

# Ohio Police & Fire Pension Fund

140 East Town Street / Columbus, Ohio 43215-5164 / Tel. (614) 228-2975 / www.op-f.org

August 1, 2023

Bethany Rhodes  
Director and General Counsel  
Ohio Retirement Study Council  
30 E. Broad Street, 2<sup>nd</sup> 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 2022. The attached report was prepared by Caren Sparks, OP&F Chief Audit Executive & Privacy and Ethics Officer. Following is a summary of the meetings and action taken:

Meeting Date	Summary & Action Taken
June 28, 2022	<i>Approved:</i> 2021 Annual ORSC Audit Report, Internal Audit Department Charter and Risk Management Policy. <i>Discussed:</i> Internal Audit Status Report and IT Update.
December 6, 2022	<i>Approved:</i> Administrative Rules, 2023 Audit Plan, Board Governance Policy Manual and OP&F's Communications Plan. <i>Discussed:</i> Internal Audit Status Update Report.
May 24, 2023	<i>Approved:</i> Risk Management Policy, Internal Audit Department Charter, Five-year review of Administrative Rules. <i>Discussed:</i> Internal Audit Status Update Report. <i>Provided:</i> 2022 Annual ORSC Audit Report.

Please feel free to contact Caren Sparks or myself if you have any questions.

Sincerely,



Mary Beth Foley, Esq.  
Executive Director

# Ohio Police and Fire Pension Fund 2022 Annual Audit Report

(Submitted to ORSC August 1, 2023)

## Closed Audits: Recommendations

Audit Area	Risk Rating <sup>1</sup>	Scope	Recommendations	Management's Response	Implemented	Implementation or Target Implementation
Cybersecurity Operational Needs Assessment	Mod	To identify threats and vulnerabilities that could impact OP&F's ability to ensure the confidentiality, integrity, and availability of sensitive member and fund data.	Potential vulnerabilities were identified and recommendations were developed for improvement.	OP&F's cybersecurity posture and practices were strengthened.	Implemented	December 31, 2022
Comments: Project is security related - Confidential and Exempt from ORC 149 as Critical Infrastructure						
Investment Transaction Review	Mod	To evaluate the internal controls over the investment transactions. To verify the	There were no high risks noted during testing; however, IA identified opportunities for investments to improve the overall effectiveness of the process. Improve segregation of duties by separating the approving/recording,	Management is in the process of changing job duties to improve segregation of duties. The callback process will be documented and define the responsible parties. Policies are continuously being updated. Management is evaluating a package that will allow for electronic storage of documents.	Implemented/ In Process	1/31/23

<sup>1</sup> 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.

		<p>adequacy of controls over bank account changes.</p>	<p>verifying TOS callback and reconciling of the transactions.</p> <p>An independent person should verify the trade ticket and capital call notice to the manager portal to verify accuracy of wire instructions and authenticity of the capital call.</p> <p>Formalize the callback process to include who is authorized to receive the callbacks, define the process for changing the contact person and identify who is authorized to make the change.</p> <p>Continue to create and/or update the policies and procedures to reflect current practices. After approval, the documents should be uploaded to SharePoint.</p> <p>Strive towards permitting an electronic copy as the official document. Although some sections of the department have moved towards saving electronic documents, not all have adopted the practice.</p>		
<p>Comments: Well-Controlled with Improvements Needed. The processes have design and/or operating effectiveness deficiencies but do not compromise achievement of important control objectives.</p>					

## Closed Audits: No Recommendations

Audit Area	Risk Rating	Scope	Management's Response
Finance - Procurement	Low	To evaluate the adequacy of managements 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 policies and regulations.	NA

		Comments: No material errors were noted during testing, purchases were recorded and the assets existed. Internal controls are appropriate to ensure compliance with policy and revised code requirements.
Performance Evaluation Consulting Engagement	Low	To verify each department monitors the progress goals set for each employee, periodically provides and documents the feedback for future reference. NA Comments: Consulting engagement was requested by management to ensure goals were specific, measurable, and feedback was consistently given and documented in the performance management system. No material issues were noted during the consulting engagement.
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.
Ohio Ethics Disclosure Statement Review	Low	To proactively identify and prevent conflicts of interest. NA Comments: Reviewed the statements submitted by staff and Board of Trustees and monitored the Ohio Ethics Liaison site to ensure statements were submitted by the deadline.
Health Care Stipend Review	Low	To verify the adequacy of controls over eligibility determination and the reconciliation process. NA Comments: Well-Controlled, the processes are appropriately designed and/or operating effectively to manage risks. There were no material errors noted during testing.

## Active Audits

Audit Area	Risk Rating	Scope	Target Completion
Customer Service – Scheduling and Reporting	Low	To evaluate the member scheduling and reporting process. To verify internal controls around sensitive data. Comments: In process	March 2023

Death Benefits	Mod	Verify internal controls are in place to ensure only authorized individuals receive death benefits and benefits are received timely. Comments: In process	April 2023
Business Expense Reimb.	Low	Verify compliance with policies and regulations. Comments: In process	April 2023
Investments Manager Due Diligence Reviews	Mod	To determine if a manager due diligence process exists and includes valuation reviews. Comments: In process	February 2023

## Other Audit Related Activity

Area	Risk Rating	Subject/Project	Description
Enterprise-wide	Low	ORSC Annual Report for 2021	Pursuant to R.C. 742.105, the OP&F Administration and Audit Committee shall annually prepare and submit to the Ohio retirement study council a report of its actions during the preceding year. The report was submitted June 2022.
Enterprise-wide	Low	Fiduciary Audit	R.C. 171.04(F) states the Ohio Retirement Study Council shall have conducted by an independent auditor at least once every ten years a fiduciary performance audit of each of the state retirement systems. The previous fiduciary audit performed on behalf of the Ohio Retirement Study Council was conducted in 2006. Internal Audit served as the liaison of the project. The project began September 2021 (signed contract), was expected to be completed by April 2022 but was concluded August 2022 (final report). The delay was the result of the independent auditor performing simultaneous reviews of the Ohio Police and Fire and State Teachers Retirement System.  The objective of the project was to independently assess whether OP&F's current governing statutes, policies, processes, and practices enable fiduciaries to fulfill their duties to prudently direct, oversee and ensure effective control of the system. The analysis found the OP&F Board to have the powers or authorities needed to fulfill its fiduciary duties with a couple of exceptions. The exceptions would require legislative action that is beyond the control of OP&F.



Enterprise-wide	Mod	Cybersecurity Posture	Outsourced project to enhance OP&F's cybersecurity posture and strengthen its cybersecurity practices. Project included external and internal penetration testing. Internal Audit served as the liaison of the project. Project is security related - Confidential and Exempt from ORC 149 as Critical Infrastructure.
Member Services	Mod	Consulting for New Process	Gathered background information, prepared stats for select periods and developed process map to assist management with the development of their Confirmation of Wellness Check and Returned Mail processes.
Investments	Mod	Consulting Project	Worked with OP&F Investment staff, Treasurer of State and Bank to gather background information and understanding of internal controls. Prepared process map for management.
Investments	Mod	System Access	Consulting project to provide guidance with system access and segregation of duties.
Information Technology	Mod	Training Program	Participated in various meetings to discuss staff security training, testing results and next steps.
Enterprise-wide	Mod	Fraud Controls	Worked with peer groups to understand recent fraud attempts at their pension funds. Performed research, reviewed processes and internal controls to determine if similar weaknesses existed at OP&F.
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.
Enterprise-wide	Low	Ethics Training	Updated ethics training material and provided ethics training to all OP&F employees mid-year. New employees receive the training their first week at OP&F.
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 mid-year. New employees receive the training their first week at OP&F.
Internal Audit	Low	Quality Assurance Reviews	Performed workpaper quality assurance reviews to comply with the Institute of Internal Auditors <i>Standards</i> for the Professional Practice of Internal Auditing.
Enterprise-wide	Low	Risk Assessment and Audit Plan for 2022	Completed the Risk Assessment and Audit Plan for 2022. The Institute of Internal Auditors <i>International Standards for the Professional Practice of Internal Auditing</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 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 November 2021.

Enterprise-wide	Low	Updates to 2022 Risk Assessment and Audit Plan	The Risk Assessment and Audit Plan were updated in January, February, April and May 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.
Enterprise-wide	Low	Policy and Document Reviews	Reviewed various policies, procedures, member newsletters, employer newsletters and provided feedback to management.
Internal Audit	Low	Internal Audit Charter – 2022	Updated the Internal Audit Charter for 2022. The Institute of Internal Auditors <i>Standard 1000</i> 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 2022 Internal Audit Activity Charter was submitted to the Administration and Audit Committee for review and approval in June 2022.
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 June 2022.
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 in December 2022.
Internal Audit	Low	Research	During the year, four incidents potentially involving Personally Identifiable Information were reported to internal audit. Internal audit documented and researched each incident and provided a summary report to the Executive Director and General Counsel.
Enterprise-wide	Low	Risk Assessment and Audit Plan for 2023	Worked on the Risk Assessment and Audit Plan for 2023. The plan was reviewed with management and approved by the Administration and Audit Committee in December 2022.
Internal Audit	Low	Education	Participated in training and webinars to enhance knowledge, skills and other competencies through continuing professional development. In addition, to earn continuing education credits to satisfy professional licensure requirements.

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

John R. Deal, Administration and Audit Committee Chair, Active, Cincinnati Fire, term expires 6/2/24

Robert E. Britt, II, Active, Toledo Police, term expires 6/4/23

Stephen A. Corvi, Active, Columbus Firefighter, term expires 6/4/23

Tanya S. Czack, Active, Parma Heights Police, term expires 6/2/24

Mark E. Drum, Retired, Delaware Police, term expires 6/2/24

J. David Heller, Investment Expert Member appointed jointly by the Senate President and the Speaker of the House, term expires 11/5/24

Marco J. Miller, Retired, Columbus Firefighter, term expires 6/4/23

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

Charles O. Moore, Investment Expert Member appointed by the Governor, term expires 9/27/24