STATUS OF IMPLEMENTING AUP PHASE 3 AUDIT REPORT RECOMMENDATIONS

Audit Title: Employees' Retirement System, County of Milwaukee, Phase 3   **Management Response Plan**

Audit Date: October 2017   **Status Report Date:** February 2018   **Department: HR/ RPS**

Number & Recommendation	Deadlines Established		Deadlines Achieved		Implementation Status		Comments
	Yes	No	Yes	No	Completed	Further Action Required	
1. 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 to be executed. The designated policy approver should approve the policy on an annual basis	X					X	RPS developed a plan for 2018 - 2019 to update and document the most critical retirement operating policies and procedures. This includes both internal processes and external Administrative Manual of Operating Procedures with respect to retiring and benefit estimates, auditing, and systems processing. Progress has been made with several new policies written (travel, corrective payments, ACH updates, and Accidental Disability Retirement application process) already published or in draft form. The goal is to complete the drafting and review cycle of one process a month until all documentation is complete, and then begin a systematic re-review cycle. Process documentation will be expedited by the assistance of the two new positions requested, Sr. Pension Research Analyst & Compliance and Clerical Specialist, if approved.
2. 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.	X					X	RPS developed a plan for 2018 - 2019 to update and document the most critical retirement operating policies and procedures. This includes both internal processes and external Administrative Manual of Operating Procedures with respect to retiring and estimates, auditing, and systems processing. Please see responses to item #1 (process documentation), item #4 (Benefits Chart), and item #16 (V3 updates and process documentation).
3. The complex service credit calculation should be streamlined to limit the custom calculations per employee role to minimize risk of error.		X				X	RPS meets biweekly with the dedicated pension paralegal in the Office of Corporation Counsel to prioritize and pursue ordinance and rule revisions for clarity and administrative ease. The service credit issue was requested for legal review and resolution by RPS and will be researched and

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							developed for introduction to the County Board and Pension Board by the Office of Corporation Counsel.
4. *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. The Benefit chart should be distributed for viewing in PDF. Limited authorized employees should have access to the editable document and the Benefit Chart should be password-protected.*		X				X	The Audit Division of the Comptroller's Office has reviewed the Benefits Chart and made suggested edits. These initial edits are under further review and revision by RPS, and then feedback from legal, the trust's actuaries, and other stakeholders will be solicited. Once a thorough review has been completed, the owner of the Benefits Chart will be the Operations Manager in RPS who will ensure the annual review and update of the document with input from all subject matter experts (legal, Comptroller, actuary, etc) for clarity and accuracy. Changes will not be made to the chart without the approval from legal and the Operations Manager is responsible to ensure that all RPS analysts are using the correct and most recent version of the chart for estimates and other retirement related reference.
5. *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). 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.*	X					X	RPS has requested two new position creates and submitted these files to the County Board. The positions are Sr. Pension Research & Compliance Analyst and Clerical Specialist. The Sr. Pension Research & Compliance Analyst position is responsible for reviewing & verifying complex benefit calculations and benefit determinations, auditing data accuracy including researching and resolving discrepancies with internal and external stakeholders, developing systematic internal operational audit practices to reduce error risks, and process documentation. If approved, RPS would have these positions filled by May of 2018.

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6. *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.* .	X		X		X		Segregation of duties in the systems application was achieved by moving adjustments to the systems support position, the Systems Data Quality Analyst, with peer review by the Systems Manager. Further administrative control will be realized when internal auditing is implemented through the Sr. Pension Research & Compliance Analyst position, if approved.
7. *A) 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. B) MA's should send RPS the queue of upcoming new hires, their applicable position and annuity codes so RPS is aware of new members.*	X		X		X		RPS team members hold quarterly informational and refresher training with the Human Resources Partners and the Management Assistants regarding annuity position coding. An audit process between the Management Assistants and RPS was established wherein the Management Assistants provide a list to RPS of all new hires and the associated annuity codes to review for red flags, inconsistencies, and other issues. This audit began the fourth quarter of 2017 and occurs every two weeks following the New Employee Orientation on-boarding sessions.
8. *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. Consideration should be*	X		X		X		RPS met with Payroll on January 12, 2018 on a variety of open items / issues. These meetings will continue quarterly. RPS meets with the pension paralegal in the Office of Corporation Counsel biweekly regarding all open and pending legal concerns as it relates to multiple cross-functional stakeholders for master coordination on open issues. RPS leadership from fiscal, operations, and systems attend all Audit Committee meetings and full Pension Board meetings as often as possible. The Operations Manager from RPS takes notes on action items for RPS at Audit Committee and Pension Board meetings and reports back to RPS members at a division-wide RPS

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considered to involve the Information Management Services Division for hardware and infrastructure changes.							standing meeting that occurs every Friday following the Pension Board meeting. RPS meets twice monthly with the Information Management Services Division to discuss support, testing, and other technology issues.
9. *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 (Accidental Disability Retirement/Ordinary Disability Retirement and Worker's Compensation Verification Form). RPS should be utilizing this form every time to initially calculate an accidental disability retirement or ordinary disability retirement payment.*	X					X	RPS and Risk Management meet monthly on all pending ADR / ODR applications and RPS sends Risk Management a copy of each new ADR / ODR applicant name to research any / all prior workers' compensation records. A draft policy codifying this process and other communication between the two departments as it relates to ADR / ODR is pending finalization. A form related to workers' compensation offset calculation is under development.
10. *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.*	X					X	RPS and Risk Management meet monthly on all pending ADR / ODR applications and RPS sends Risk Management a copy of each new ADR / ODR applicant name to research any / all prior workers' compensation records. A draft policy codifying this process and other communication between the two departments as it relates to ADR / ODR is pending finalization. Litigated files in either jurisdiction will remain on the tracking log until complete resolution is realized and final action is resolved.

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11. A) 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. B) 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.		X				X	The Director of RPS currently reviews and approves all change order requests to resolve V3 system application errors and system programming adjustments prior to implementation. Once approved, the Systems Manager works on the technical aspect of executing these programmatic adjustments with the software developers. Future automated system specifications will be prioritized per the process (once developed) as described in item #16.
12. 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.	X					X	The Fiscal Office developed and implemented a journal entry review and sign-off practice as of January 1, 2018. Process documentation codifying this practice will be completed by the fourth quarter of 2018.
13. 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 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. Defined roles, relating to applicable job descriptions, should be documented and available for	X					X	A security permissions audit was last performed in 2011. The Systems Manager will complete an updated audit in 2018. Prior to the security access audit, an updated evaluation of all job roles and responsibilities in RPS will be conducted to determine the exact level of control and authority needed for each position. This assessment will be completed by June of 2018 by the Director of RPS in collaboration with all leadership roles in the division and in consultation with other stakeholders as necessary (Audit / Comptroller, legal, HR, etc).

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all ERS employees. Additional duties included or added to an employee's responsibilities should be evaluated for conflicting roles.							
14. A) 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. B) 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. C) 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.		X				X	The current version of the V3 system does not provide alert generation. The system version allows activity logs to be generated per user, creating an audit and activity report based on individuals, not actions. Data modification access will be controlled and limited through the security access audit as recommended under item #13. An upgrade to the V10 version would allow modification alerts. Progress towards upgrading to a new version is being achieved through the plans as outlined in item #11 and item #16.
15. RPS should consider cross-training other employees or using existing contracted labor resources to ensure others are able		X				X	The Fiscal Officer and contracted resources are currently able to back-up the systems application processes, and the Systems Manager is able to back-up the operations team in

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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.							times of contingent workforce complications. In addition, RPS has requested a new position, the Sr. Pension Research & Compliance Analyst, who will be cross trained in technical departmental functions as well as be responsible for reviewing & verifying complex benefit calculations and benefit determinations, auditing data accuracy including researching and resolving discrepancies with internal and external stakeholders, developing systematic internal operational audit practices to reduce error risks, and process documentation. RPS will continue to work on documenting procedures and other cross training opportunities to serve as contingencies and back-up during high workload periods and staffing shortages.
16. *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).*		X				X	The RPS Systems Manager has a current V3 change order implementation plan for backlogged updates, and will develop a systematic way to prioritize system changes and issues as they arise on a go forward basis. All change priorities will be made in conjunction and consultation with operations, fiscal, and external stakeholders as necessary.
17. *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.*	X		X		X		An existing vacancy was used to create this resource in September of 2017. The Retirement Systems Data Quality Analyst is a systems support position to assist in the Systems Manager in all application processes.