

Ohio & Police Fire Pension Fund

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March 5, 2008

Aristotle Hutras
Ohio Retirement Study Council
88 East Broad Street, Room 1175
Columbus, OH 43215

Dear Mr. Hutras, *Aris*

As a result of Senate SB 133, effective September 15, 2004, enclosed is the report of actions taken by the Administration and Audit Committee of the OP&F Board of Trustees for the previous year 2007.

Please contact me if there are any questions.

Sincerely,



William J. Estabrook
Executive Director

Ohio Police & Fire Pension Fund

Administration and Audit Committee Annual Report

2007

The following report documents the activities of the Ohio Police & Fire Pension Fund (OP&F) Administration and Audit Committee and the OP&F Internal Auditor for the year ending December 31, 2007. This report is categorized into four areas:

- I. Audit Reviews Completed
- II. Special Projects Completed
- III. Summary of Administration/Audit Meetings and Actions Taken
- IV. 2007-2008 Annual Audit Plan

I. Audit Reviews Completed

- 1. Benefits Overpayment Audit – The objective was to identify and evaluate the controls in place to prevent a benefit check overpayment to a member or beneficiary and the process OP&F follows to retrieve the funds if overpaid.
- 2. Refund/Withdrawal/Transfer Audit – Audit looked at the process of refunds, withdrawal of funds or transfers of OP&F member funds and the controls that are over this process.
- 3. Accounts Payable – The objective was to review the process OP&F conducts when paying a vendor for material or services received.
- 4. 2007 OP&F Business Continuity Test – The objective was to test the business continuity plan and the procedures in place to determine if the OP&F systems could be restored off-site to produce a benefit pension check.
- 5. 2007 OP&F Disclosure Statements – Audit reviewed the OP&F staff disclosure statements that must be completed by selected staff that focuses on potential conflicts of interest from the previous year.

II. Special Projects Completed

- 1. Risk Assessment Summary – A risk assessment was performed to aid in identifying audits to be selected for the annual audit plan. Information from audits completed last year was used to update the risk factors on this year's assessment.

2. Independent Fiduciary Services (IFS) Fiduciary Audit – Audit recommendations were finalized and response provided to IFS and ORSC. Presentation was made to ORSC on key recommendations identified by IFS during the audit.
3. Work Group Process Study – ADP: The work group process studies were initiated by the Executive Director to review specific areas within the Fund for operational improvements and efficiencies. Internal Auditor is one of several staff involved to evaluate processes and potential control improvements. This study focused on the staff payroll process.
4. Work Group Process Study – Records: The work group process studies were initiated by Executive Director to review specific areas within the Fund for operational improvements and efficiencies. Internal Auditor is one of several staff involved to evaluate processes and potential control improvements. This process focused on the records group within the Administration Department.
5. Restructure of Board Governance Policy: Several sections of the Board Governance Policy were reviewed and revised during the year. The Chairman’s duties language was the most recent language revision. The Governance Policy is reviewed annually by the Administration and Audit Committee and the Board of Trustees.
6. Enterprise Risk Management (ERM) – This topic was reviewed and researched as to what was involved in providing an alternative way of analyzing risk. This project is at its infancy and further work will be done in the future to determine viability for OP&F.

III. Summary of Administration/ Audit Meetings and Actions Taken

This section identifies the dates of all meetings held and appropriate Administration/ Audit Committee actions that took place at the specific meetings.

- **January 2007** – Information Services presented status report. Attorney General Opinion was discussed. Committee approved Trustee election materials. Independent Fiduciary Services recommendations timeframes were discussed. The 2007 compensation adjustment and 2006 paid leave buy back was presented.
- **February 2007** – The committee approved Trustee travel. Presentation made by Clark, Schaeffer and Hackett on external audit. Information Services update. Discussion on “2006 Administration Audit Committee Annual Report”.

- **March 2007** – Information Services and Internal audit status report were presented.
- **April 2007** – Committee received an elections update. General Counsel discussed 5-year review. Information Services and Internal Auditor presented status reports. Committee voted on IFS key recommendation implementation dates.
- **May 2007** – Information Services and Internal audit status report were presented.
- **June 2007** – No Committee Meeting
- **July 2007** – Internal Auditor presented status report. The Refund, Withdrawal and Transfers Audit was presented. The Committee received an overview of OP&F ethics training documents that was submitted to Governor’s Office. Committee reviewed the Administration Audit Charter and the 2007-2008 Committee agenda. Reviewed the Board Governance Policy.
- **August 2007** – Information Services and Internal audit status report were presented.
- **September 2007** – Information Services and Internal audit status report were presented. The Trustee election RFP was presented and discussed.
- **October 2007** – Trustees approved business travel. Trustees were presented 2008 budget planning document and 2008 budget review. The committee was briefed on the Accounts Payable Audit results and the business continuity test performed earlier in the month. The committee approved the communications plan.
- **November 2007** – Information Services conducted their status report. The Trustees approved the Board Governance Policy and voted on the Board Election Services.
- **December 2007** – The information services update was presented. The internal auditor presented the results of the Investment Manager Fees Audit

IV. **June 2007- June 2008 Annual Audit Plan**

The Internal Audit plan was structured from June 1, 2007 to May 31, 2008 to tie in with the Administration and Audit Committee year. The audit plan was reviewed with the Committee and is created based on a risk assessment that is updated annually. The below list includes anticipated audit projects to be worked on through May 2008:

Audit Projects
Network Security

Investment Consultant - Townsend
Investment Management Fees
Investment Performance
Accounts Payable
DROP
Retirement/Disability Benefits Calculations
CAFR Review
Business Continuity Test
Ethics Disclosure Statements

A new audit plan will be created in June for the next Administration/Audit Committee year.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Scott K Miller". The signature is fluid and cursive, with a long horizontal stroke at the end.

Scott K. Miller, CIA, CIDA
Internal Auditor