

# OP&F 2016 Annual Audit Report

## Closed Audits: Recommendations

Audit Area	Risk Rating <sup>1</sup>	Scope	Recommendations	Management's Response	Implemented	Implementation or Target Implementation
Finance	Low	American Express Card Payments	Look into the possibility of setting up a reasonable limit on the maximum amount that can be charged to the American Express card on a monthly basis.	Will investigate with American Express if this is a possible option.		Target - 2016
		Comments: A limit on the charges that can be placed on the American Express card would reduce the exposure to potential excessive fraudulent charges should the card be compromised.				
		Comments: Optional comments				
		Comments:				

<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.

## Closed Audits: No Recommendations

Audit Area	Risk Rating	Scope	Management's Response
		Comments:	
		Comments:	

## Active Audits

Audit Area	Risk Rating	Scope	Target Completion

## Other Audit Related Activity

Area	Risk Rating	Subject/Project	Description
		Previous Auditor	The previous auditor transitioned into the Controller position, upon retirement of the previous Controller, within the

			Finance Department in July 2015. The first half of 2015 was dedicated to assisting with the implementation of a new Financial Accounting System as well as the audit related activity listed.
		Risk Management Policy	OP&F's Risk Management Policy document which includes the potential operational risks, suggested controls to mitigate the risks and OP&F's management of the risks was compiled and approved by the Board of Trustees in March 2015.
		Employee Disclosure Statement Review	An annual review of the employee disclosure statements submitted by employees who hold fiduciary positions or by employees who are in a position to materially influence the business decisions of the Fund was completed in order to verify any conflicts of interest. No conflicts of interest were identified.
		Business Continuity Plan Test	An annual test of OP&F's Business Continuity Plan was successfully conducted. The overall goal of the test is to complete the critical task of producing and printing a pension check, and processing an EFT statement by accessing servers, that have been restored off-site containing OP&F systems and data files. In addition, we want to insure the member's information and OP&F's financial data are accessible in the core systems should a disruption in normal business activities occur.
		New Auditor hired	<p>Caren Sparks, Auditor, began working at OP&amp;F on October 5, 2015. She is a graduate of The Ohio State University and has more than 18 years of audit experience in the public sector. Caren is a Certified Public Accountant, Certified Internal Auditor, Certified Information Systems Auditor, Certified Fraud Examiner, Certified Risk Management Professional, and Chartered Global Management Accountant.</p> <p>Prior to joining OP&amp;F, she served as the chief audit executive for the Ohio Treasurer of State, senior audit manager for the Office of Budget and Management, chief of Internal Audit for the Ohio Bureau of Workers Compensation; assistant deputy director of fiscal services for the Ohio Job and Family Services; director of Internal Audit with the Ohio Attorney General's Office; special projects manager for the Ohio Department of Alcohol and Drug Addiction Services; senior internal auditor with the Ohio Department of Development; and staff accountant for the Ohio Auditor of State's Office.</p>
		New Auditor – Risk Assessment and Audit Plan	<p>The Institute of Internal Auditors <i>International Standards for the Professional Practice of Internal Auditing (Standards)</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. Caren finalized the assessment of the organization's risk environment and developed the audit plan. The risk assessment and audit plan will help facilitate a robust process of continuous improvement in both processes and internal controls. The annual audit plan defines specific areas intended to be undertaken in the next year. Internal Audit leverages management and trustee input, as well as Internal Audit knowledge of operations, financial statements, budgets, professional judgment, comparative pension fund risks, and brainstorming techniques to identify potential risks. The plan is adjusted, as necessary, in response to changes in the organizations business, risks, operations, systems, and controls.</p> <p>In prioritizing the risk, consideration is given to the likelihood and impact in the event of occurrence. In weighting risk factors, Internal Audit utilizes risk factors from IIA guidance, historical knowledge of OP&amp;F, as well as best practices in internal auditing. The overall goal of the risk scoring approach is to help ensure high-risk areas are audited annually. The audit plan is designed to provide audit coverage across the entire organization by deploying Internal Audit resources in an efficient and effective manner. In addition, to minimize the potential for duplication of effort and to maximize the amount of coverage achieved, audits and reviews performed by other professionals and external audits are considered. The audit plan will be presented to the Administration/Audit Committee for review and approval during the January 2016 meeting.</p>

	New Auditor – Internal Audit Charter	The Institute of Internal Auditors <i>Standards</i> require the purpose, authority, and responsibility of Internal Audit be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics, and the Standards. The chief audit executive must periodically review the internal audit charter and present it to senior management and the Administration/Audit Committee for approval. The Internal Audit Charter will be presented to the Administration/Audit Committee for review and approval during the January 2016 meeting.
	New Auditor - Internal Audit Operating Procedures Manual	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. The Internal Audit Operating Procedures Manual will be presented to the Administration/Audit Committee for review and approval during the January 2016 meeting.
	New Auditor – Compliance Crosswalk	Institute of Internal Auditors <i>Standards</i> to OP&F Internal Audit Procedures Manual Crosswalk. The Crosswalk will document how Internal Audit will comply with the IIA <i>Standards</i> . The Crosswalk will be presented to the Administration/Audit Committee during the January 2016 meeting.
	New Auditor – Training	Provided Health Insurance Portability and Accountability Act (HIPAA) and Ethics training to new employees.

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

John Wainscott, Administration/Audit Committee Chair, Retired, Cincinnati Police, term expires 6/5/16

Daniel Desmond, Toledo Fire, term expires 6/2/19

Ed L. Montgomery, Columbus Police, term expires 6/5/16

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 – Ed L. Montgomery, Timothy Patton

Two representatives of fire departments – Daniel Desmond, Jeffrey Moore

One retired firefighter – William Deighton

One retired police officer – John Wainscott

Three statutory members with professional investment experience

One appointed by the Governor - Scott D. Roulston

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