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June 24, 2024

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. The attached report for 2023 was prepared by Caren Sparks, OP&F Chief Audit Executive & Privacy and Ethics Officer and provided to the Administration and Audit Committee in June 2024.

The Administration and Audit Committee held two (2) meetings during 2023. Following is a summary of the meetings and action taken:

Meeting Date	Summary & Action Taken
May 24, 2023	<i>Approved:</i> Risk Management Policy, Internal Audit Department Charter and Five-year review of Administrative Rules. <i>Other items:</i> Internal Audit Status Report and ORSC 2022 Report.
November 1, 2023	<i>Approved:</i> Board Governance Policy Manual and 2024 Audit Plan. <i>Other Items:</i> OP&F's Communication Plan, Push to Paperless, Internal Audit Status Update 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 2023 Annual Audit Report

(Submitted to ORSC June 2024)

Closed Audits: Recommendations

Audit Area	Risk Rating ¹	Scope	Recommendations	Management's Response	Implemented	Implementation or Target Implementation
Cybersecurity Information Security Services	Mod	To enhance OP&F's cybersecurity posture as an organization, provide risk mitigation capabilities and strengthen its cybersecurity practices.	Potential vulnerabilities were identified, recommendations to correct vulnerabilities were developed and discussed with management.	Final phase of project addressed remaining recommendations and strengthened the cybersecurity posture.	Implemented	December 2023
Comments: Project is security related - Confidential and Exempt from ORC 149 as Critical Infrastructure						
Customer Service -- Scheduling and Reporting	Mod	To evaluate the member scheduling and reporting process. To verify internal controls around sensitive data.	Mitel reports should be used to track and monitor performance metrics and to ensure department goals and expectations are being met. Develop a training program to ensure employees are providing an accurate and consistent message to members.	Mitel reports are reviewed daily to monitor individual and team performance. Employee Training Program has been developed and distributed to employees.	Implemented Implemented	March 2023 September 2023

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.

		Track, monitor and analyze performance data to make operational decisions and important strategic moves and to help determine resource needs.	Management uses member satisfaction surveys along with daily Mitel reports to monitor and report stats on Satisfaction Level, Answer Rate, Service Level Percent, Abandon Rate and Call Handle Time. In addition, GoToMeeting is used to monitor and report stats on Interview Duration.	In Process	June 2024
		Update policies annually to ensure they reflect current practices.	The policies were updated to reflect current practices.	Implemented	March 2023
		Consider utilizing an appointment reminder software system to send automated reminder messages and confirmations to reduce manual work and to reduce no shows.	Currently evaluating an automated software solution. Team continues using email, phone and postcards reminders for upcoming appointments and capturing stats for monitoring.	In Process	June 2024
		Consider using a sign-in application that automates the visitor check-in process, has reporting capabilities and enhances security.	Currently evaluating an automated software solution.	In Process	June 2024
<p>Overall Audit Objective Conclusion: Well-Controlled, yet improvements can be made as the processes have design and/or operating effectiveness deficiencies but these do not compromise achievement of important control objectives.</p> <p>Comments: Six recommendations for low risk observations were provided for management consideration. There were no high or medium risks noted during review.</p>					
Member Refunds	Mod	To verify eligible individuals received refunds, refunds were timely and complied with policies and regulations. To verify metrics are used to	Policies were updated.	Implemented	April 2023
		Develop metrics to help manage resources, assist with improvement efforts, demonstrate value in work, and help with reporting.	Metrics were developed and implemented.	Implemented	May 2023
		Cross-train employees and periodically rotate job duties. Cross-training can improve efficiency, increase staff effectiveness, enable flexibility, promote	Cross-training is in process.	In Process	June 2024

		monitor productions and backlogs. Comments: Well-Controlled, yet improvements can be made as the processes have design and/or operating effectiveness deficiencies but these do not compromise achievement of important control objectives.	teamwork and help employees develop new skillsets.		
Buybacks	Mod	<p>To verify payments for buybacks were accurate. To determine if payments were received and posted accurately and timely.</p> <p>Cross-train employees and periodically rotate job duties. Cross-training can help develop a more versatile workforce, improve efficiency, increase employee satisfaction, enable flexibility, improve collaboration and help employees develop new skillsets.</p> <p>Review and update policies/procedures annually.</p>	<p>Develop metrics to help manage resources, assist with improving production and backlog efforts, demonstrate value in work, and help with reporting.</p> <p>Cross-train employees and periodically rotate job duties. Cross-training can help develop a more versatile workforce, improve efficiency, increase employee satisfaction, enable flexibility, improve collaboration and help employees develop new skillsets.</p> <p>Review and update policies/procedures annually.</p>	<p>Metrics have been developed and implemented. Cross-training is in process.</p>	Partially Implemented June 2024
		Comments: Well-Controlled, yet improvements can be made as the processes have design and/or operating effectiveness deficiencies but these do not compromise achievement of important control objectives.			
Security, Access & Data Integrity	Mod	<p>Evaluate the system access review process.</p> <p>The process for monitoring unusual activity should be reevaluated to determine what items should be monitored, the frequency of monitoring and who should be notified when incidents occur.</p> <p>The process for notifying IT for employee role changes should be reevaluated to include HR. The policy should be updated and staff trained on the process.</p>	<p>The process for monitoring unusual activity should be reevaluated to determine what items should be monitored, the frequency of monitoring and who should be notified when incidents occur.</p> <p>The process for notifying IT for employee role changes should be reevaluated to include HR. The policy should be updated and staff trained on the process.</p>	<p>IT is in the process of purchasing a Managed Detection and Response service, which will also monitor all identities, workstations and network logs.</p> <p>OP&F performs annual reviews of user accounts to ensure they are appropriate, necessary, and valid. OP&F uses least privilege, allowing only authorized accesses for users which are necessary to perform assigned tasks. New role changes helpdesk tickets are now also sent to HR as a notification.</p>	Partially Implemented August 2024 Implemented September 2023

		<p>The tracking of interns, temporary workers and consultants should be defined and documented.</p> <p>Cross train employees and periodically rotate job duties. Cross training can improve efficiency, increase staff effectiveness, enable flexibility, promote teamwork and help employees develop new skillsets.</p>		<p>Implemented</p> <p>In Process</p>	<p>September 2023</p> <p>June 2024</p>
<p>Comments: Well controlled, the processes are appropriately designed and/or are operating effectively to manage risk.</p>					
<p>Employer Reporting</p>	<p>Mod</p> <p>To verify changes implemented in 2022 are in place and operating effectively. To evaluate the adequacy of internal controls, efficiency of operations and compliance with policies and procedures.</p>	<p>Review employer payroll reports on a risk based approach. Continue to focus on changes based on materiality thresholds or percentages while also factoring in the members years of service.</p> <p>Develop a written escalation process with timelines to ensure reports are processed consistently and timely within the agreed time frames to the appropriate level for resolution.</p> <p>Review and update policies/procedures annually. In addition, develop a training manual to help users better perform tasks.</p> <p>Continue to work with IT to develop metrics for measurement and reporting. Tracking metrics allows supervisors and managers to monitor progress, identify trends and make decisions to improve operations.</p>	<p>Risk based approach was implemented.</p> <p>An escalation process was developed and implemented during 2023.</p> <p>Policies and procedures were updated during 2023.</p> <p>Metrics have been developed and placed in operations.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p>	<p>November 2023</p> <p>November 2023</p> <p>November 2023</p> <p>November 2023</p>

		Comments: Well-Controlled, yet improvements can be made as the processes have design and/or operating effectiveness deficiencies but these do not compromise achievement of important control objectives.				
Deferred Retirement Option Plan (DROP) Distributions	Mod	Verify DROP distributions are accurate and timely and comply with policies and procedures.	Replace the paper DROP Distribution Worksheet with a datasheet that can be work flowed. Ensure the appropriate security protocols are in place when authenticating members and alternating payees. Require staff to participate in the customized customer service security training. Develop a training manual and periodically cross-train staff. Review and update policies/procedures annually to ensure they reflect current practices. Eliminate recalculating DROP interest and rely on the system generated data. Send emails to notify the member that documents are available for review in Member Self-Serve. If MSS is not available, send documents via secure email instead of printing and mailing.	Datasheet was implemented. Staff attended the customized training. Security protocols are followed when authenticating members and alternating payees. A training manual will be developed & staff will be cross trained. Policies and procedures have not been updated to reflect new process. Staff are relying on the system generated data and not recalculating the interest. Due to staff turnover, this project has been delayed.	Implemented Implemented In Process In Process Implemented In Process	January 2024 October 2023 June 2024 June 2024 October 2023 June 2024
		Comments: Well-Controlled, yet improvements can be made as the processes have design and/or operating effectiveness deficiencies but these do not compromise achievement of important control objectives.				
Payment Processing	Mod	Evaluate the adequacy of internal controls, efficiency of	Work with Information Technology and adjust the system access to meet the job duties of the employees.	System Access was adjusted to meet the job duties of the employees.	Implemented	November 2023

operations and compliance with policies and procedures.	Review and update policies/procedures annually. In addition, develop a training manual to help users better perform tasks. Training manuals are intended to increase organization productivity, improve efficiency and ensure staff have the resources and information necessary to perform their jobs. The manual should explain everything a user needs to know about completing a task efficiently.	The majority of the policies and procedures have been updated. Training manual is in development.	Partially Implemented	April 2024
	Work with IT to develop metrics for measurement and reporting.	Metrics are being developed.	In Process	June 2024
	Evaluate the cost benefit of the mail log. The success of the push to paperless project will reduce the need for the mail log.	Mail log is no longer being used.	Implemented	January 2024
	Work with IT to automate the manual processes to help improve the efficiency of operations.	Evaluating options and prioritizing resources.	In Process	June 2024
Comments: Well-Controlled, yet improvements can be made as the processes have design and/or operating effectiveness deficiencies but these do not compromise achievement of important control objectives.				

Closed Audits: No Recommendations

Audit Area		Risk Rating	Scope	Management's Response
Investments	Low	To determine if a manager due diligence process exists and includes valuation reviews.	NA	
Manager Due Diligence Reviews		Comments: A due diligence process exists and includes valuation reviews. Valuations are to be conducted internally each quarter and the Fund is subject to an annual external audit.		

Death Benefits	Low	<p>To verify internal controls are in place to ensure authorized individuals received death benefits and benefits are accurate and paid timely.</p> <p>Comments: Well-Controlled, the processes are appropriately designed and/or are operating effectively to manage risks. No errors were noted during testing, payments were made to authorized individuals and paid timely.</p>	NA
Business Expense Reimb.	Low	<p>To verify business expenses are processed according to policies and regulations.</p> <p>Comments: Well-Controlled, the processes are appropriately designed and/or are operating effectively to manage risks. No errors deemed high, medium or low risk were noted.</p>	NA
Disclosure Statement Review	Low	<p>To proactively identify and prevent conflicts of interest.</p> <p>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.</p>	NA
Ohio Ethics Disclosure Statement Review	Low	<p>To proactively identify and prevent conflicts of interest.</p> <p>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.</p>	NA

Active Audits

Audit Area	Risk Rating	Scope	Target Completion
Member Services, Finance, Information Technology	Mod	<p>Evaluate the adequacy of controls over the check run process and verify the process is documented and tested for business continuity.</p> <p>Comments: Planning complete, evaluation in process.</p>	January 2024
	Mod	Evaluate the disability application process to ensure efficiency and effectiveness.	

Disability Benefits	Comments: Planning in process.	March 2024
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Other Audit Related Activity

Area	Risk Rating	Subject/Project	Description
Enterprise-wide	Mod	Adequacy of Internal Controls, Efficiency of Process and compliance with policies and regulations	Various consulting activities: Researched processes, evaluated statistics and prepared process maps: Confirmation of Wellness Check, Returned Mail, Pension Overpayment; processed gifts and sent no gift acceptance letters; provided guidance on system access and segregation of duties; reviewed new employee orientation training and provided feedback; reviewed and provided feedback to training documents/cross-training project; analyzed departmental production metrics and provided feedback; performed walk-throughs of reconciliation process; and observed the cyber incident response training.
Enterprise-wide	Mod	Consulting	Provided feedback during enhancement of the Third Party Monitoring/Compliance Review process and Incident Response Plan.
Enterprise-wide	Low	ORSC Annual Report for 2023	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.
Information Technology	Mod	Training Program	Participated in various meetings to discuss staff security training, testing results and next steps.
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 2023	Completed the Risk Assessment and Audit Plan for 2023. 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 2023.
Enterprise-wide	Low	Updates to 2023 Risk Assessment and Audit Plan	The Risk Assessment and Audit Plan were updated in January, February, August and October 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. Follow-up included the corrective action for penetration testing. 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. Also reviewed and updated the Internal Audit Policy and Procedure document.
Internal Audit	Low	Internal Audit Charter – 2023	Updated the Internal Audit Charter for 2023. 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 2023 Internal Audit Activity Charter was submitted to the Administration and Audit Committee for review and approval in May 2023.
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 May 2023.
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 November 2023.

Internal Audit	Low	Research	During the year, five incidents potentially involving Personally Identifiable Information were reported to internal audit. To comply with policy, Internal audit documented and researched each incident and provided a summary report to the Executive Director and General Counsel. The incidents did not require additional steps or reporting.
Enterprise-wide	Low	Risk Assessment and Audit Plan for 2023	Worked on the Risk Assessment and Audit Plan for 2024. The plan was reviewed with management and approved by the Administration and Audit Committee in November 2023.
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
 Brian Steel, Active, Columbus Police, term expires 6/6/27
 Stephen A. Corvi, Active, Columbus Firefighter, term expires 6/6/27
 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 6/6/27
 Karin Maloney Stifler, Investment Expert Member appointed by the Treasurer of State, term expires 3/6/27
 Charles O. Moore, Investment Expert Member appointed by the Governor, term expires 9/27/24