

OP&F

2016 Annual Audit Report

Closed Audits: Recommendations

Audit Area	Risk Rating ¹	Scope	Recommendations	Management's Response	Implemented	Implementation or Target Implementation
Enterprise-wide - Unannounced Sensitive Data and Access to Secure Areas Observation January 2016.	Low	Sensitive Data and Access to Secure Areas.	Continue to remind team members on the importance of protecting sensitive data.	Staff will be reminded of the importance of protecting sensitive data during team meetings.	Yes	February 2016
			Periodically monitor access to determine the need for access to the secure area. Access should be limited to only those that have a business need to access the secure area.	Access will be periodically monitored.	Yes	February 2016
Comments: Access to the secure area was reviewed and adjusted to meet current business needs. In addition, the audit trail of entry exists and will be periodically monitored.						

Audit Area	Risk Rating	Scope	Recommendations	Management's Response	Implemented	Implementation or Target Implementation
Finance – Unannounced Petty Cash Count.	Low	Petty cash funds (Finance and Customer Service Receptionist).	Develop a Petty Cash Policy. The Policy should address how cash overages and underages will be accounted for in the general ledger and specify appropriate expenditures.	Finance will develop a Policy by February 26, 2016.	Yes	February 2016

¹ Risk Rating Levels:

High: Requires immediate attention and remediation.

Moderate (Mod.): Requires near-term attention.

Low: Improvements possible but does not require attention in immediate or near-term.

			Update Procedures to reflect current practices.	Procedures will be updated by February 26, 2016.	Yes	February 2016
			Require the requestor to acknowledge the receipt of funds by initialing or signing the log.	A column has been added to the spreadsheet for acknowledgement.	Yes	February 2016
			Include the cash funds in the general ledger.	Funds will be included.	Yes	February 2016
			Segregate the cash custodian and reconciliation duties.	The Controller will reconcile the account.	Yes	February 2016
			Periodically, review the petty cash funds for necessity.	Finance will review the funds for necessity.	Yes	February 2016
Comments: Based on the low rating, Internal Audit performed limited follow-up activities.						

Audit Area	Risk Rating	Scope	Recommendations	Management's Response	Implemented	Implementation or Target Implementation
Business & Technology Solutions Records Management Review	Mod	Paper and electronic documents. November 1, 2015 to January 31, 2016.	Update the procedures to reflect current practices. Continue to provide periodic refresher training courses for employees to review established policies and procedures including responsibilities and expectations of coordinators.	Management will update procedures and policies to reflect current practices and provide periodic refresher training courses.	Yes	July 2016
			Evaluate the records retention process and develop a destruction process that meets the risk appetite for OP&F; eliminate steps that may cause backlogs to the destruction process; provide refresher training to staff on the appropriate way to enter data into the OP&F and Fireproof databases; periodically review the retention schedules to ensure they meet current business needs; continue to dedicate resources to the electronic records management program and implement a fund-wide program in a timely manner.	The process will be adjusted to include quarterly reviews, changing the interpretation of the expiration date and setting a standard thirty days for department coordinators to respond. A refresher training session will be provided to department coordinators.	In process	December 2017 (updated)

		<p>Comments: Review included four verbal recommendations: RIM should request an employee list from HR to ensure all employees receive the training; reviews should be documented to evidence the QA review; management should evaluate the benefit of updating the OP&F database to contain all records to determine if relying on the external vendor's records fits within their risk appetite; and an independent verification should be performed using OP&F documents.</p> <p>Update 1: The offsite vendor database procedures were revised; the applicable offsite storage boxes were destroyed; an offsite vendor invoice reconciliation procedure was created; the retention box quality control pre-storage procedure was documented; third annual records retention on-line training was provided to OP&F staff and RIM management met with department coordinators and provided refresher training.</p> <p>October 2016 audit follow-up update: 80% retention compliance is expected by December 2017. Plans are in place to bring the remaining two departments into compliance. The overall process will be adjusted to include quarterly reviews. Once compliance is achieved, a destruction cycle will be implemented to meet OP&F's risk appetite. Department Coordinators received refresher training in September, additional training will be provided in October/November. General Counsel is in the process of updating the retention schedules.</p>
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Audit Area	Risk Rating	Scope	Recommendations	Management's Response	Implemented	Implementation or Target Implementation
Investments – Unannounced Review of Investment Reconciliation	Mod	Daily Reconciliation” – “Trade Entry Review” to ensure all trades listed on the Manager Reports agree to the trades manually input into PAM.	Daily Reconciliation: Evidence the review by requiring sign-off by an independent team member; consider ways to automate the process. Focus on the exceptions between PAM and the manager; safeguard signature stamp (Finance); review and update/approve the policy/procedure and inform/train staff of any changes.	PAM queries will be used to show when and who posted the trades. The queries will be compared to the manager trade blotter to ensure accuracy and completeness. The process will be documented and staff will be informed/trained on any changes.	In process	December 2016
	Mod	Manager Monthly Reconciliation Activities (Manager, OP&F & Bank) – to ensure accuracy of accounting records.	Manager Monthly Reconciliation: Perform reconciliations timely and include supporting documentation for adjustments; reconciliations should be reviewed by a person independent of the process. Cross-train staff members to ensure operations function as intended.	Priority will be placed on completing reconciliations timely. The supervisor will also review the reconciliations.	In process	December 2016

		Comments: None
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Audit Area	Risk Rating	Scope	Recommendations	Management's Response	Implemented	Implementation or Target Implementation
Administration and Finance – Unannounced Trustee Travel review	Low	Board of Trustee travel expenses from January 1, 2016 to May 31, 2016.	Require mileage expense be supported; require explanations for non-receipted items or a signed certification statement before reimbursement; evaluate whether the Travel Policy should be updated to include limits on incidental expenses and information regarding the reimbursement for TSA pre-check fees.	Management will evaluate recommendations and determine if changes are needed.	**	**
	Low		Require any exceptions to the approval of out of state travel be appropriately documented; determine if all travel arrangements should be made by OP&F to ensure the expenses are appropriate and within the bounds of prudent judgment.	Approval for out of state travel will be documented.	**	**
	Comments: **Based on the rating, Internal Audit will not perform formal scheduled follow-up activities.					

Audit Area	Risk Rating	Scope	Recommendations	Management's Response	Implemented	Implementation or Target Implementation
Business & Technology Services (IS) and Human Resources (HR)	Mod	The access granting, revoking and periodic access monitoring review controls.	Continue to update and/or create policies and procedures and address roles and responsibilities. Prioritize policies and procedures and set timelines for completing each document.	Policies & procedures will be documented and implemented by March 2017.	In process	March 2017

– System Access Granting, Revoking, and Periodic Access Monitoring Review		Comments: None				
IS and HR – System Access Granting, Revoking, and Periodic Access Monitoring Review	Low	The access granting, revoking and periodic access monitoring review controls.	<p>IS: Review the practice for entering action dates on the Personnel Update form and the ServicePro ticket, determine which date should be used when completing the form, update the policies and procedures, and inform applicable team members.</p> <p>HR: Detail roles and responsibilities in policies and procedures. Review expectations with management.</p> <p>HR & IS: The employee badge should be hand delivered to IS the day the employee departs OP&F. In addition, IS should safeguard the badge until destroyed.</p>	<p>Process will be updated to reflect the actual date of change.</p> <p>The badge is sent to IS through interoffice mail – HR management accepts the risk associated with interoffice mail, because the badge should be deactivated.</p>	**	**
		Comments: **Based on the rating, Internal Audit will not perform formal scheduled follow-up activities.				
IS and HR – System Access Granting, Revoking, and Periodic Access Monitoring Review	Low	The access granting, revoking and periodic access monitoring review controls.	The Personnel Form should be completed by the hiring supervisor, manager, or directors. Authorization of system access should be documented and saved for future reference. Management should evaluate the system access workflow and remove steps not adding value to the process.	<p>Personnel Update form will be updated to include a line for Director's signature. Will be completed by end of July 2016.</p> <p>Reviewing process for potential SharePoint workflow, at which time HR's role will be reconsidered. Will be reviewed by December 2016.</p>	**	**

		Comments: **Based on the rating, Internal Audit will not perform formal scheduled follow-up activities.				
IS and HR – System Access Granting, Revoking, and Periodic Access Monitoring Review	Mod	The access granting, revoking and periodic access monitoring review controls.	A System Access Form should be prepared for consultants.	A Personnel Update form will be completed for consultants.	Yes	July 2016
		Comments: None				
IS and HR – System Access Granting, Revoking, and Periodic Access Monitoring Review	High	The access granting, revoking and periodic access monitoring review controls.	<p>A monitoring process should be in place to verify system access is appropriately authorized, assigned and granted to meet the business needs of the employee/department. IS should work with management to develop a review process to ensure system access is appropriate.</p> <p>Management should be provided with a list that details employee access. Management should periodically confirm the access is appropriate for business operations.</p> <p>IS should consider a quality assurance review to verify only the requested access is granted.</p>	<p>Team will evaluate types of reports that can be generated for management review of access privileges. A process will be implemented to review access rights on a regular basis based on the type of access being reviewed.</p> <p>Consultants: quarterly</p> <p>Staff: V3 annually; Active Directory annually; Physical (data center, telecom, closets, RIM, etc.) quarterly.</p> <p>Domain Admins: quarterly.</p>	In process	February 2017
		Comments: A schedule has been created to review access for Active Directory on annual basis, and physical access of the telecom closets, data center, and RIM area on a quarterly basis. Also on a quarterly basis, access by consultants will be reviewed. Process to review access rights provided to V3 users and Domain Administrators are still being developed.				

IS and HR – System Access Granting, Revoking, and Periodic Access Monitoring Review	High	The access granting, revoking and periodic access monitoring review controls.	IS should work with management and perform a risk assessment to identify and document the location of sensitive data. Based on the risk assessment, management should evaluate whether sensitive data should be encrypted. Encryption keys should be safeguarded and managed.	Data encryption for electronic data in V3 is a 2016 project. Sensitive data will be identified and a plan will be created to secure the information.	In process	June 2017
		Comments: A plan has been created and steps have been taken to evaluate software to assist in the identification of PII/PHI data on the file shares. This effort will require input and assistance from all areas of the organization and will be a long-term project.				
IS and HR – System Access Granting, Revoking, and Periodic Access Monitoring Review	High	The access granting, revoking and periodic access monitoring review controls.	Management should review the actions taken with super administrative privileges to ensure they are appropriate. Management should periodically evaluate and determine if the domain administrative access is needed and/or has been granted appropriately.	A process will be implemented to review access rights on a regular basis. Admin privileges have been changed to include only the DBA, System Admins and Security & Network Admin.	In process	February 2017
		Comments: None				
IS and HR – System Access Granting, Revoking, and Periodic Access Monitoring Review	Mod	The access granting, revoking and periodic access monitoring review controls.	Management should periodically monitor the controls and activities of the external vendor.	HR monitors ADP for accurate and reliable payroll services biweekly via normal payroll processing and as needed. HR does not review the ADP SOC but provides the document to Finance upon request.	Yes	October 2016
		Comments: HR reviewed ADP's Disaster Recovery Program and believes ADP's processes and procedures are adequate. HR has added an annual review of the ADP SOC report as a recurrent event for August activities.				

IS and HR – System Access Granting, Revoking, and Periodic Access Monitoring Review	Mod	The access granting, revoking and periodic access monitoring review controls.	A monitoring process should be in place to verify system access is appropriately authorized, assigned and granted to meet the business needs of OP&F. HR should periodically review the access list and verify only appropriate individuals have access and are conducting appropriate actions.	ADP has security measures in place that audits the activities of its associates and ADP performs background checks prior to hiring. At ADP, only those who need access to client information in order to perform their job function have access to the data. HR believes the security access and monitoring measures reported by ADP, given its scope of services, is reasonable.	No	Management Accepts Risk
		Comments: None				

Closed Audits: No Recommendations

Audit Area	Risk Rating	Scope	Management's Response
Enterprise-wide – Disclosure Statement	Mod	2015 Disclosure Statements (filed in 2016) for employees who hold fiduciary positions or by employees who are in a position to materially influence the business decisions of the Fund.	NA
		Comments: No compliance issues or conflicts of interest were noted during the review.	

Active Audits

Audit Area	Risk Rating	Scope	Target Completion
Member Services		Benefit Calculations: Documenting the Benefit Calculation process, evaluating internal controls and identifying areas that can be streamlined to improve efficiency.	March 2017
HR		Hiring Process: Documenting the Hiring Process to evaluate the efficiency and effectiveness of internal controls.	February 2017
Finance and Business & Technology Services		Purchasing Process: Documenting the purchasing process, evaluating internal controls and identifying areas that can be streamlined to improve efficiency.	January 2017

Other Audit Related Activity

Area	Risk Rating	Subject/Project	Description
Enterprise-wide		HIPAA Training	Health Insurance Portability and Accountability Act Training (HIPAA): Internal Audit is responsible for training OP&F staff on policies and procedures for use, disclosure, and general treatment of protected health information (PHI) and ePHI and training those who have access to PHI or ePHI on HIPAA's requirements.
Enterprise-wide		Ethics Training	To comply with OP&F Policy #201 Business Ethics and Conduct, Internal Audit provided ethics training to all OP&F employees.
Enterprise-wide		Internal Control Education and Training	Provided educational information to employees to help enhance and strengthen OP&F's control environment.
Enterprise-wide		Records Management	Collaborated with Records and Imaging staff and assisted with presentation of records management training to staff at the April all-staff meeting.
Purchasing		Receipt process	Performed high-level walk-through of the Procurement receipt process and provided feedback to the manager.
Administration		CAFR	Reviewed Comprehensive Annual Financial Report (CAFR) and provided feedback to Finance.
Administration and Business & Technology Services		CEPP	Reviewed the Corporate Emergency Preparedness Plan (CEPP) and provided feedback to management.
		Risk Assessment and Audit Plan	The Institute of Internal Auditors <i>International Standards for the Professional Practice of Internal Auditing (Standards)</i> requires the chief audit executive to establish a risk-based plan to determine the priorities of the internal audit activity,

			consistent with organization’s goals. The assessment of the organization’s risk environment was completed and the audit plan was finalized. The risk assessment and audit plan will help facilitate a robust process of continuous improvement in both processes and internal controls. The plan is adjusted, as necessary, in response to changes in the organizations business, risks, operations, systems, and controls.
		Internal Audit Charter	Updated the Internal Audit Charter. The Institute of Internal Auditors <i>Standards</i> require the purpose, authority, and responsibility of Internal Audit be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics, and the Standards. The chief audit executive must periodically review the internal audit charter and present it to senior management and the Administration/Audit Committee for approval.
		Internal Audit Operating Procedures Manual	Updated the Internal Audit Operating Procedures Manual. The Manual describes the audit procedures and policies established by the Chief Audit Executive by which the internal audit function can operate effectively while providing a high level of accountability.

Composition of Audit Committee at end of reporting year (R.C. 742.03)

John Wainscott, Administration/Audit Committee Chair, Retired, Cincinnati Police, term expires 5/31/20

Jeffrey Moore, West Chester Fire, term expires 6/2/19

Ed L. Montgomery, Columbus Police, term expires 5/31/20

Ohio law provides for the Board to be comprised of the nine members as follows:

Six employee members elected by their respective member groups

Two representatives of police departments – Ed L. Montgomery, Timothy Patton

Two representatives of fire departments – Daniel Desmond, Jeffrey Moore

One retired firefighter – William Deighton

One retired police officer – John Wainscott

Three statutory members with professional investment experience

One appointed by the Governor - Scott D. Roulston

One appointed by the State Treasurer - Karin Maloney Stifler

One appointed jointly by the Senate President and the Speaker of the House – J. David Heller