervene. The current process results in a shared responsibility between RPS and HR.</p> <p>Per the Ordinance, Appendix B Rule 1019:  <i>“Determination of earnable compensation and service. A member's eligibility for a pension is based on his service with the County. The amount of a member's pension benefit is based on his earnable compensation and service with the County. For purposes of determining a member's eligibility for a pension and calculating the amount of a member's pension benefit, the Board will rely on the compensation and service information provided by the County, and shall not independently verify a member's earnable compensation or service for any periods of county employment.”</i></p>
	<p><b>Recommendation</b></p>	<p>1. Due to previous inconsistencies with the eligibility process, Management Assistants (MA), whom enter the member information in Ceridian upon hire, should be trained by RPS to ensure accurate codes are being generated.</p> <p>2. MA's should send RPS the queue of upcoming new hires, their applicable position and annuity codes so RPS is aware of new members.</p>
<p><b>C2</b></p>	<p><b>Issue</b></p>	<p>There is not a standing meeting in place with HR and RPS to discuss changes during the period that were generated from a County Board meeting, Pension Board meeting or changes being implemented by HR within Ceridian that could affect the V3 system.</p>



	<b>Recommendation</b>	<p>A regularly occurring meeting should be organized with pension and payroll stakeholders across departments to discuss employee movements during the period, Rules that need to be addressed for clarification and changes to the V3 system. If resources allow, an employee from either team should try to attend the Board meetings to ensure all information and action steps (if needed) are captured. Again, Corporation Counsel likely should have a coordination, consultative, and/or oversight role.</p> <p>Consideration should be considered to involve the Information Management Services Division for hardware and infrastructure changes.</p>
<b>C3</b>	<b>Issue</b>	<p>1. RPS may not have the applicable knowledge to assess a related worker's compensation payment for the accidental disability retirement and ordinary disability retirement offsets.</p> <p>2. RPS does not consistently reach out to Risk Management to identify members with current worker's compensation payments relating to the applied accidental disability retirement or ordinary disability retirement.</p>
	<b>Recommendation</b>	<p>RPS should be obtaining detailed worker's compensation payment information for applicable members from Risk Management. This can be evidenced within a newly created form (<i>Accidental Disability Retirement/Ordinary Disability Retirement and Worker's Compensation Verification Form</i>). RPS should be utilizing this form every time to initially calculate an accidental disability retirement or ordinary disability retirement payment.</p>
<b>C4</b>	<b>Issue</b>	<p>RPS is not tracking litigated worker's compensation claims and thus, if accidental disability retirement or ordinary disability retirement is applied for and approved prior to the worker's compensation litigation being settled, RPS would not have notice to the offset of the accidental disability retirement or ordinary disability retirement payment if the worker's compensation benefit was approved/agreed to as part of a settlement or in a judgment resulting from litigation.</p>
	<b>Recommendation</b>	<p>RPS is currently tracking all accidental disability retirement and ordinary disability retirement payments within an Excel workbook, however, they are not determining or tracking whether any disability payments have an associated litigated worker's compensation claim. RPS should be following up with Risk Management on a regular, reoccurring basis to verify current status on any applicable outstanding litigated claims and updating the log / flagging certain benefits for follow-up to ensure they are aware if an offset is going to be needed.</p>
<b>C5</b>	<b>Issue</b>	<p>There are multiple jobs that are run automatically in V3, however, when a job can't run (due to complexity), the V3 system administrator must inspect and review manually,</p>





	<b>Issue (Continued)</b>	causing a SOD conflict (e.g., COLA batch and audit process). The V3 system administrator's involvement is needed due to complexity of inputs and the V3 system's limited capacity in executing an automatic adjustment.
	<b>Recommendation</b>	<p>1. The RPS Manager, rather than the V3 system administrator, should be reviewing error alerts, approving and making the adjustment within the V3 system so the job will appropriately run or be executed.</p> <p>2. RPS should introduce new automated scripts/jobs or inquire with Vitech (third-party vendor) as to whether the system can process complex adjustments based on member payment set-up.</p>
<b>C6</b>	<b>Issue</b>	A Buy-Back Policy documenting the allowance of eligible members to purchase service credits, was created in 1993, retrospectively after an issue with a member was identified. The policy does not have supporting procedures or templates to facilitate and execute a buy-back if a returning member would choose to do so.
	<b>Recommendation</b>	Upon discussion with management, this situation is highly unlikely to occur and no recommendation is necessary.

#### D. Area of Impact: Pension Reporting

<b>D1</b>	<b>Issue</b>	Monthly journal entries that are recorded in the accounting system (Sage) are not formally reviewed, signed-off and documented.
	<b>Recommendation</b>	RPS Financial Management should consider establishing a process to sign-off on the journal entries being recorded in the accounting system and document a review process. For example, one employee is to create the journal entries and another will review, post and sign-off on the entries.

#### E. Area of Impact: Pension Data Maintenance

<b>E1</b>	<b>Issue</b>	Predefined business roles (roles and duties that describe employee tasks) have not been designated within RPS including privileged roles such as V3 system administrator. Access reviews over user account access rights or application privileges to determine if a user has excessive rights or incompatible privileges for their job role are not being completed.
	<b>Recommendation</b>	Security access of defined permissions should be reviewed at least annually by RPS to determine that all users with access to the system are authorized. An annual review of user access



E. Area of Impact: Pension Data Maintenance		
	<b>Recommendation (Continued)</b>	<p>should be implemented to detect violations and to mitigate the inherent risk that unauthorized access is obtained or retained by users, which may be exploited for unauthorized activity.</p> <p>Defined roles, relating to applicable job descriptions, should be documented and available for all ERS employees. Additional duties included or added to an employee's responsibilities should be evaluated for conflicting roles.</p>
	<b>Issue</b>	There is not a formal process to detect unauthorized data changes to member data. In addition, historical adjustments are limited within the V3 system. If the historical adjustment was incorrect, RPS clears out the old adjustment, corrects and adds supporting documentation.
<b>E2</b>	<b>Recommendation</b>	<p>1. Audit log monitoring/alerts should be enabled to capture unauthorized changes to members' data that could have been executed within the V3 system. The logs should be reviewed on at least a monthly basis by an employee that does not have access to modify member data. The monitoring is also considered a mitigating control when SOD conflicts exist.</p> <p>2. If the V3 system does not offer alert generation, administrative access to modify member data should be considerably limited. Other duties of the employee that would be modifying the data would be limited within the system.</p> <p>3. RPS should input corrective entries into the V3 system to net the inaccurate member balance. Completely wiping existing data (even if incorrect) deletes the audit trail, which helps analyze historical transactions.</p>
	<b>Issue</b>	The V3 system administrator has the ability to edit direct data within the V3 system and given the current process in place, is part of her normal duties. It was also identified that the V3 system administrator does not have a backup employee to perform her duties when on PTO/sick-leave. For example, the V3 system administrator had to approve and execute a disbursement when on PTO due to no other employee able to execute the role.
<b>E3</b>	<b>Recommendation</b>	RPS should consider cross-training other employees or using existing contracted labor resources to ensure others are able to take over critical responsibilities in the time of need. An additional resource skilled in pension administration, should be considered within RPS to specifically limit the V3 system administrator's interaction within each pension process. This will increase flexibility to respond to fluctuating workflows, help with RPS' durability and sustainability, increase agility for on-the-job professional development, increase flexibility to recover quickly from a transition and efficiency to help refine processes.



<b>F. Plan Administration Information</b>		
<b>F1</b>	<b>Issue</b>	A process (flowchart) exists for change management, however, there is not a policy (or standard) that is approved on an annual basis for change management.
	<b>Recommendation</b>	A policy (or standard) should be in place for plan administration changes in relation to the V3 system to help guide decisions. A procedural document should be created as well to help support the policy (and the specifics steps needed within JIRA, the change ticketing system).
<b>F2</b>	<b>Issue</b>	The V3 system administrator, along with other duties noted above, has the ability to configure, implement and approve configuration changes within the V3 system. RPS has limited change support and currently five contractors assist in the change management process and report to the V3 system administrator.
	<b>Recommendation</b>	Given the amount of co-development and testing time that goes into the implementation of every change in the system, an additional full-time resource may help to alleviate the SOD issues noted in the V3 system administrator role. The additional resource should be appropriately skilled for the job position.



## Appendices

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### Appendix 1: Documents inspected

Baker Tilly inspected the following documents:

- > Accident Disability (2009)
- > Active Retirement Process (2016)
- > Active Retirements and Appointments Procedures (2016)
- > Adjustment Meeting Minutes (2016, email)
- > Annuity Codes
- > Annuity Pay Codes Listing
- > Bank Transfer Authorization Form (sample)
- > Benefits Chart (2013)
- > Buy-back Policy (1993)
- > Buy-back (sample)
- > Calculation Finals Checklist (2013)
- > Calculation Service (2016, email)
- > Cash Transfer Authorization Form (sample)
- > Co-Development Process
- > COLA Watch List (sample)
- > Compensation Procedures for Creating Job Codes/Position Numbers (2016)
- > Daily Decimal Calendar
- > Deferred Vested Retirement (2015)
- > Disability Application (template)
- > Disability Process
- > Disability Retirement Consent Form (template)
- > Disbursement Schedule (2017)
- > Estimate Request Form (template)
- > Expenditure Transaction Detail file (sample)
- > Finals Processing Procedures (2016)
- > Line of Business – User Role Matrix (V3 Users 2017)
- > Manual Estimate Form (sample)
- > Missing COLA Workbook (sample)
- > Monthly Disbursement file (sample)



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- > Monthly Finals Review Procedures (2016)
- > Normal Retirement Flowchart
- > Normal Retirement Process Memo
- > Ordinary Disability (2009)
- > Overpayment Letter (sample)
- > Physician Report Form (template)
- > Portfolio Activity Report (sample)
- > Processing Corrections Procedures
- > Re-Retirement Process Procedures
- > Retirement Appointment Checklist (template)
- > Retirement Appointment Scheduling Procedures (2015)
- > RPS Enrollment Form (template)
- > RPS Retirement Checklist (template)
- > Service Credit Multiplier Breakdown (2013)
- > Ticket Request Population
- > Ticket Request Form (sample)
- > V3 Access Request Form (JIRA sample)
- > V3 Issues List (2017)
- > (2017). *Municode Library*. [online] Available at: [https://library.municode.com/wi/milwaukee\\_county/codes/code\\_of\\_ordinances/286357?nodeId=MICOCOGEO\\_RVOII\\_APXBRUEMRESY](https://library.municode.com/wi/milwaukee_county/codes/code_of_ordinances/286357?nodeId=MICOCOGEO_RVOII_APXBRUEMRESY) [4/10/17 – 10/10/17].



## Appendix 2: Employees interviewed

The following employees participated in facilitated sessions or individual interviews:

- > Abbey Moreno, Retirement Information Systems Analyst
- > Amy Pechacek, Interim Director of RPS
- > Erika Bronikowski, RPS Manager
- > Jennifer Mueller, HR Senior Executive Assistant
- > Jerry Heer, Director of Audit
- > Jesse Uttke, HRIS/Compensation Specialist
- > Lisa Ruiz, Manager of HR
- > Margaret Daun, Corporate Counsel
- > Mark Tillman, HR Administrative Assistant
- > Matthew Hanchek, Past Director of Benefits & HR Metrics
- > Michael Stanke, Benefits and HRIS Manager
- > Peggy Schneider, HR Business Partner
- > Sue Drummond, Payroll Manager
- > Tina Lausier, Senior Retirement Analyst
- > Vivian Aikin, Past Senior Pension Analyst



### Appendix 3: Inherent Risks

The following inherent risks were identified and evaluated throughout the interview process and through inspection of documentation:

- > Accidental disability retirement/ordinary disability retirement payments are not offset by worker's compensation payments and overpayments are made to members
- > Adjustments to member accounts are input incorrectly
- > Buy-backs payments are incorrectly processed and calculated
- > Compensation payments and overpayments are made to participants
- > Developers are allowed to promote changes into production and able to circumvent the change management process
- > Documentation is not retained and recorded in relation to the Records Retention Guidelines
- > Employee annuity code status is not coded correctly to indicate their eligibility into the pension plan
- > Employee status code is changed and not correctly updated
- > Incorrect journal entries may be executed
- > Incorrect final salary figures are used to calculate pension payments
- > Incorrect multiplier factors are used to calculate pension payments
- > Incorrect payments are recalculated incorrectly
- > Insufficient or ineffective controls around logical separation increases the risk that systems are not protected from unauthorized access
- > Member accounts are being updated by unauthorized employees
- > Methods and procedures are not standardized to meet the benefit calculations operations
- > Methods and procedures are not standardized to meet the change management requirements supporting the organization's operations
- > Monthly Milwaukee County-allocated expenses are being recorded incorrectly
- > Monthly pension payment journal entries are being accounted incorrectly
- > Overpayments and underpayments are not being identified and resolved in a timely manner
- > Risk of unauthorized or inaccurate payments
- > Service credits are calculated incorrectly
- > System limitations require RPS staff to manual compute and execute data requests
- > System security is not in line with County guidelines and leaves documents susceptible to breach
- > Unauthorized changes are being made to member data
- > Updates to the Municipal Code or interpretation of the Rules by the Pension Board are not captured by RPS



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## Contact Information

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