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**Ohio Public Employees Retirement System**

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January 5, 2021

Ms. Bethany Rhodes  
Executive Director  
Ohio Retirement Study Council  
30 East Broad Street, 2<sup>nd</sup> Floor  
Columbus, OH 43215

Dear Director Rhodes:

Pursuant to R.C. 145.095, please find enclosed the 2020 Annual Audit Committee Report of the OPERS Retirement Board. This report was reviewed with the OPERS Audit Committee during its meeting on November 17, 2020 and approved by the OPERS Retirement Board on November 17, 2020. The report documents the activities of the OPERS Internal Audit Department for 2020 including:

- Closed Audits with Recommendations
- Closed Audits with No Recommendations
- Active Audits
- Other Audit Related Activity

Also, the OPERS Audit Committee held two (2) meetings during 2020. Following is a summary of the meetings and actions taken:

<b>Meeting Date</b>	<b>Meeting Summary &amp; Action Taken</b>
May 19, 2020	<ul style="list-style-type: none"><li>• Action: The Audit Committee reviewed, discussed and approved the 2020 Six Month Internal Audit Plan (July-December).</li><li>• Staff from CliftonLarsonAllen LLP, OPERS' external auditor, discussed the results of the 2019 financial statement audit.</li><li>• Staff from OPERS presented highlights from the Comprehensive Annual Financial Report for 2019.</li><li>• An executive summary of internal audit initiatives and activities occurring since December 2019 along with the status of outstanding audit recommendations was presented.</li></ul>
November 17, 2020	<ul style="list-style-type: none"><li>• An executive summary of internal audit initiatives and activities occurring since May 2020 along with</li></ul>

Meeting Date	Meeting Summary & Action Taken
	<p>the status of outstanding audit recommendations was presented.</p> <p>Action: The Audit Committee reviewed and approved the 2019 Annual Audit Committee Report to be provided to the ORSC.</p> <ul style="list-style-type: none"> <li>• Action: The Audit Committee reviewed, discussed and approved the 2021 Six Month Internal Audit Plan (January-June).</li> <li>• Staff from CliftonLarsonAllen LLP, OPERS' external auditor, discussed the audit plan for the upcoming 2020 financial statement audit.</li> </ul>

Please let us know if you need additional information.

Sincerely,




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# Ohio Public Employees Retirement System 2020 Annual Audit Committee Report

## Closed Audits: Recommendations

Audit Area	Risk Rating <sup>1</sup>	Scope	Recommendations	Management's Response	Implemented	Implementation or Target Implementation
IT Security – Key Person Risk (November 2020)	Low	Assess roles and responsibilities within the IT Security Department to ensure appropriate mitigation of key person risk.	1. While no critical gaps were noted with respect to the consideration of key person risk, IT Security should compile a consolidated inventory or matrix of monitoring, testing, reporting, and other key responsibilities to ensure that processes are performed and alerts appropriately monitored, even in the event of a colleague's absence or business disruption.	1. Management agreed and implemented.	1. Yes	1. Completed
		Comments: None				
2020 Families First Coronavirus Response Act (FFCRA) Payroll (November 2020)		Test controls and compliance with application of guidelines associated with the FFCRA and other timekeeping/payroll considerations implemented as a	1. Formal, written procedures help the organization stay consistent when management needs to make decisions and to ensure objectives are being met. As such, HR should consider formalizing the current FFCRA procedures now that the process for approving COVID-19 related leave time is being consistently performed. Documented procedures promote best practices and assist in ensuring that repetitive processes are	1. Management agreed and implemented.	1. Yes	1. Completed

<sup>1</sup> 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.

“In process” status is an audit recommendation that has been implemented by management but is pending validation from Internal Audit.

Audit Area	Risk Rating <sup>1</sup>	Scope	Recommendations	Management's Response	Implemented	Implementation or Target Implementation
		result of COVID-19.	<p>completed in a consistent and predictable manner.</p> <p>2. Human Resources should assign a second reviewer to the calculation of accrual balances particularly for calculating previously used FMLA to ensure associates approved for EFMLA are granted the correct amount of time. HR should also update their procedures to reflect this additional review.</p>	2. Management agreed and implemented.	2. Yes	2. Completed
Comments: None						
eSecLending (May 2020)	Moderate	Assess the design and effectiveness of key controls for critical processes related to eSecLending.	1. Based on internal audit's review of access to the eSecLending external site, it was noted that two individuals who no longer work at OPERS continued to have access to the site and related information. A control should be implemented to evaluate access and remove when no longer appropriate.	1. Management agreed and implemented.	1. Yes	1. Completed
Comments: None						
System Access (July 2020)	1. Low	Assess the design and effectiveness of key controls associated with granting and removing system access as well as the periodic monitoring of system access.	1. When a new consultant is set up with access, the Cherwell ticket should include evidence of the access given at the time to ensure a good starting audit trail for access provided. Any updates to the process should be incorporated into the documented procedures as well and added for new employees.	1. Management agreed and will implement.	1. No	1. December 2020

Audit Area	Risk Rating <sup>1</sup>	Scope	Recommendations	Management's Response	Implemented	Implementation or Target Implementation
	2. Low		2. IT Security should update the approval process for when consultants are granted access to the production environment to ensure evidence of CISO approval is obtained in accordance with the current policy.	2. Management agreed and implemented	2. Yes	2. Completed
Comments: None						
Medicare Connector – HRA payment service provider transition (September 2020)	1. Mod.	Assess the design and effectiveness of controls related to managing Healthcare Reimbursement Arrangement (HRA) and claims processing specific to the transition associated with the HRA payment service provider.	1. OPERS should review the details associated with the performance guarantees and associated penalties with Willis Towers Watson to ensure agreement with the current execution of these metrics. Additionally, OPERS should seek to formalize any significant changes from the original contract via a contract amendment or another equivalent document.	1. Management agreed and will implement.	1. No	1. December 2020
Comments: None						
Building Security – Badge Access (October 2020)	1. Low	Assess the design and effectiveness of key controls related to issuing, monitoring, and terminating badge access.	1. Internal Audit recommends the following: <ul style="list-style-type: none"> <li>• Support of the review of consultants by the respective OPERS contacts should be maintained with the badge review documentation.</li> <li>• The badge issue process should be updated for consultant badges to include the addition of the respective OPERS contact. This would eliminate the need to track this information separately.</li> </ul>	1. Management agreed and will implement.	1. No	1. January 2021

Audit Area	Risk Rating <sup>1</sup>	Scope	Recommendations	Management's Response	Implemented	Implementation or Target Implementation
	2. Low		2. Facilities should partner with HR to determine an appropriate process for collecting and destroying badges for employees and consultants who are no longer employed or providing services to OPERS.	2. Management agreed and will implement.	2. No	2. November 2020
	3. Mod.		3. Internal audit recommends the following: <ul style="list-style-type: none"> <li>• Management should set up individual user accounts to the badge system with unique usernames and passwords.</li> <li>• Requirements should be put into place to require periodic password changes.</li> </ul>	3. Management agreed and implemented.	3. In process	3. October 2020
Comments: None						
Employer Services (June 2020)	1. Mod.	Assess the design and effectiveness of key controls for critical areas including employer accounting and employer audits.	1. Internal Audit recommends the following: <ul style="list-style-type: none"> <li>• Overridden cost statements should be approved by the Employer Services manager.</li> <li>• Procedures specific to the calculation of these more manual cost statements should be updated to add clarity to the process and provide an additional resource to processors.</li> <li>• Processors should include comments within the system describing the rationale and any additional context related to the manual override and related cost statement.</li> </ul>	1. Management agreed and implemented.	1. Yes	1. Complete
Comments: None						

## Closed Audits: No Recommendations

Audit Area	Risk Rating	Scope	Management's Response
Fixed Income Analytics System Implementation (January 2020)	Mod.	Assess and review the process associated with the implementation of a new fixed income analytics system to include data migration.	Not applicable.
		Comments: The review determined that the objectives relating to the consulting work associated with the implementation of the fixed income analytics system were met.	
Incentive Compensation (November 2020)	Mod.	Assess the design of key controls and verify the accuracy of the 2019 Incentive Compensation payments.	Not applicable.
		Comments: All incentive compensation awards for 2019 were calculated and paid in accordance with policies and procedures.	
Personal Trading Policy (June 2020)	Mod.	Assess the organization's compliance with the Personal Trading Policy.	Not applicable.
		Comments: Testing performed concluded that controls associated with the Personal Trading Policy are operating effectively.	
Disability Benefits (November 2020)	Mod.	Assess the design and effectiveness of key controls for critical areas including eligibility determination and benefit calculations as processing is migrated to the Compass environment.	Not applicable.
		Comments: Testing performed concluded that controls operating effectively.	
BNY Mellon: Master Record Keeper (January 2020)	Mod.	Assess the design and effectiveness of key controls for critical areas including accounting and performance calculations and reconciliations.	Not applicable.
		Comments: Testing performed concluded that controls operating effectively.	

Audit Area	Risk Rating	Scope	Management's Response
Annual Ethics Policy Procedures (2018) (January 2020)	Low	Verify the organization's compliance with OPERS' Ethics Policy (2018).	Not applicable.
		Comments: Testing performed based on agreed upon procedures with management.	



## Active Audits

Audit Area	Risk Rating	Scope	Target Completion
Service Retirement – Data Conversion	Mod.	Assess the design and effectiveness of key controls over the accuracy of historical data as processing is migrated to the Compass environment.	January 2021
Remote Workforce Security Assessment	Mod.	Conduct review of processes and technologies pertaining to remote workers and remote access to systems, such as VPNs and Network Firewalls, and assess the impact to the organization’s information security program.	January 2021
Member Services	Low	Assess the design and effectiveness of key controls associated with certain processes within Member Services to include quality assurance and issue reporting/escalation.	January 2021
Investment Accounting System Implementation	Mod.	Assess and review the process associated with the implementation of a new investment accounting system (Consulting).	Ongoing
Investment Accounting System Post Implementation Audit	Mod.	Review and assess the processes and controls in place associated with the SimCorp investment accounting system implementation specifically related to key day 1 activities.	February 2021
Fiduciary Audit Follow-up	Low	Perform follow-up procedures related to the implementation of recommendations associated with soon to be issued Fiduciary audit.	January 2021
Contract Management	Mod.	Assess the design and effectiveness of key controls related to the organization’s contract management and review process.	January 2021
Annual Ethics Policy Procedures (2019)	Low	Verify the organization’s compliance with OPERS’ Ethics Policy (2019).	January 2021
Enterprise Risk Management (ERM)	Low	Perform testing over certain controls associated with strategic risks as part of ERM.	Ongoing

## Other Audit Related Activity

Area	Risk Rating	Subject/Project	Description
Expenses, Benefits & Health Care (Ongoing)	Low	Continuous Auditing	Monthly review of various processes/indicators to identify exceptions and trends that may prompt a more detailed review.
Investments (Ongoing)	Low	Continuous Auditing	Monthly review of various processes/indicators to identify exceptions and trends that may prompt a more detailed review.
IT Risk Assessment	N/A	Risk Assessment	Perform specific risk assessment over IT functions to drive future IT audit plans (outsourced to a third-party).
Investment Risk Assessment	N/A	Risk Assessment	Perform specific risk assessment over Investment functions to drive future Investment audit plans (co-sourced to a third-party).
Enterprise Risk Management – Operational Controls/Control Test Plans	N/A	Risk Management	Review and provide feedback regarding controls and control test plans associated with the ERM operational risks.
Internal Audit	N/A	2020 Quality Assurance and Improvement	Perform internal quality procedures over OPERS' internal audit activities.
Internal Audit	N/A	Risk Assessment/Audit Plan	Preparation of the 2021 audit plan.
Internal Audit	N/A	Audit Recommendation Follow-up	Follow-up and report on the status of outstanding audit recommendations.
Board	N/A	Audit Committee Meetings/Preparation	Prepare communications and attend Audit Committee and Board Meetings.

### Composition of Audit Committee at end of reporting year (R.C. 145.095)

Chris Mabe (Chair) - Representative for State Employees

Matthew Damschroder - Director, Department of Administrative Services

Randy Desposito - Representative for Non-teaching College/University Employees

Tim Steitz - Representative for Retirees

Ken Thomas - Representative for Municipal Employees