

**CITY OF MILWAUKEE DEFERRED  
COMPENSATION PLAN  
Milwaukee, Wisconsin**

**AGREED-UPON PROCEDURES REPORT  
December 31, 2012**

## Independent Accountants' Report on Applying Agreed-Upon Procedures

Deferred Compensation Board  
City of Milwaukee Deferred Compensation Plan  
Milwaukee, Wisconsin

We have performed the procedures enumerated below, which were agreed to by the Deferred Compensation Board of City of Milwaukee Deferred Compensation Plan (the Plan), solely to assist you in your oversight responsibilities regarding the financial statements of the Plan as of and for the year ended December 31, 2012. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the party specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below for the purpose for which this report has been requested or for any other purpose.

### Agreed-Upon Procedures

#### *Procedures*

1. **Test whether monies deducted by the City on behalf of Plan participants have been deposited, invested and credited in a timely and accurate manner.**
  - a. For a sample of 50 participants systematically selected from the listing of Plan participants as of December 31, 2012, obtain detail of the individual account activity for the year ended December 31, 2012 and perform the following procedures:
    - i. Verify that the appropriate eligible compensation per City payroll records, as specified in the Plan document, was used in the calculation of contributions for the year.
    - ii. Recompute the participant's contributions per the City payroll records based on the Plan document and participant authorizations and deferral elections.
    - iii. Confirm participant deferral election and investment allocation allocations directly with the participant.
    - iv. Trace the recomputed contributions to the individual's participant account.
  - b. Reconcile total participant contributions per City payroll records for the year ended December 31, 2012 to the total contributions per the participant accounts. Explain explanations for any reconciling items.
  - c. Review controls tested in the 2012 Nationwide SSAE16 Service Auditor's Report as they pertain to the depositing, investing and crediting of participant contributions and report any testing exceptions or control deficiencies identified.

## ***Findings***

1. a. We identified an instance where the deferral percentage applied to participant compensation was different from the participant's elected deferral. The deferral percentage elected by participant had not been updated in the City payroll system in a timely manner. A deferral percentage lower than what was elected by the participant was applied for part of the year.
- b. No findings noted.
- c. No findings noted.

## ***Procedures***

2. **Test whether the administrator and the custodian have issued timely notifications for transfers to and withdrawals from product companies.**
  - a. See procedures performed in Step 1) a) iii above.
  - b. Review controls tested in the 2012 Nationwide SSAE16 Service Auditor's Report as they pertain to the timely notifications for transfers to and withdrawals from product companies and report any testing exceptions or control deficiencies identified.

## ***Findings***

2. a. No findings noted.
- b. No findings noted.

## ***Procedures***

3. **Test whether payments to participants have been made in an accurate and timely manner.**
  - a. For a sample of 50 payments systematically selected from the listing of plan withdrawals/distributions for the year ended December 31, 2012, perform the following procedures:
    - i. Examine the participant's payment election, approval and supporting documents.
    - ii. Verify the recipient's eligibility to receive the benefit by examining evidence of age, support for termination / separation of service or other relevant factors and comparing them to the participant payment election, supporting documentations and provisions in the Plan document.
    - iii. Recalculate the benefit payment amount based on the participant payment election and the balance in his/her individual account records for the year.
    - iv. For hardship withdrawals, review the financial need and any supporting documentation and determine whether it meets the Plan's provisions and IRS regulations for a hardship withdrawal.
    - v. Trace the payment to cash disbursements or to the trustee's report of payments made and to the individual participant's account.
    - vi. Trace the payment to a cancelled check or wire transfer support.
    - vii. Trace the payment to Board approval.
    - viii. Review controls tested in the 2012 Nationwide SSAE16 Service Auditor's Report as they pertain to payments and report any testing exceptions or control deficiencies identified.

**Findings**

- 3. a. We noted that no Board approval was on file for three distributions we selected to test. The total amount of distributions was \$59,395 with distribution dates ranging from June 5, 2012 through August 3, 2012.

**Procedures**

- 4. **Test whether participant accounts are accurately updated for interest, gains and losses in a timely manner.**
  - a. From the quarterly participant statements, select one investment fund for each of the participants tested in Step #1 above.
  - b. For each fund selected, calculate the estimated yield/return based on the earnings allocated to the participant's account for the quarter using average investment balance for the fund per the quarterly participant statement.
  - c. Compare the calculated estimated yield per the participant's account to the overall quarter yield for that fund as provided by Nationwide.

**Findings**

- 4. a. No findings noted.  
b. No findings noted.  
c. No findings noted.

**Procedures**

- 5. **Test whether the administrator is accurately calculating, and distributing the earnings from the pooled investment accounts to the participant accounts. Specifically, verify the earnings rate for the various investment options, recompute and verify the accuracy of amounts credited to the participants' accounts for all investment products in the Plan, and review the appropriateness and accuracy of any algorithm used for calculating, and distributing earnings and fees. Further, reconcile the interest rates credited to the participants to those published in the quarterly reports.**
  - a. See steps performed in #4 above.
  - b. Review controls tested in the 2012 Nationwide SSAE16 Service Auditor's Report as they pertain to the proper distribution of investment earnings to individual participant accounts and report any testing exceptions or control deficiencies identified.

**Findings**

- 5. a. No findings noted.  
b. No findings noted.

**Procedures**

- 6. **Test whether the administrator, custodian and product companies are maintaining participant files with documentation as required.**
  - a. See steps performed in #1 through #5 above.

**Findings**

- 6. a. No findings noted.

**Procedures**

- 7. **Test whether the administrator has adequate controls for accurately processing and safeguarding City assets. Specifically, the auditor should verify that the information system used by the administrator provides assurance that participant contributions are within legal limits and consistent with current Internal Revenue Service regulations.**
  - a. Verify that contributions tested in Step #1 above are within legal limits and consistent with current IRS regulations.
  - b. Review controls tested in the 2012 Nationwide SSAE16 Service Auditor’s Report as they pertain to processing and safeguarding Plan assets and report any testing exceptions or control deficiencies identified.

**Findings**

- 7.
  - a. No findings noted.
  - b. No findings noted.

**Procedures**

- 8. **Test whether the year end account balances of each investment fund balance matches the balances of the administrator and custodian.**
  - a. Confirm all investment securities held by U.S. Bank and reported by Nationwide, directly with the investment fund house.

**Findings**

- 8.
  - a. We noted four differences between the balances reported by Nationwide and the balance confirmed directly with the investment fund house. The differences are as follows:

<b>Fund Name</b>	<b>Nationwide Balance</b>	<b>Fund House Balance</b>	<b>Difference</b>
Dodge & Cox Income Fund	\$9,588,540	\$9,822,423	\$(233,883)
Vanguard FTSE All World Index Fund	\$47,976,291	\$47,972,560	\$3,731
Vanguard Total Stock Market Index Trust	\$98,995,394	\$98,877,000	\$118,394
Stable Value Account	\$246,114,024	\$246,259,867	\$(145,843)

These are common timing differences between when investment transactions are recorded by the fund houses and recognized by Nationwide for Plan financial reporting.

**Procedures**

- 9. Test whether the financial transactions are timely and accurate, including deposits, investments, transfers and withdrawals, and related impact on timing of credits to the participants accounts.**
- a. All financial transactions are participant directed and this testing is covered in Steps #1 through #5 above.

**Findings**

9. a. No findings noted.

**Procedures**

- 10. Test whether the administrator maintains adequate controls to ensure that all financial transactions are consistent with Plan documents and permissible under federal legislation.**
- a. Review controls tested in the 2012 Nationwide SSAE16 Service Auditor's Report as they pertain to financial transactions and report any testing exceptions or control deficiencies identified.

**Findings**

10. a. No findings noted.

**Procedures**

- 11. Test whether payments to participants are timely and properly reported to state and federal revenue departments.**
- a. See procedures performed in Step #3 above.

**Findings**

11. a. No findings noted.

**Procedures**

- 12. Test whether the administrator is providing participants and potential participants with quality and timely investment information for economic decision making and risk comparisons between investment options.**
- a. Review copies of investment information and communication notices sent out by the Administrator during 2012 to verify that information has been provided to participants as well as City employees who are eligible to participate in the plan at least once during the year.

**Findings**

12. a. No findings noted.

**Procedures**

**13. Test whether participant records are accurate**

- a. See procedures performed in Steps #1 through #5 above.

**Findings**

- 13. a. No findings noted.

\* \* \*

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the specified elements, accounts, or items of the financial statements. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Deferred Compensation Board and is not intended to be and should not be used by anyone other than this specified party.

*CliftonLarsonAllen LLP*

Milwaukee, Wisconsin  
June 20, 2013