



**Ohio
Retirement
Study
Council**

30 East Broad Street, Suite 219
Columbus, Ohio 43215
PHONE: 614-228-1346
FAX: 614-228-0118

November 3, 2021

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Director/General Counsel

Bethany Rhodes

Ms. Monica Anderson
Senior Audit Manager
Office of the Auditor of State
88 East Broad Street
Columbus, Ohio 43215

Dear Ms. Anderson:

Thank you for the opportunity to respond to the management letter regarding the financial audit of the Ohio Retirement Study Council (ORSC) for the years ended June 30, 2020 through June 30, 2021. My comments are organized under the headings included in that letter.

LEGAL COMPLIANCE- DUTIES OF COUNCIL

In the management letter, it was noted that the ORSC has not completed actuarial audits and fiduciary audits as directed in Ohio Revised Code §171.04.

In 2012, during pension reform, ORSC staff informed the members of the ORSC that amendments would be required to delay both actuarial and fiduciary audits due to the complete overhaul being undertaken at all five of Ohio's five public pension systems. The ORSC Chairman and members said they understood and agreed; however, due to the tenuous nature of the interested party agreements to each of the bills, the bills could not withstand further changes and ORSC staff were directed to proceed when the audits were able to be completed. The ORSC resumed actuarial audits in 2014 and fiduciary audits in 2016.

The fiduciary audit of the Ohio Public Employees Retirement System took nearly an extra calendar year to complete due to vendor difficulties. This led to the delay of other fiduciary audits by the ORSC.

In early 2020, the ORSC did advertise two requests for proposals (RFPs) for an actuarial audit of the Highway Patrol Retirement System (HPRS) and a fiduciary audit for the Ohio Police and Fire Pension Fund. Both RFPs closed March 31, 2020, just as the shutdown was occurring due to the COVID-19 pandemic. When the ORSC was finally able to meet again, it voted to reissue both RFPs and also issued RFPs for an actuarial audit of the State Teachers Retirement System

(STRS) as well as a fiduciary audit for STRS. All four audit contracts have been awarded and all four audits are underway.

Additionally, Chairman Carfagna has publically noted that, in January, he intends to name a subcommittee to begin the process for a fiduciary audit of HPRS.

POLICIES AND PROCEDURES- REVENUE AND EXPENDITURES

In the management letter, it was noted that the ORSC's Policies and Procedures Manual has not been put forward to the ORSC for a formal vote.

In ORSC staff discussions with auditors, both parties came to realize that the same term was being utilized to describe very different documents. The ORSC staff had an unfortunately named "Policies and Procedures" Manual, which sets forth the duties of the executive assistant with extreme specificity, including a step-by-step process exactly how to log on to various accounts for bill pay, receipt, etc., which fields to change, etc. It is intended to direct those completely unfamiliar with this position so that the agency may continue to function without incurring fines and fees. It was long ago created by a former executive assistant facing extended medical leave and was subsequently updated by successor executive assistants. This manual has received a more appropriate name so it shall no longer be mistaken.

However, auditors refer to "Policies and Procedures" as all documents pertaining to any policies or procedures the ORSC or its staff uses to run the agency, including but not limited to: ORSC Rules, Employee Handbook, Public Records Policy, Records Retention Policy, etc.

ORSC staff researched back to the original approval of ORSC's current "Policies and Procedures" in 2002 after the first performance audit and found that while the documents did exist in their own format or as part of other guides or documents, there had actually been no comprehensive compilation even after its adoption.

The ORSC has formed a subcommittee to comprehensively review all of the ORSC's policies and procedures; the first meeting of this subcommittee took place on September 23, 2021.

SEGREGATION OF DUTIES

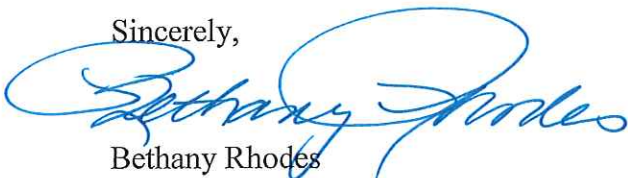
In the management letter, it was noted that the ORSC staff duties overlap and are not properly segregated and that only one employee has complete control over a transaction throughout its initiation, authorization, recording, processing, and reporting.

While the executive assistant may prepare the paperwork for each transaction, R.C. 171.05 requires the payment of all ORSC expenses to "be paid upon vouchers approved by the director and the chairperson of the council." This, in itself, requires a minimum of three individuals to be included on every single financial transaction taking place within the agency, one being an actual voting member of the ORSC.

The ORSC employs four full-time employees; there is no other staff, either compensated or uncompensated. While ideally there might be more segregation of administrative duties, it is realistically impossible to expect over a 20% increase in staff just to ensure that the same employee that has access to updating the Employee Master file and payroll is not handling the non-payroll expenditure process, especially given the two signature requirement set forth in R.C. 171.05.

In ORSC staff discussions with auditors, it was acknowledged this situation could not be fully remedied without an increase in staff; however, it was suggested that a quarterly review of Employee Master file information by other employees would assist in mitigating concerns in this area. Therefore, multiple ORSC staff will begin reviewing Employee Master file information on a quarterly basis.

Sincerely,



Bethany Rhodes
Director/General Counsel