



STATE TEACHERS
RETIREMENT SYSTEM
OF OHIO

275 East Broad Street
Columbus, OH 43215-3771
614-227-4090
www.strsoh.org

March 29, 2011

Mr. Aristotle Hutras, Director
Ohio Retirement Study Council
88 E. Broad St., Suite 1175
Columbus, OH 43215

RETIREMENT BOARD CHAIR
TIM MYERS

RETIREMENT BOARD VICE CHAIR
JAMES MCGREEVY

EXECUTIVE DIRECTOR
MICHAEL J. NEHF

Dear Aris:

Pursuant to Substitute Senate Bill 133 and as required by Section 3307.044 of the Ohio Revised Code, enclosed is a report of the actions of the Audit Committee of the State Teachers Retirement Board for calendar year 2010.

Please don't hesitate to contact me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Michael J. Nehf', written over the typed name and title.

Michael J. Nehf
Executive Director

Enclosure



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AUDIT COMMITTEE ANNUAL REPORT

Audit Committee Members:

Tim Myers, *Chair*
Daniel Martin, *Vice Chair*
Craig Brooks
Taiyia Hayden
Bob Stein

To: Ohio Retirement Study Council (ORSC)
Subject: STRS Ohio Audit Committee Report — 2010
Date: March 29, 2011

As required by Section 3307.044 of the Ohio Revised Code, the following report outlines the activities of the STRS Ohio Audit Committee and the STRS Ohio Internal Audit Department for the year ending Dec. 31, 2010. This report outlines the following: audit reviews completed during 2010; STRS Ohio Audit Committee meetings and actions; special reviews completed during 2010; and the 2011 Internal Audit Plan. Audit committee members during 2010 were Tim Myers (chair), Daniel Martin (vice chair), Craig Brooks, Taiyia Hayden and Bob Stein.

Audit Reviews Completed During 2010

The attached 2010 Internal Audit Summary lists the audits performed, the scope for each audit, the commendations to management, management's response and expected implementation dates. The Internal Audit Summaries were mailed to all State Teachers Retirement Board members in March, May, August and December 2010.

STRS Ohio Audit Committee Meetings and Actions

May 20, 2010 — The Audit Committee reviewed the May 2010 Quarterly Internal Audit Summary. Internal Audit provided background information and clarification to areas of interest ranging from specific audits to general processes. The Audit Committee was reminded of the development of the Internal Audit intranet site and functionality that will allow the Board access to detailed reports and supporting documentation for the audits summarized and reviewed. The information is made available by Internal Audit upon request and will be available by selecting the Internal Audit link on the Board's intranet site.

There was general discussion related to how Internal Audit identified new areas that required audit attention. Mr. Brooks and Mr. Stein expressed a general concern that new technology (such as STARS) and new investment areas be addressed in future audits. Internal Audit affirmed that the scopes of future audits would consider newly identified areas of risk and that external expertise would be obtained, as needed, to address highly specialized and technical areas.



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eve Mitchell, deputy executive director – Investments, informed the Board the new investments would go through the same level of review and reporting as current investments. Mr. Slater, deputy executive director – Finance, updated the committee on the external auditor's schedule for performing a review of STRS Ohio's financial statements and noted that STaRS was also an area of focus for the external auditors.

Aug. 12, 2010 — Kevin Rohrs of Clifton Gunderson presented a summary of its plan for the 2009-10 financial statement audit to the Audit Committee, and the tentative schedule for issuing an audit report and management letter. Clifton Gunderson's overall risk assessment on this engagement is moderate, and it has identified investments, contributions, benefit payments and actuarial assumptions as critical audit areas. As part of its audit procedures for contributions and benefits, Clifton Gunderson will test system controls in STaRS. The final audit report, including management letter, will be presented to the Audit Committee in December.

Quarterly Internal Audit Summary was also distributed for the Board's review.

Dec. 9, 2010 — The Audit Committee reviewed a summary of the 2010 Internal Audit results. There were no material weaknesses in the internal controls. Management has accepted all audit recommendations (which have been implemented or are in progress). The Audit Committee also reviewed and approved the 2011 Internal Audit Plan.

The Audit Committee entered executive session to hear a report from Clifton Gunderson on the results of its audit of the STRS Ohio financial statements for the fiscal year ended June 30, 2010.

Special Reviews/Projects

The STRS Ohio Internal Audit Department has been involved in the enterprise risk management process for STRS Ohio.

2011 Internal Audit Plan

The 2011 Internal Audit Plan was approved by the Retirement Board on Dec. 9, 2010. A copy of the 2010 Plan is enclosed.

If you have any questions or need further information, please feel free to call me at (614) 227-2821.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'David S. Tackett', written in a cursive style.

David S. Tackett, CFA, CPA, CIA
Chief Audit Executive



2010 Internal Audit Summary

Audit Area	Scope	Recommendations	Management's Response	Implemented	Implementation Date or Targeted Implementation Date
Closed Audits					
Alternative Investments 2009*	Proper Notification and Approval	Create a formal document that outlines the due-diligence process in a structured and logical manner	Agree	Yes	1/29/2010
	Due Diligence				
	Valuations	Establish specific guidelines for conducting and summarizing the results of prospective investment interviews	Agree	Yes	1/29/2010
	Monitoring of Alternative Investments				
	Segregation of Duties	Establish written policies and procedures for the monitoring of general partners	Agree	Yes	2/26/2010
Associate Payroll	State and Federal Regulations	Audit Resulted in No Recommendations	N/A	N/A	N/A
	Access to Payroll Database				
	Accuracy of Associates' Net Pay				
	Final Payments to Terminated Employees				
	Immigration Guidelines/Compliance				
Domestic Equities 2009*	Investment Policy Compliance	Portfolio managers should document investment decisions that place a portfolio outside the established guideline range for sector weights and/or individual stock exposures	Agree	Yes	12/31/2009*
	Monitoring of External Managers				
	External Manager Fees				
	Reporting/Accounting	Request an electronic format for 5/3 reporting of complete monthly reports to reduce storage issues and increase efficiency	Agree	Yes	11/01/2009
	Custodian				
	Research Costs				
Approved Brokers					
Educational Assistance 2009*	Compliance: Educational Assistance Apps.	HRS include written documentation in departmental procedures of how certification fails are to be handled	Agree	Yes	1/30/2010
	Tuition Repayments	Reconcile educational expenses yearly with G/L information from the Finance Dept.	Agree	Yes	3/01/2010
	Spending Limitations				
Fixed Assets - Non Computer	Tracking and Reporting	Update the Fixed Asset Policy and periodically review the policy to determine if changes are needed	Agree	Yes	6/30/2010
	Depreciation				
	Disposition	Perform periodic fixed asset reviews in compliance with policy and use information available in the ITS Dept. to reconcile computer-related assets	Agree	Yes	6/30/2010
Fixed Income*	Compliance	Require secondary review of manually updated pricing of fixed income securities	Agree	Yes	6/30/2010
	Approved Brokers/Commissions				
	Accuracy of Pricing	Standardize and maintain complete documentation related to buying/selling corporate bonds	Agree	Yes	6/30/2010
	Due Diligence				
	Monitoring of External Managers				
	Adequacy of Policies and Procedures				
Interest Income					

Audit Area	Scope	Recommendations	Management's Response	Implemented	Implementation Date or Targeted Implementation Date
International Investments 2009*	External Manager Fees Monitoring of External Managers Foreign Tax Reclamations BNY Role as Sub-Custodian Valuations	Audit Resulted in No Recommendations	N/A	N/A	N/A
Investment Performance	Accuracy of PBI Awards Investment Policy Compliance	Audit Resulted in No Recommendations	N/A	N/A	N/A
Liquidity Reserves 2009*	Income Purchases/Sales Compliance	Audit Resulted in No Recommendations	N/A	N/A	N/A
Petty Cash*	Compliance with Policies Café Operations Reconciliation Segregation of Duties	Update policy language/access privileges to Cash Room to reflect current business practices Document the deposit recording and notification process to be followed in the absence of key associates Require cash handlers to sign or initial ledgers after reconciliations and transactions Reconcile cash balance after each Petty Cash transaction Correct tax-liability calculation spreadsheets and review previous tax submissions for accuracy Increase segregation of duties by allowing additional Finance Dept. staff access to cash transaction information and performing periodic reviews of transactions and balances listed	Agree Agree Agree Agree Agree	Yes Yes Yes Yes Yes	12/31/2009* 10/09/2009 10/09/2009 10/09/2009 10/09/2009 10/09/2009
Postage*	Compliance Disbursements	Review the cost/benefit of consolidating postage funds and using one account Create a procedures manual that documents key mailing systems functions Review the cost/benefit of electronic delivery of certain STRS documents	Agree Agree Agree	Yes Yes Yes	1/22/2010 1/22/2010 1/22/2010
Post-Retirement Benefits*	Death Matches Annuity Certain Expirations Overpayments/Collections Disbursements Compliance Reselections	Review the overpayments and collections process and develop methods to keep information between multiple departments synchronized Review V3 functionality and determine if the overpayments/collections process has been captured or improved	Agree Agree	Yes Yes	11/01/2008 12/15/2011
Real Estate 2010	Accuracy of Property Mgmt. Fees Site Inspections External Compliance Reviews Tenant Surveys Compliance with Investment Objectives and Policy	Establish formal, written procedures for responding to External Property Mgr. Reviews Update STRS Valuation Policy Manual to provide a method for independent valuations when there is a dispute Establish formal procedures for utilizing Tenant Satisfaction Assessments in a consistent manner Avoid or reduce business risks related to contractual issues by requiring the immediate notification of the RE Department's legal professional of any identified problems	Agree Agree (Dispute provision eliminated) Agree Agree	Yes Yes Yes Yes	10/06/2010 10/06/2010 10/06/2010 10/06/2010

Audit Area	Scope	Recommendations	Management's Response	Implemented	Implementation Date or Targeted Implementation Date
Securities Lending	Compliance Accuracy of Income Approved Borrowers Quality of Collateral Counterparty Risk	Require the Bank of New York Mellon to provide sufficient reporting detail that allows STRS to recalculate and verify revenue for loaned securities as needed	Agree	Yes	5/31/2010

Active Audits					
Annual Reporting	Report Processing	Audit in Progress	N/A	N/A	N/A
Attendance Reporting	Accuracy of Database Compliance with Policies	Periodically validate the accuracy of data being sent the HRS to manage attendance	Agree	No	7/1/2011
Alternative Investments 2010	General Partner Review/Monitoring Valuations General Partner Fees	Audit in Progress	N/A	N/A	N/A
Board Expenses 2010	Pre-approval of Travel Timeliness/Accuracy of Reimburse-ments Compliance with Board Policies	Update the Board Travel Policy to address situations where itemized receipts are unavailable for legitimate Board-related expenses	Agree	No	Board Retreat Agenda Item
Derivatives 2010	Semiannual Derivative Exposure Rpt Currency Forward Settlements Equity Swap Settlements Counterparty Risk	On a monthly basis, Investment Performance Dept. independently reviews swap contract notional values are fully collateralized and inform Fixed Income Dept. Cross-train another Investment Per- formance associate to provide proper backup coverage for State Street swap process	Agree Agree	Yes No	10/01/2010 03/31/2011
Domestic Equities 2010	Research Costs Monitoring of External Managers Reporting/Accounting External Manager Fees Approved Brokers	Audit Resulted in No Recommendations	N/A	N/A	N/A
Healthcare	Records Retention - Contracts Continuous Quality Improvement Issues Monitoring and Resolution Disbursements Reconciliations	Audit in Progress	N/A	N/A	N/A
International Investments 2010	External Manager Fees Monitoring of External Managers Foreign Tax Reclamations BNY Role as Sub-Custodian	Audit Initiated	N/A	N/A	N/A
Internet/Intranet Security	Policy Appropriateness & Enforce-ment Systems Access Revocation Virus Protection/Firewall Monitoring Software Monitoring	Audit Initiated	N/A	N/A	N/A

Audit Area	Scope	Recommendations	Management's Response	Implemented	Implementation Date or Targeted Implementation Date
Member Data Mgt.	3rd-Party Access to Member Data	Require that each department maintain a centralized list of all external entities that have been granted access to STRS Ohio member data	Agree	Yes	6/16/2010
	Transmission of Member Data/Security				
	3rd-Party Operations/Controls	Require I.T.S. gather and update lists from each department, no less than annually, to facilitate data loss prevention projects	Agree	Yes	6/16/2010
	3rd-Party Contractual Language	Investigate the feasibility and cost/benefit of mandating information exchange formats and procedures	Agree	No	1/31/2011
		Develop a centralized authority for review and determining acceptable risk related to data access	Agree	No	1/31/2011
Purchasing Practices	Compliance with Policies	Draft Report Under Mgt. Review	N/A	N/A	N/A
	Due Diligence/Efficient Use of Resources				
	Receipt of Goods and Services				
Risk Mgt./Insurance	Compliance with STRS Ohio Insurance and Risk Management Manual	Draft Report Under Mgt. Review	N/A	N/A	N/A
	Carrier Ratings				
	Accuracy of Premium Payments				
	Segregation of Duties				
Service Retirement Benefits	Departmental Process Documentation	Audit in Progress	N/A	N/A	N/A
	Benefit Calculations				
	Management of Overpayments				
	Segregation of Duties				

Postponed Audits/Implementation

Network Security**	Remote Access Management	External review planning stage	N/A	N/A	N/A
	Systems Access Management				
	Third-Party Confidentiality Agreement				
	User Software Downloads				
External IT Review**	Risk Assessment of IT Operations	External review planning stage	N/A	N/A	N/A

Consultant Reviews/Audits

SecureState (Limited Controls Review)	A review of 13 control areas to assess the security of the STaRS Application	Various recommendations resulted from the external review. Technical details are presented in a separate SecureState report, as well as the STRS Ohio I.T.S. Department responses to the recommendations, and are available upon request	Agree	Various Stages of Implementation	Various Implementation Dates To Be Later Verified By Internal Audit
	Process and documentation reviews				
	Key associate interviews				
	External Penetration Test				
	Social Engineering Attacks				

*Audits were listed as "Under Mgt. Review", "In Progress", "Audit Initiated", or had not implemented recommendation(s) at the time of the last Annual Audit Summary presentation

**Changes in resources (human and/or technical), departmental workloads, and other issues may necessitate rescheduling of an audit or an understandable delay in the implementation of an Internal Audit recommendation



2011

**INTERNAL
AUDIT
PLAN**

STATE TEACHERS RETIREMENT SYSTEM OF OHIO
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INTERNAL AUDIT DEPARTMENT

Mission Statement

To work in partnership with associates to conduct value-added independent appraisals of policies and procedures to contribute to the continuous improvement of STRS Ohio.

Vision Statement

To be recognized as an innovative department that, through independent appraisals and partnered solutions, strives for quality enhancements and the elimination of non-value-added processes.

To create an environment that encourages teamwork, innovation, open communication, empowerment and personal and professional growth.

Guiding Principles

To achieve our mission and vision, we will:

- Prepare a comprehensive, practical, planned program of audit coverage consistent with STRS Ohio's mission, vision and guiding principles.
- Perform audits in compliance with professional standards.
- Verify the adequacy and effectiveness of STRS Ohio's systems of administrative, operating and financial controls.
- Understand the associates' business from their perspective.
- Produce objective, clear, concise, constructive and timely reports.
- Maintain contemporary professional proficiency through continuing education and training.
- Seek to continuously improve our team, tools and processes.
- Develop professional expertise for potential career opportunities within STRS Ohio.

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RISK FACTORS WEIGHTED

Audit Area	Risk Factors*						Total
	A	B	C	D	E	F	
MEMBER BENEFITS							
Call Center	18	16	14	12	10	8	78
Defined Contribution Plan	18	16	14	12	10	8	78
Disability Benefits	27	24	21	12	10	8	102
Health Care	27	32	14	12	15	16	116
Member Data Management	27	32	28	12	10	8	117
Post-Retirement Benefits	27	16	21	24	10	8	106
Purchasing Service Credit	18	24	14	12	15	8	91
Records Management	18	16	14	12	10	12	82
Reemployed Retirees	27	24	21	18	10	8	108
Srv. Ret. Benefits — Processing Adm.	18	32	14	18	15	16	113
Srv. Ret. Benefits — Benefit Processing	18	32	14	18	20	16	118
Survivor Benefits	18	16	14	18	10	8	84

*See Page 4 for description of risk assessment scale.

2011 INTERNAL AUDIT WORK PLAN

Audit Area	Priority	Dept.	Risk Score	Last Audit	Estimated Audit Date	Estimated Audit Hours	Risk Codes
Alternative Investments	HIGH	I	133	2010	Nov-11	240	F, I, C, O
International Investing	HIGH	I	125	2010			F, I, C, O
Domestic Equities	HIGH	I	125	2010	Oct-11	320	F, I, C, O
Real Estate	HIGH	I	119	2010			F, I, C, O
Derivatives	HIGH	I	113	2010	Aug-11	160	F, I, C, O
Fixed Income	HIGH	I	103	2009	Jun-11	240	F, I, C, O
Liquidity Reserves	HIGH	I	93	2009	Jan-11	120	F, I, C, O
Business Continuity Plan	MED.	A	122	2007	Mar-11	120	F, I, C, O
Financial Reporting (STRS Ohio)	MED.	F	121	2006	Sep-11	160	I, C, O
Srv. Ret. Benefits — Benefit Processing	MED.	MB	118	2010			I, C, O
Member Data Management	MED.	MB	117	2009			PS, C
Health Care	MED.	MB	116	2010			I, C, O
Srv. Ret. Benefits — Processing Admin.	MED.	MB	113	2010			I, C, O
Contribution Reporting	MED.	F	90	2008			I, C, O
Insurance/ Risk Management	MED.	A	86	2010			F, I, C, O
Annual Reporting	MED.	F	86	2010			I, C, O
Accounts Payable	MED.	F	78	2007	Nov-11	200	I, C, O
Annual Statements	MED.	F	78	2007			I, C, O
Defined Contribution Plan	MED.	MB	78	2007			I, C, O
Benefit Payment Process	LOW	A	125	2007	Jan-11	120	I, C, O
Member Income Taxes	LOW	F	120	2007	Mar-11	200	I, C, O
Fixed Assets — Computer Equipment	LOW	A	117	2008			I, C, O
Reemployed Retirees	LOW	MB	108	2008			I, C, O
Securities Lending	LOW	I	107	2010			I, C, O

Risk Codes:

- F: Financial = Risk related to financial impact
- I: Integrity = Risk related to accuracy of data or asset managed/presented
- C: Compliance = Risk related to non-compliance with laws/regulations/internal policies
- O: Operational = Risk related to operational efficiencies/inefficiencies
- PS: Public Sensitivity = No material financial impact but high public sensitivity

2011 INTERNAL AUDIT WORK PLAN

Audit Area	Priority	Dept.	Risk Score	Last Audit	Estimated Audit Date	Estimated Audit Hours	Risk Codes
Member Withdrawals	LOW	F	106	2006	May-11	120	I, C, O
Post-Retirement Benefits	LOW	MB	106	2007	Mar-11	200	I, C, O
Internet/Intranet	LOW	A	102	2010			I, C, O
Network Security	LOW	A	102	2010			I, C, O
Disability Benefits	LOW	MB	102	2007	Oct-11	160	I, C, O
Purchasing Service Credit by Payroll Deduction	LOW	F	99	2008			I, C, O
Purchasing Practices	LOW	A	98	2010			I, C, O, PS
Attendance Reporting	LOW	A	98	2010			I, C, O
Petty Cash	LOW	F	98	2009			I, C, O, PS
Fixed Assets	LOW	F	94	2009			I, C, O
Purchasing Service Credit	LOW	MB	91	2008			I, C, O
Postage	LOW	A	89	2009			I, C, O
Child Care Center	LOW	A	86	2004	Jul-11	120	I, C, O
Flexible Spending Plans	LOW	A	85	2009			I, C, O
Associate Travel Expenses	LOW	A	85	2007	May-11	120	I, C, O, PS
Survivor Benefits	LOW	MB	84	2006	Jan-11	160	I, C, O
Investment Performance	LOW	I	83	2010	Jul-11	120	I, C, O
Early Retirement Incentive Credit	LOW	F	83	2005			I, C, O
Records Management	LOW	MB	82	2008			C, O
Associate Payroll	LOW	A	82	2010			I, C, O
Call Center	LOW	MB	78	2008			C, O
Board Expenses	LOW	A	78	2010	Aug-11	120	I, C, O, PS
Building Maintenance	LOW	A	78	2008			I, C, O
Educational Assistance Program	LOW	A	78	2009			I, C, O

Risk Codes:

F: Financial = Risk related to financial impact

I: Integrity = Risk related to accuracy of data or asset managed/presented

C: Compliance = Risk related to non-compliance with laws/regulations/internal policies

O: Operational = Risk related to operational efficiencies/inefficiencies

PS: Public Sensitivity = No material financial impact but high public sensitivity

2011 INTERNAL AUDIT WORK PLAN

Audit Area	Priority	Dept.	Risk Score	Last Audit	Estimated Audit Date	Estimated Audit Hours	Risk Codes
Personal Investment Disclosure	LOW	A	78	1996	Oct-11	80	I, C
Other Staff Expenses	LOW	A	76	2009			I, C, O, PS
Unused Sick and Vacation Leave	LOW	A	74	2009			I, C, O
Proxy Voting	LOW	I	74	2008			I, C
OEC Reporting	LOW	A	58	2008			I, C, O, PS

Total Hours 3080

Risk Codes:

- F: Financial = Risk related to financial impact
- I: Integrity = Risk related to accuracy of data or asset managed/presented
- C: Compliance = Risk related to non-compliance with laws/regulations/internal policies
- O: Operational = Risk related to operational efficiencies/inefficiencies
- PS: Public Sensitivity = No material financial impact but high public sensitivity

ASSIGNMENT OF RISK RATING

Audit Area	Risk Factors*						Total
	A	B	C	D	E	F	
FINANCE							
Accounts Payable	2	2	2	2	2	2	12
Annual Reporting	2	3	2	2	2	2	13
Annual Statements	2	2	2	2	2	2	12
Contribution Reporting	2	3	2	2	2	3	14
Early Retirement Incentive Credit	2	2	2	2	3	2	13
Financial Reporting (STRS Ohio)	3	4	2	2	4	4	19
Fixed Assets	3	2	3	2	2	2	14
Member Income Taxes	4	4	2	2	2	4	18
Member Withdrawals	3	3	3	2	2	3	16
Petty Cash	3	2	4	3	1	1	14
Purchasing Service Credit by Payroll Deduction	2	4	2	2	3	2	15
INVESTMENTS							
Alternative Investments	4	4	3	2	4	3	20
Derivatives	3	4	2	2	4	2	17
Domestic Equities	3	4	2	2	4	5	20
Fixed Income	2	4	2	2	3	3	16
International Investing	3	4	2	2	4	5	20
Investment Performance	2	2	2	2	3	2	13
Liquidity Reserves	2	3	3	2	2	2	14
Proxy Voting	2	2	2	2	2	1	11
Real Estate	3	4	3	2	3	3	18
Securities Lending	2	4	2	2	3	4	17

*See Page 3 for description of risk factors.

ASSIGNMENT OF RISK RATING

Audit Area	Risk Factors*						Total
	A	B	C	D	E	F	
MEMBER BENEFITS							
Call Center	2	2	2	2	2	2	12
Defined Contribution Plan	2	2	2	2	2	2	12
Disability Benefits	3	3	3	2	2	2	15
Health Care	3	4	2	2	3	4	18
Member Data Management	3	4	4	2	2	2	17
Post-Retirement Benefits	3	2	3	4	2	2	16
Purchasing Service Credit	2	3	2	2	3	2	14
Records Management	2	2	2	2	2	3	13
Reemployed Retirees	3	3	3	3	2	2	16
Srv. Ret. Benefits — Processing Adm.	2	4	2	3	3	4	18
Srv. Ret. Benefits — Benefit Processing	2	4	2	3	4	4	19
Survivor Benefits	2	2	2	3	2	2	13

*See Page 3 for description of risk factors.

RISK FACTORS WEIGHTED

Audit Area	Risk Factors*						Total
	A	B	C	D	E	F	
ADMINISTRATION							
Associate Payroll	18	16	14	12	10	12	82
Associate Travel Expenses	18	16	21	12	10	8	85
Attendance Reporting	27	16	21	12	10	12	98
Benefit Check Printing	27	32	21	18	15	12	125
Board Expenses	18	16	14	12	10	8	78
Building Maintenance	18	16	14	12	10	8	78
Business Continuity Plan	27	24	21	18	20	12	122
Child Care Center	18	24	14	12	10	8	86
Educational Assistance Program	18	16	14	12	10	8	78
Fixed Assets — Computer Equipment	27	24	21	18	15	12	117
Flexible Spending Plans	18	16	21	12	10	8	85
Insurance/Risk Management	18	24	14	12	10	8	86
Internet/Intranet	18	24	21	12	15	12	102
Network Security	27	24	21	12	10	8	102
Ohio Ethics Commission Reporting	9	16	7	12	10	4	58
Other Staff Expenses	18	16	21	12	5	4	76
Personal Investment Disclosure	18	16	14	12	10	8	78
Postage	18	16	21	12	10	12	89
Purchasing Practices	27	16	21	12	10	12	98
Unused Sick and Vacation Leave	18	16	14	12	10	4	74

*See Page 4 for description of risk assessment scale.

RISK FACTORS WEIGHTED

Audit Area	Risk Factors*						Total
	A	B	C	D	E	F	
FINANCE							
Accounts Payable	18	16	14	12	10	8	78
Annual Reporting	18	24	14	12	10	8	86
Annual Statements	18	16	14	12	10	8	78
Contribution Reporting	18	24	14	12	10	12	90
Early Retirement Incentive Credit	18	16	14	12	15	8	83
Financial Reporting (STRS Ohio)	27	32	14	12	20	16	121
Fixed Assets	27	16	21	12	10	8	94
Member Income Taxes	36	32	14	12	10	16	120
Member Withdrawals	27	24	21	12	10	12	106
Petty Cash	27	16	28	18	5	4	98
Purchasing Service Credit by Payroll Deduction	18	32	14	12	15	8	99

INVESTMENTS							
Alternative Investments	36	32	21	12	20	12	133
Derivatives	27	32	14	12	20	8	113
Domestic Equities	27	32	14	12	20	20	125
Fixed Income	18	32	14	12	15	12	103
International Investing	27	32	14	12	20	20	125
Investment Performance	18	16	14	12	15	8	83
Liquidity Reserves	18	24	21	12	10	8	93
Proxy Voting	18	16	14	12	10	4	74
Real Estate	27	32	21	12	15	12	119
Securities Lending	18	32	14	12	15	16	107

*See Page 4 for description of risk assessment scale.

2011 INTERNAL AUDIT SCHEDULE

Audit Area	Description of Audit Area	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Liquidity Reserves	Compliance Accuracy of Interest Income Quality of Investments Daily Reconciliations												
Survivor Benefits	Benefit Calculations Student Benefits Segregation of Duties												
Benefit Payment Process	Data Backup Pension Reconciliation & G/L Update Information Change Management												
Member Income Taxes	Withholding Change Reconciliations Tax Interface Reconciliation & G/L Updates Segregation of Duties												
Business Continuity Plan	Compliance Monitoring & Testing												
Post-Retirement Benefits	Death Match Process Annuity Certain Expirations Overpayment/Collections Disbursement Compliance												
Associate Travel Expenses	Prior Authorization Compliance With STRS Ohio Travel Policy Approval/Payment of Travel Expenses												
Member Withdrawals	Compliance With ORC Refund Estimates/Payments Non-Zero Accounts 1099Rs												
Fixed-Income Investments	Due Diligence Approved Brokers Accuracy of Pricing Interest Income Monitoring of External Managers Compliance With Investment Policies												
Investment Performance	Accuracy of PBI Awards Investment Policy Compliance												

2011 INTERNAL AUDIT SCHEDULE

Audit Area	Description of Audit Area	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Child Care Center	Compliance With State Licensing State Inspections Tuition Payments Enrollment												
Derivatives	Semiannual Derivative Exposure Report Currency Forward Settlements Equity Swap Settlements Counterparty Risk												
Board Expenses	Preapproval of Travel Timeliness/Accuracy of Reimbursements Compliance With Rules/Policies												
Financial Reporting (STRS Ohio)	Role-Based Security/Segregation General Journal Entries Disaster Recovery Process Audit Trail Integrity												
Disability Benefits	Reexamination Schedules Medical Invoice Payments Terminated Benefits - Notification Statement of Employment/Earnings												
Personal Investment Disclosure	Compliance With Policies Accuracy/Completeness												
Domestic Equities	Monitoring of External Managers Recalculation of Management Fees Approved Brokers Research Costs Reporting/Accounting Compliance With Investment Policies												
Accounts Payable	Vendor Approval Process Vendor Payment History Segregation of Duties												
Alternative Investments	General Partner Review/Monitoring Valuations General Partner Fees												

RISK FACTORS

Risk Factor	Risk Factor Description	Weighting
A	Adequacy and Effectiveness of the System of Internal Controls	9
B	Major Changes in Technology, Operations, the Organization or the Economy	8
C	Dates and Results of Previous Audits	7
D	Recent or Relevant Changes in Key Personnel	6
E	Complexity or Volatility of Activities	5
F	Asset Size or Transaction Volume	4

RISK ASSESSMENT SCALE

The risk assessment scale is a 9-point system with graduations of risk as follows:

Risk Factor Description	Score
Extremely Risky	9
Very Risky	7
Risky	5*
Slightly Risky	3
Not Risky	1

* If no previous audit was performed, the auditable area was assessed a 5 — Risky.

ASSIGNMENT OF RISK RATING

Audit Area	Risk Factors*						Total
	A	B	C	D	E	F	
ADMINISTRATION							
Associate Payroll	2	2	2	2	2	3	13
Associate Travel Expenses	2	2	3	2	2	2	13
Attendance Reporting	3	2	3	2	2	3	15
Benefit Check Printing	3	4	3	3	3	3	19
Board Expenses	2	2	2	2	2	2	12
Building Maintenance	2	2	2	2	2	2	12
Business Continuity Plan	3	3	3	3	4	3	19
Child Care Center	2	3	2	2	2	2	13
Educational Assistance Program	2	2	2	2	2	2	12
Fixed Assets — Computer Equipment	3	3	3	3	3	3	18
Flexible Spending Plans	2	2	3	2	2	2	13
Insurance/Risk Management	2	3	2	2	2	2	13
Internet/Intranet	2	3	3	2	3	3	16
Network Security	3	3	3	2	2	2	15
Ohio Ethics Commission Reporting	1	2	1	2	2	1	9
Other Staff Expenses	2	2	3	2	1	1	11
Personal Investment Disclosure	2	2	2	2	2	2	12
Postage	2	2	3	2	2	3	14
Purchasing Practices	3	2	3	2	2	3	15
Unused Sick and Vacation Leave	2	2	2	2	2	1	11

*See Page 3 for description of risk factors.