



SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

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RICHARD STENSURD
Executive Director

KAREN D. ROGGENKAMP
Deputy Executive Director

January 8, 2024

Bethany Rhodes, Director/General Counsel
Ohio Retirement Study Council
30 E. Broad St., 2nd Floor
Columbus, OH 43215

Dear Ms. Rhodes:

Pursuant to R.C. 3309.044, enclosed please find a report of actions taken by the Audit Committee of the SERS Retirement Board for calendar year 2023. The attached report was prepared by SERS' Chief Audit Officer, Jeff Davis, and incorporates the reporting format approved by the Ohio Retirement Study Council.

Please feel free to contact Jeff Davis or myself if you have any questions.

Sincerely,

Richard Stensrud
Executive Director

Enclosure

RETIREMENT BOARD

FRANK A. WEGLARZ <i>Chair, Retiree-Member</i>	MATTHEW A. KING <i>Vice-Chair, Employee-Member</i>	JEFFREY DELEONE <i>Appointed Member</i>	JAMES H. HALLER <i>Employee-Member</i>	
CATHERINE P. MOSS <i>Retiree-Member</i>	BARBRA M. PHILLIPS <i>Employee-Member</i>	JAMES A. ROSSLER, JR <i>Appointed Member</i>	AIMEE RUSSELL <i>Employee-Member</i>	DANIEL L. WILSON <i>Appointed Member</i>

School Employees Retirement System of Ohio

2023 Annual Audit Report

(Submitted to ORSC January 8, 2024)

Closed Audits: Recommendations

Audit Area	Risk Rating ¹	Scope	Recommendations	Mgmt.'s Response	Implemented	Implementation or Target Implementation
Employer Reporting (July 2023)	Mod	<u>Employer Reporting</u> The objective of the audit was to ensure employer reporting and contribution processes were properly designed and operating effectively in accordance with laws, policies, and procedures.	1. Management should ensure employee web administrator (EWA) forms are imaged and available for review.	1. Employer Services will undertake a project to confirm and document the EWA for each employer, ensuring that the documentation is imaged and available for review.	No	March 2024
	Low		2. Management should determine the appropriate resolution for receivable balances from FY17 and FY18.	2. Management will work with legal staff to determine the best approach and document the process to resolve outstanding items.	No	January 2024
	Low		3. Management should develop approaches to monitor higher risk activity.	3. Management will work with IT Services to develop additional monitoring tools.	No	January 2024
<u>Comments:</u> Controls related to Employer Reporting were operating effectively to achieve business objectives.						

¹ 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.

Closed Audits: Recommendations (cont.)

Audit Area	Risk Rating ²	Scope	Recommendations	Mgmt.'s Response	Implemented	Implementation or Target Implementation
Service Credit Purchase (March 2023)	Mod	<u>Member Services</u> Ensure service credit purchase processes are properly designed and operating effectively in accordance with laws, policies, and procedures.	1. Improve monitoring of service credit purchase activity.	1. Member Services will develop procedures to monitor higher risk credit purchase activity.	Yes	August 2023
	Low		2. Improve documentation of the service credit purchase handbook by including details related to monitoring activity.	2. Management will review the process documentation and make changes as needed.	Yes	August 2023
<u>Comments:</u> Controls related to Service Credit Purchase were operating effectively to achieve business objectives.						

² 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.

Closed Audits: No Recommendations

Audit Area	Risk Rating	Scope	Management's Response
Survivor Benefits (December 2023)	Low	<u>Survivor Benefits</u> Ensure that survivor benefit processes are properly designed and consistently applied in accordance with SERS' policy and procedures and adheres to legal requirements. The audit focused on controls within the Member Services Department and included a review of: <ul style="list-style-type: none"> • Survivor Benefits approval process • Processing and payment of survivor benefits • Monitoring • Communication 	Not applicable.
		Comments: Controls for survivor benefits were operating effectively to achieve business objectives.	
Undue Influence (August 2023)	Low	<u>All Departments</u> Independently verify key SERS staff performed their job duties in good faith according to SERS' policies and reaffirm no one had attempted to coerce their work or influence their job performance.	Not applicable.
		Comments: The CAO and Chief Risk Officer reviewed the submitted undue influence forms and determined they were properly filed with no instances reported on the forms submitted.	
Investment Incentive Compensation Review (September 2023)	Low	<u>Investments Department and Enterprise Risk Management</u> Evaluate controls and payments associated with the FY2023 Investment Incentive Compensation Plan.	Not applicable
		Comments: The investment incentive plan appears supportive of the Board's intent to reinforce a performance philosophy to attract and retain high-quality talent within Investments. The Chief Risk Officer was effective in completing the calculations in an accurate manner with supporting documentation. There were no calculation errors identified during testing.	

Closed Audits: No Recommendations (cont.)

Audit Area	Risk Rating	Scope	Management's Response
Conflicts of Interest Compliance Review (November 2023)	Low	<u>Investments Department and Investment Compliance</u> Review disclosures by Investments staff and external investment service providers for conflicts of interest compliance. Review included: <ul style="list-style-type: none"> • Investment staff certification • Financial Disclosure Statement • Professional Conduct Statement • Investment Manager Agreement • Required Annual Disclosure Form 	Not applicable.
Comments: Reviewed SERS' Investments staff disclosures and external investment service providers. No exceptions identified.			

Active Audits: As of December 2023

Audit Area	Risk Rating	Scope	Target Completion
Identity and Access Management	Low	Assessment of the design and effectiveness of key controls related to identity and access management.	June 2024

Other Audit Related Activity

Area	Risk Rating	Subject/ Project	Description
Disaster Recovery/ Cloud Migration	Mod	Disaster Recovery	The CAO provided consulting services related to the ongoing assessment of disaster recovery/cloud migration. This is a continuation of a process that began with an outsourced review, managed by Internal Audit, of SERS' disaster recovery strategies.
Pharmacy Audit	Mod	Benefits	SERS engaged Sagebrush Analytic Solutions LLC to conduct bi-annual audits of its pharmacy benefit manager to determine overall claims processing accuracy and efficiency and to identify opportunities for improved administration. Internal Audit provided consulting services related to the audit.
Medical Claims Audit	Mod	Benefits	SERS engaged Claim Technologies Incorporated to conduct a bi-annual audit of its medical claims administrator to determine overall claims processing accuracy and efficiency and to identify opportunities for improved administration. Internal Audit provided consulting services related to the audit.
Risk Management	N/A	Strategic Plan	Internal Audit provided ongoing consulting into the development and implementation of SERS' risk management program and practices, as identified in audit reports and SERS' FY2020-24 Strategic Plan.
External Audit	N/A	Financial Statements	External auditors provided all required written communication and verbal updates on the audit of the annual financial statements to the Audit Committee and Board.
Committee Report	N/A	CY2023 Annual Report	Pursuant to R.C. 3309.044, a report of actions taken by the Audit Committee of the SERS' Retirement Board for calendar year 2023.
Internal Audit Annual Plan	N/A	FY2024 Plan	The FY2 Internal Audit Plan was approved by the SERS Audit Committee on June 14, 2023.
Merit Increases	Low	Payroll	Reviewed FY24 annual merit increases.
Penetration Testing	Low	Information Security	Consulting with Risk Management related to penetration testing.
Comment Remediation	N/A	Issued Audit Comments	Perform audit remediation activities involving internal, external, and other audit comments.
Financial Reporting	N/A	Financial Statement Controls	The Chief Financial Officer regularly provides updates to the Committee on financial reporting processes, changes in accounting and financial reporting standards, comprehensive annual financial report overview, processes in place to limit material control weaknesses and fraud, and periodic updates on activities involving external auditors or other oversight entities.
Internal Audit Operations	N/A	Internal Audit Quality Assurance	Internal Audit consists of one employee, a Chief Audit Officer (CAO). The CAO continues to maintain quality within audit practices to maintain conformance with IIA <i>Standards</i> . Audit activities include: <ul style="list-style-type: none"> • Updated Internal Audit Operations Manual, Audit Committee and Internal Audit Charters, and standard work paper forms. • Completed CAO annual goals aimed at improving audit effectiveness, plan completion, coordination, and collaboration. • The CAO performed a comprehensive self-assessment of internal audit operations.

Composition of Audit Committee at the end of calendar year 2023 reporting year (R.C. 3309.044)

Barbra M. Phillips (Chair), Employee Member

Catherine P. Moss, Retiree Member

James A. Rossler Jr., Appointed Member