June 30, 2022

Bethany Rhodes
Director and General Counsel
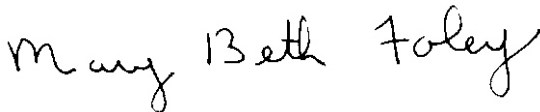Ohio Retirement Study Council
30 E. Broad Street, 2nd Floor

Dear Ms. Rhodes:

Pursuant to R.C. 742.105, enclosed please find a report of actions taken by the Administration and Audit Committee for calendar year 2021. The attached report was prepared by Caren Sparks, OP&F Chief Audit Executive & Privacy and Ethics Officer. The OP&F Administration and Audit Committee held two (2) meetings during 2021. Following is a summary of the meetings and action taken:

Meeting Date	Summary & Action Taken
February 23, 2021	*Approved:* 2020 Annual ORSC Audit Report, 2021 Audit Plan, Internal Audit Charter and Risk Management Policy. *Discussed:* Business & Technology Solutions Update.
November 30, 2021	*Approved:* Internal Audit Charter, 2022 Audit Plan, Board Governance Policy Manual, Communications Plan and Internal Audit Charter. Discussed: Internal Audit Status Update Report and Information Technology Update.

Please feel free to contact me if you have any questions.

Sincerely,

Mary Beth Foley, Esq.
Executive Director

Ohio Police and Fire Pension Fund
2021 Annual Audit Report
(Submitted to ORSC June 30, 2022)

Closed Audits: Recommendations

Audit Area	Risk Rating[1]	Scope	Recommendations	Management's Response	Implemented	Implementation or Target Implementation
Cybersecurity Activities	Mod	To observe and evaluate management's cybersecurity prevention, incident identification, breach reporting and response plan.	The cybersecurity prevention, incident identification, breach reporting and response plan is continuously being developed/updated. Management has made progress but should continue to focus on defining the cybersecurity program; processes/policy; due diligence and training program; finalizing and approving the Business Continuity and Disaster Recovery Plan; updating the IT related policy; further developing the logging aggregation, analysis and reporting processes; implementing corrective action for penetration testing; and annually reevaluating the cybersecurity insurance coverage to ensure it meets the risk appetite of OP&F.	An external party has been hired to perform a Cybersecurity Operational Needs Assessment.	In Process	December 31, 2022
		Comments: Management uses network segmentation to limit impact of events; uses antivirus protection to prevent malware, hacker viruses, ransomware and malicious websites; encrypts data, using secure file transfer protocol; has data protection in place to classify and control data movement across endpoints, networks and the cloud; uses firewalls, VPN and dual factor authentication; uses external provider for infrastructure, disaster recovery, and backup services; and requires staff to take cybersecurity, ethics and HIPAA training.				

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[1] Risk Rating Level

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.

Departmental Vendor Management Monitoring Engagement	Mod-Low	Independent assurance over the governance, policies, processes and key controls that support the implementation, execution and oversight of the third-party risk management process.	Although each department performs a variety of monitoring activities, the process could be strengthened by documenting and formalizing the program to align with OP&F's risk appetite. Components of an effective monitoring system typically include policies, procedures and governance activities that support it. A structured support system would define roles and responsibilities; contain a vendor master file, describe the risk rating criteria, list reporting requirements including expectations, and contain processes for the classification, escalation and tracking of issues that result from monitoring activities. Please Note, managing risk associated with due diligence for investment managers is a documented, well-developed and thorough process and could be separate from this departmental policy.	Recommendations will be enacted; policies and checklist are in development.	In Process	June 30, 2022
		Comments: Review found the area to be well controlled with improvements needed.				
Employer Monthly Reporting and Penalty Process	High	To determine if the processing of employer monthly reports complies with Ohio Revised Code 742.32, 742.35, 742.352, and Ohio Administrative	The following recommendations were made to strengthen controls and improve operations:

Eliminate the additional two-week timeframe given to the employer and hold them accountable for sending accurate and complete reports within the guidelines. Corrective action was implemented immediately to resolve the noncompliance. | Management eliminated the additional two weeks during fieldwork.

Escalation process was implemented and effective as of 1/1/2022. | Implemented and In Process | December 31, 2022 |

			Code 742-8-07 and 742-9-10.	Develop an escalation process with timelines to ensure employer reports are processed consistently and timely. An escalation process will clarify the boundaries and channels of decision making to help solve the issue quickly and those that cannot be resolved are escalated to the appropriate level for adequate resolution.	Currently being evaluated by management.		
				Meet with Member Services to discuss the current review thresholds and determine if the items requested from employers are needed. Periodically reevaluating the thresholds and required documents will improve the efficiency of the overall operation of OP&F.			
				Track the penalty reduction requests and document the actions taken to ensure a paper trail is readily available for future reference. A centralized tracking system facilitates timely decision-making and provides documentation of action taken.	Penalty reduction requests are being tracked for future reference.		
				Noncompliant reports should be returned to the employer to be corrected. Identify/determine the common mistakes and errors made by employers and develop training documents and videos. Employers should be required to participate in the training until the reporting errors/deficiencies are resolved.	Management will develop a process to address common mistakes and errors. This will be an ongoing process.		
				Prepare training material and train team members to ensure employer reports are processed consistently among staff. In addition, periodically provide refresher training to all team members to enhance staff development.	Will be developed after the 2021 payroll yearend is closed.		

		Comments: The review found the area was not complying with the Ohio Revised Code requirements. Management collaborated with Internal Audit to identify areas of improvement.	

Closed Audits: No Recommendations

Audit Area	Risk Rating	Scope	Management's Response
IT – Monthly Maintenance Process (Patches are performed timely; Patches and changes are tested prior to rollout, etc.)	Low	To observe the monthly maintenance process and evaluate for reasonableness.	NA
		Comments: There were no high, medium or low risk comments identified during the review. A monthly-automated process recently replaced the manual process. The newly implemented process is sound and internal controls are adequate. The changes, testing and approvals are well documented for future reference. However, management should ensure staff are cross-trained on the ORACLE tasks.	
Media and Public Records Review	Low	Evaluate the process for tracking public records and media records and records requests and responses.	NA
		Comments: There were no high or medium risk observations identified during the review.	
OP&F Disclosure Statement Review	Low	To proactively identify and prevent conflicts of interest.	NA
		Comments: There were no issues noted during the review of the disclosure statements. OP&F has ethics related policies in place and employees are required to acknowledge that they have read and understand the policies. In addition, annual ethics training is provided to all OP&F employees.	
	Low	To proactively identify and prevent conflicts of interest.	NA

Ohio Ethics Disclosure Statement Review		Comments: Reviewed the statements submitted by staff and Board of Trustees and monitored the Ohio Ethics Liaison site to ensure statements were submitted by deadline. There were no issues noted during the review of the disclosure statements.
Vacation and Sick Buybacks and Conversions	Low	To determine compliance with policy and verify accuracy of payments for vacation buybacks and vacation and sick leave conversions at terminations. NA
		Comments: No errors were noted during testing that were deemed high, medium or low risk.
DROP Distributions	Low	To verify DROP distribution payments are processed accurately and timely. To evaluate the adequacy of internal controls and determine compliance with policy and revised code requirements. NA
		Comments: There were no material errors noted during testing, DROP distribution payments were processed accurately and timely. Internal controls are appropriate to ensure compliance with policy and revised code requirements.
Customer Service Quality Assurance consulting engagement	Low	To observe and evaluate the outgoing mail quality assurance (QA) process controls. NA
		Comments: There were no observations noted during fieldwork that were deemed high or medium risk.

Active Audits

Audit Area	Risk Rating	Scope	Target Completion
Finance – Procurement	Low	To evaluate the adequacy of the purchasing process: To verify office equipment and capital purchases are recorded and the assets exist. To evaluate the sufficiency of internal controls and determine compliance with policy and code requirements.	March 2022
		Comments: In process	
IT – Outsourced Consulting Engagement	Mod	Cybersecurity Operational Needs Assessment	March 2022
		Comments: In process	

Other Audit Related Activity

Area	Risk Rating	Subject/Project	Description
Enterprise-wide	Low	Internal Control Education and Training	Provided on-going educational information to employees to help enhance and strengthen OP&F's control environment. Provided internal controls and fraud education training to select new employees.
Internal Audit	Low	Internal Audit Procedures Manual	Updated Internal Audit Procedures Manual to reflect current practices. 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.
Internal Audit	Low	Internal Audit Crosswalk to Standards	Institute of Internal Auditors *Standards* for the Professional Practice of Internal Auditing *to* OP&F Internal Audit Procedures Manual Crosswalk. The Crosswalk documents how Internal Audit complies with the IIA *Standards*.
Internal Audit	Low	Quality Assurance Reviews	Performed workpaper quality assurance reviews to comply with the Institute of Internal Auditors *Standards* for the Professional Practice of Internal Auditing.

Internal Audit	Low	Self-Assessment	An independent external validation of self-assessment to comply with *Internal Auditors Standard 1300 Quality Assurance and Improvement Plan* was completed December 2021. Internal Audit received the highest rating available, generally conforms to the IIA Standards. There was one opportunity for improvement noted during the review: Having periodic independent external quality assessments to provide assurance to the OP&F board, senior management, and membership that the Internal Audit Office continues to adequately fulfill this important audit role in compliance with IIA Standards. Internal Audits review was delayed because of Covid, the next review will be performed within the required timeframe.
Enterprise-wide	Low	Risk Assessment and Audit Plan for 2021	Completed the Risk Assessment and Audit Plan for 2021. The Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing* 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 plan is adjusted, as necessary, in response to changes in the organizations business, risks, operations, systems, and controls. The risk assessment is also updated quarterly (minimum) or more frequently if needed. The Administration and Audit Committee approved the plan on 2/23/2021.
Enterprise-wide	Low	Updates to 2021 Risk Assessment and Audit Plan	The Audit Plan was updated in March, August and September 2021 to reflect emerging risk.
Enterprise-wide	Low	Audit Follow-up	Performed audit follow-up. Internal audit monitors the status of outstanding audit observations to verify management has corrected the internal control weaknesses. Results are presented to Audit Committee.
Internal Audit	Low	Internal Audit Charter – 2021	Updated the Internal Audit Charter for 2021. The Institute of Internal Auditors *Standard 1000* requires the purpose, authority, and responsibility of internal audit be formally defined in an Internal Audit Charter, consistent with the Mission of internal audit and the mandatory elements of the International Professional Practices Framework. The chief audit executive must periodically review the internal audit charter and present it to senior management and the Administration and Audit Committee for approval. The internal audit charter was provided to management for review. The 2021 Internal Audit Activity Charter was submitted to the Administration and Audit Committee for review and approval.
Enterprise-wide	Low	Ethics Training	Updated ethics training material and provided ethics training to all OP&F employees. New employees receive the training their first week at OP&F. Also provided a No Gift Acceptance Education and Training to staff.
Enterprise-wide	Low	HIPAA Training	Health Insurance Portability and Accountability Act Training (HIPAA): Researched U.S. Department of Health and Human Services website for HIPAA updates, prepared Power Point presentation, provided annual HIPAA training to OP&F staff on policies and procedures for use, disclosure, and general treatment of protected health information (PHI) and ePHI. New employees receive the training their first week at OP&F.
Internal Audit	Low	Financial Audit	Provided requested documents to external auditor.
Enterprise-wide	Low	OP&F Risk Management Policy	Collaborative project with management: Updated the manual to include known internal controls. Met with management, brainstormed potential risks, and discussed controls in place. Internal audit helped facilitate the updates to the policy. The Board of Trustees reviewed and approved in February 2021.

Enterprise-wide	Low	OP&F Board Governance Policy Manual	Updated the OP&F Board Governance Policy Manual. Manual contains: OP&F's Mission, Vision, and Core Values; Fiduciary Duties; Governing Style; Trustee Development; Board Officers and Offices; Code of Conduct; Committee Guidelines; Committee Charters; Ethics Policy; Board Travel Policy; and Modern Rules of Order Tailored for OP&F. The Board of Trustees approved the manual on 11/30/21.
Internal Audit	Low	Research	During the year, seven incidents potentially involving Personally Identifiable Information were reported to internal audit. Internal audit documented each incident and provided a summary report to the Executive Director and General Counsel.
Internal Audit	Low	Enterprise Risk Management Consulting	Prepared risk questionnaires for management, reviewed responses and provided feedback.
Enterprise-wide	Low	Risk Assessment and Audit Plan for 2022	Worked on the Risk Assessment and Audit Plan for 2022. The plan was reviewed with management and approved by the Administration and Audit Committee in November 2021.
Internal Audit	Low	Education	Participated in webinars and earned continuing education credits.
Enterprise-wide	Low	Fiduciary Audit	ORC 171.04 requires the Ohio Retirement Study Council (ORSC) to have conducted by an independent auditor at least once every ten years a fiduciary performance audit of OP&F. The last fiduciary audit scheduled and performed on behalf of the ORSC was in 2006. Internal Audit is facilitating the review.
Enterprise-wide	Low	Policy Reviews	Reviewed and provided feedback to update the following policies: Disclosure Statement; Business Ethics and Conduct; Conflict of Interest; and Disclosure of Wrongdoing ("Whistleblowing").
Internal Audit	Low	Goals/Objectives	Developed Internal Audit Strategic Plan.

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

Robert E. Britt, II, Administration and Audit Committee Chair, Active, Toledo Police, term expires 6/4/23

John R. Deal, Active, Cincinnati Fire, term expires 6/2/24

Karin Maloney Stifler, Investment Expert Member appointed by the Treasurer of State, term expires 3/4/23

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 – Robert E. Britt, II, Tanya S. Czack

      Two representatives of fire departments – Stephen A. Corvi, John R. Deal

One retired firefighter – Marco J. Miller

One retired police officer – Mark E. Drum

Three statutory members with professional investment experience

One appointed by the Governor - Charles O. Moore

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