



**SERS Retirement Board Audit Committee Agenda  
Regular Meeting  
June 15, 2022  
2:30 P.M.**

1. Roll call (R)
2. Approval of March 16, 2022 minutes (R)
3. FY22 External Audit Update
4. Executive session pursuant to R.C. 121.22 (G) (6) to discuss security matters (R)
  - o Crowe Presentation
5. Chief Audit Officer's Report
  - o Q4 Update on the FY2022 Audit Plan
  - o FY23 Audit Planning
  - o FY23 Audit Plan
  - o Microsoft 365 Review
  - o Audit Committee/Internal Audit Charters
  - o Recently Completed Audits, Other Activities
6. Review and Approve FY23 Internal Audit Plan (R)
7. Annual Confirmation of Internal Audit Independence
8. Executive session pursuant to R.C. 121.22 (G) (1) to consider the employment and compensation of a public employee (R)
9. Approve Chief Audit Officer Goals (R)
10. Audit committee requests and follow-up items
11. Adjournment

**SCHOOL EMPLOYEES RETIREMENT SYSTEM**

**AUDIT COMMITTEE**

**June 15, 2022**

**2:30 P.M.**

Roll Call:

Barbra Phillips \_\_\_\_\_

Catherine Moss \_\_\_\_\_

James Rossler \_\_\_\_\_

Guests in Attendance:

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**APPROVAL OF MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON  
March 16, 2022**

\_\_\_\_\_ moved and \_\_\_\_\_ seconded the motion to approve the minutes of the Audit Committee meeting held on March 16, 2022.

Upon roll call, the vote was as follows:

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Barbra Phillips	_____	_____	_____
Catherine Moss	_____	_____	_____
James Rossler	_____	_____	_____

# AUDIT COMMITTEE MINUTES

<b>Preparer</b>	Gina Scarver	<b>Meeting Date:</b>	March 16, 2022
<b>Committee Chair</b>	James Rossler (Pro Tem)	<p>Committee roll call was as follows: Barbra Phillips (attending via Zoom), Catherine Moss (attending via Zoom) and James Rossler (in person).</p> <p><b>Also in Attendance:</b>                  Lisa Reid, Representative of the Ohio Attorney General (attending via Zoom), SERS Staff Members: Jeff Davis, Joe Marotta, Richard Stensrud, Karen Roggenkamp, Vatina Gray, and Gina Scarver.</p>	
<b>Agenda</b>	<ol style="list-style-type: none"> <li>1. Roll call (R)</li> <li>2. Approval of minutes (R)</li> <li>3. Chief Audit Officer's Report Q3 update on the FY2022 audit plan, Microsoft 365 Review, FY23 Audit Planning, recently completed audits, other activities</li> <li>4. Executive session pursuant to R.C. 121.22 (G) (1) to consider the employment of a public employee (R)</li> <li>5. Audit committee requests and follow-up items</li> <li>6. Adjournment</li> </ol>		
<b>Discussion</b>	<p>The meeting began in open session at 2:32 pm</p> <p><b><u>Roll Call</u></b></p> <p>The SERS regular Audit committee began with a roll call. The committee roll call was as follows: Barbra Phillips, Catherine Moss, and James Rossler.</p> <p>Also in attendance were Lisa Reid, Representative of the Attorney General, SERS Staff Members: Jeff Davis, Joe Marotta, Richard Stensrud, Karen Roggenkamp, Tracy Valentino, Vatina Gray, Gina Scarver.</p> <p><b><u>Approval of Minutes</u></b></p> <p>Catherine Moss moved and Barbra Phillips seconded the motion to approve the minutes of the Audit Committee meeting held on December 15, 2021. Upon roll call, the vote was as follows: Yea: Barbra Phillips, Catherine Moss, James Rossler. The motion carried.</p> <p><b><u>Chief Audit Officers Report</u></b></p> <p>Jeffrey Davis, SERS Chief Audit Officer, provided a presentation on the status of his FY2022 Internal Audit Plan for Quarter 3. Mr. Davis reviewed the status of several audits including those that are in progress and the audits that are pending. Two audits are in process – the outsourced IT Review of Microsoft 365 and the Payment Processing audits. The Retiree Accounting audit is on hold for now to focus on the larger audits indicated above.</p> <p>Mr. Davis reviewed the completed Death Benefits audit and provided a detailed report to the board members. The audit was conducted with the assistance of the SERS Member Services Department to ensure death benefit processes and controls are properly designed and operating effectively in accordance with laws, policies, and procedures.</p>		

	<p>There was one moderate and two low risk process improvement recommendations as a result of the audit.</p> <p>The required SERS Annual Audit Report for 2021 was completed and filed timely with the Ohio Retirement Study Council.</p> <p>Mr. Davis indicated that the audit planning for the FY23 Internal Audit Plan will be performed during the months of April and May 2022. The audit plan will be brought to the committee at the June 2022 meeting for the committee's approval.</p> <p>Mr. Davis elaborated on the Microsoft 365 audit in progress stating that it fits well with the SERS Technology Committee projects. The RFP selection process was completed, and the outside vendor selected to conduct the audit is Crowe LLP. The intent is to have a report presented to the SERS Audit Committee's June meeting.</p> <p>Mr. Davis described the risk factors used in the annual risk assessment to prepare the annual audit plan. Mr. Davis collaborates with the Enterprise Risk Management department in the identification of risks. Input from the Board and Senior management is a necessary part of the risk assessment process</p> <p><b><u>Recently Completed Audits and Other Activities:</u></b> The Quality Assurance Review will occur in July/August of FY 2023. An external assessment is recommended for the Board's consideration. The cost would be approximately \$25,000.</p> <p><b><u>Executive session pursuant to R.C. 121.22 (G) (6) to discuss the employment and compensation of a public employee (R)</u></b></p> <p>Catherine Moss moved and Barbra Phillips seconded the motion that the Audit Committee convene into Executive Session pursuant to R.C. 121.22 (G) (6) to discuss the employment and compensation of a public employee. Upon roll call, the vote was as follows: Yea: Barb Phillips, Catherine Moss, James Rossler. The motion carried.</p> <p>The committee convened in executive session at 2:46 p.m.</p> <p>The committee returned to open session at 3:04 p.m.</p> <p><b><u>Committee Requests and Follow Up Items</u></b></p> <p>There were no requests or follow up items discussed.</p> <p>The meeting adjourned at 3:05 p.m.</p>		
	<b>Action Items</b>	<b>Assigned Person</b>	<b>Due Date</b>
<b>Action Items</b>	n/a		
<b>Agenda for Next Meeting</b>			

**ITEM 4.**

**EXECUTIVE SESSION**

\_\_\_\_\_ moved and \_\_\_\_\_ seconded the motion that the Audit Committee convene in Executive Session pursuant to R.C. 121.22 (G)(6) to discuss security matters.

Upon roll call, the vote was as follows:

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Barbra Phillips	_____	_____	_____
Catherine Moss	_____	_____	_____
James Rossler	_____	_____	_____

**IN EXECUTIVE SESSION AT \_\_\_\_\_ A.M./P.M.**

**RETURN TO OPEN SESSION AT \_\_\_\_\_ A.M. / P.M.**



# Internal Audit Update

## June 2022

Jeff Davis, CAO – Internal Audit

# Agenda



- Status of FY22 Internal Audit Plan
- FY23 Audit Planning
- FY23 Audit Plan
- Microsoft 365 Review
- Audit Committee/Internal Audit Charters
- Recently completed audits and Other Activities



# Internal Audit Update – June 2022



## FY22 Audit Plan Status:

Engagement	Type	Status	Comments
Undue Influence (August 2021)	Audit	Completed	Annual Compliance Audit
Investment Incentive Comp. (August 2021)	Audit	Completed	Annual Compliance Audit
Internal Quality Assessment Review (August 2021)	Administrative	Completed	Quality Assurance and Improvement Program
Conflict of Interest (October 2021)	Audit	Completed	Annual Compliance Audit
Death Benefits (December 2021)	Audit	Completed	
Outsourced IT Review – Office 365	Audit	Completed	
Payment Processing	Audit	Completed	
Retiree Accounting	Audit	Pending	
Board Governance	Consulting	Completed	Annual Activities for Ohio Retirement Study Council - Required by March 31 <sup>st</sup>

# Internal Audit Update – June 2022



## FY22 Audit Plan Status (Continued):

Engagement	Type	Status	Comments
Health Care Fund Revenue – Premiums, Rebates, and Funding Allocation	Consulting	Pending	Consult with management on Direct Pay Project
Member Account Maintenance	Audit	In Progress	
Health Care Services	Consulting	Completed	Biennial outsourced audit of health care benefits
Employer Reporting	Consulting	Completed	Audit to be Performed FY23
Unitized Accounting Practices	Consulting	Pending	Moved to FY23
Continuous Auditing	Audit	In Progress	
FY23 Internal Audit Plan	Administrative	Completed	Planning related to FY23 plan

# FY23 Audit Planning



# FY23 Audit Planning



- Audit planning for FY23 completed in May 2022
- FY23's plan involved independent research, coordination with others and management's involvement in identifying audit priorities - including 9 departmental/senior leadership meetings involving over 20 leaders
- IA performed its own independent assessment of the audit universe while leveraging knowledge gained from interaction with ERM Office and other department leaders
- The SERS FY23 Internal Audit Annual Audit Plan is included as "Attachment A"

# FY23 Audit Planning



# FY23 Audit Planning

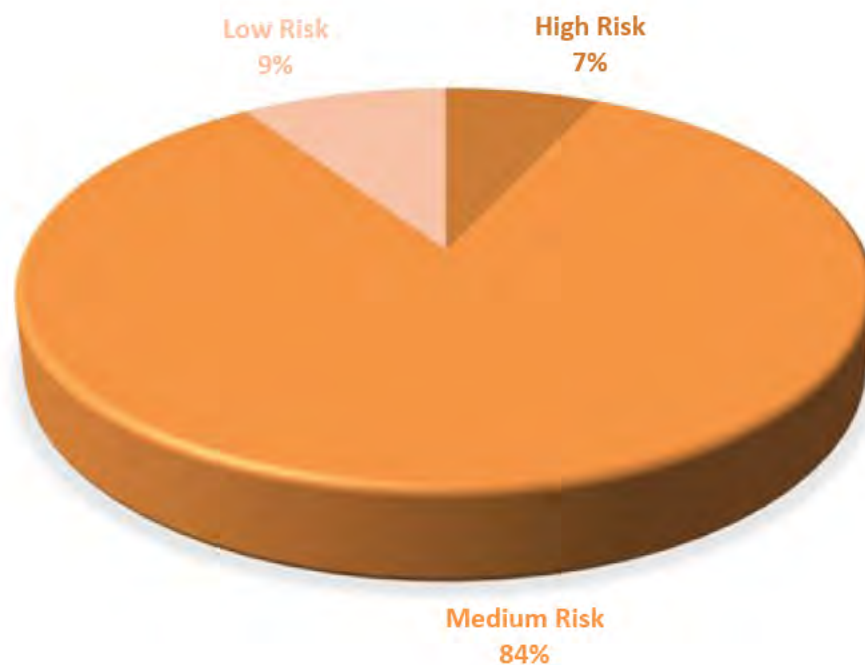


Risk Factors	Weight	Description
A. Control Design and Effectiveness	20%	Assessed reliability of internal controls are important in judging the likelihood of errors in the system; consider known problems/prior audit results.
B. Impact to Members, Retirees, Employers, and Public	20%	Impact to SERS' constituents; management or other stakeholder concerns can influence the priority of an auditable area; consider reputational impact to SERS by failure of a sensitive process.
C. Changes in Organization, Programs, and Operations	15%	A dynamic change to systems/processes/people, increases probability of efficiencies as well as errors.
D. Complexity of Activities, Operations, and/or Systems	15%	Degree of process complexity or perceived impact of IT controls.
E. Dollar Materiality/Operational Impact	15%	Financial statement impact, relative importance, or sensitivity to ongoing operations.
F. Impact of Fraud, Waste, or Data Loss	15%	Impact of illegal acts, wasteful spending, or sensitive data loss can result in a heightened consequence regardless of the dollar amount.

# FY23 Audit Planning



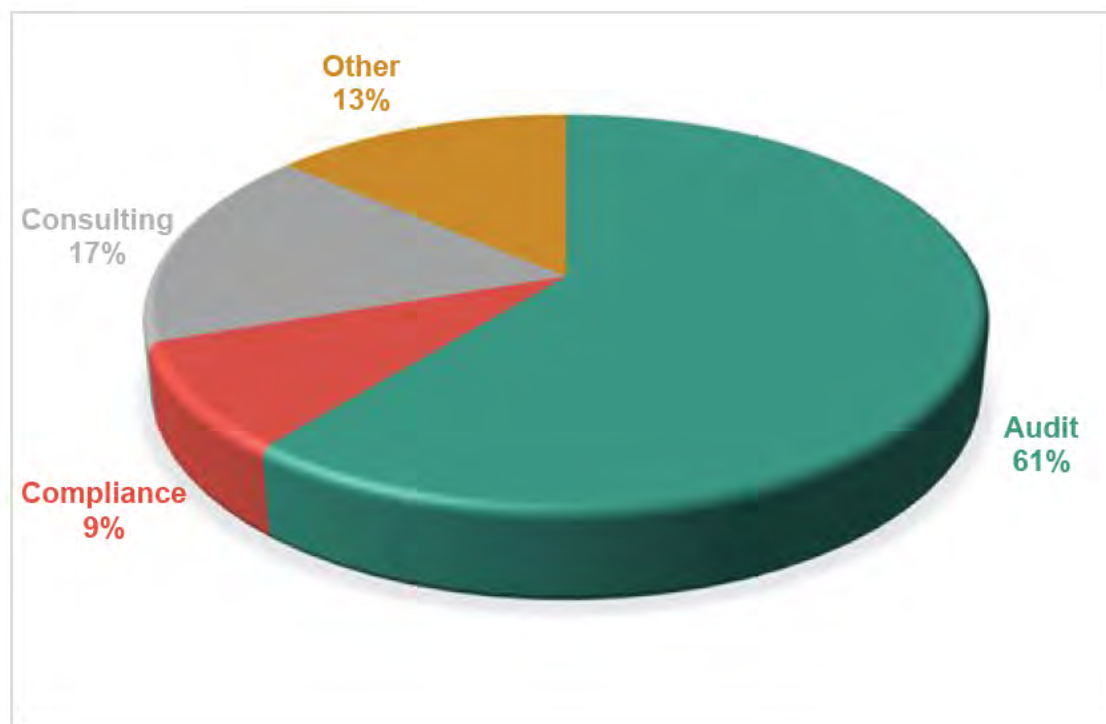
- Summary of Overall Risk Assessment Ratings
- 86 Auditable Processes



# FY23 Audit Planning



- **Internal Audit Time Allocation 1,380 audit hours – 15 projects**

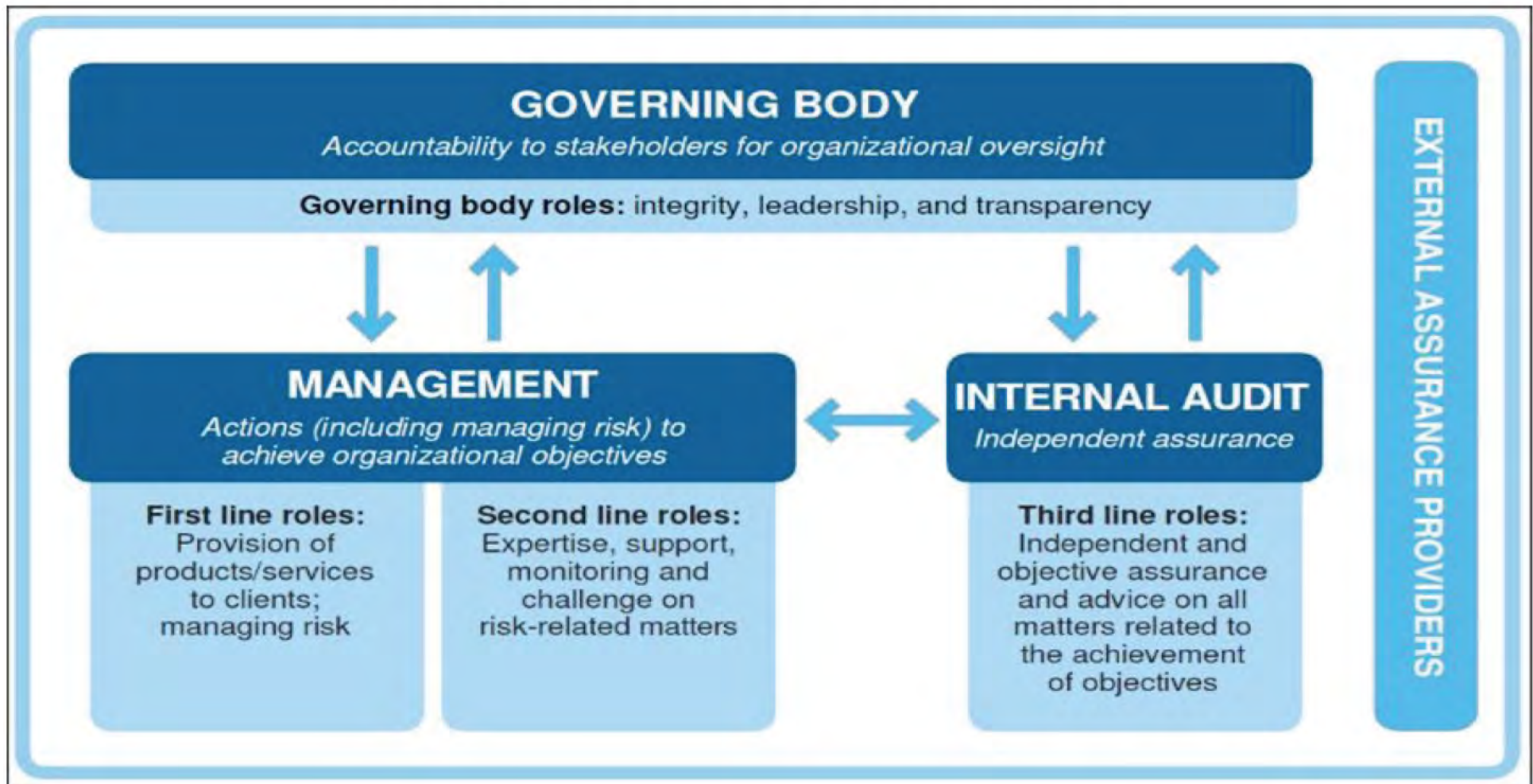




# FY23 Audit Planning



## Three Lines of Defense Model



# Proposed FY23 Internal Audit Plan



Engagement	Type	Quarter	Level of IA Effort
Investment Incentive Compensation	Audit	Q1	Small
Undue Influence	Audit	Q1	Small
Conflict of Interest	Audit	Q2	Small
Quality Assessment Review	Audit	Q1	Medium
Disability Benefits	Audit	Q1-2	Medium
Pharmacy Audit (Outsourced)	Consulting	Q1	Small
Employer Services	Audit	Q2	Large
Service Purchase Credit	Audit	Q3	Medium
Audit Committee Annual Report	Consulting	Q2	Small

# Proposed FY23 Internal Audit Plan



Engagement	Type	Quarter	Level of IA Effort
Investment Management Fees	Consulting	Q3	Medium
Purchasing/Contracts	Audit	Q3-4	Large
IT Consulting	Consulting	Q1-4	Small
Unitized Accounting Practices	Consulting	Q2	Small
FY24 Internal Audit Planning	Administrative	Q4	Medium
Continuous Auditing/Monitoring	Audit	All	Medium

# Proposed FY23 Internal Audit Plan



- Resolution for Audit Committee Approval

# Microsoft 365 Review



- Crowe LLP (Crowe) performed a Microsoft 365 Security Assessment
- The overall objective of the engagement was to assess the controls over security related to Microsoft 365 (M365) cloud environment – Ten areas were included in the review
- Two moderate risk and eight low risk recommendations – No high-risk recommendations
- The status of the moderate risk recommendations will be tracked, and the status reported to the committee until corrective action is implemented
- IA will also monitor the status of low risk recommendations

# Audit Committee/Internal Audit Charter Review



- Both the Audit Committee Charter and Internal Audit Charter require annual review of and any necessary updates
- The CAO has reviewed the charters and current IIA standards
- No updates are required for FY23
- The charters are included as Attachment B and Attachment C.

# Recently Completed Audits and Other Activities



# Recently Completed Audits and Other Activities



- One audit completed since the last committee meeting
  - Accounts Payable report is attached. (Attachment D)
- QAR Prep – the next quality assessment will occur in July/August/September of FY23
  - Firm will be selected by a committee of three senior staff (excluding CAO)
- Medical Claims Audit
  - SERS engaged Claim Technologies Incorporated to perform a bi-annual audits of its medical claims administered by Aetna.
  - For the audit period January 1, 2020 – December 31, 2021
  - Audit included an operation review, plan documentation analysis, 100% screening of transactions, random selection of 180 claims and data analytics.





# Q & A

**SERS AUDIT COMMITTEE – APPROVAL OF FY 2023 INTERNAL AUDIT PLAN**

\_\_\_\_\_ moved and \_\_\_\_\_ seconded the motion that the FY 2023 Internal Audit Plan, as discussed at the June 2022 Audit Committee meeting, be approved.

Upon roll call, the vote was as follows:

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Barbra Phillips	_____	_____	_____
Catherine Moss	_____	_____	_____
James Rossler	_____	_____	_____

## **ANNUAL CONFIRMATION OF INTERNAL AUDIT INDEPENDENCE**

- Confirmation of Independence and Objectivity Form

**EXECUTIVE SESSION**

\_\_\_\_\_ moved and \_\_\_\_\_ seconded the motion that the Audit Committee convene in Executive Session pursuant to R.C. 121.22 (G)(1) to consider the employment and compensation of a public employee.

Upon roll call, the vote was as follows:

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Barbra Phillips	_____	_____	_____
Catherine Moss	_____	_____	_____
James Rossler	_____	_____	_____

**IN EXECUTIVE SESSION AT \_\_\_\_\_ A.M./P.M.**

**RETURN TO OPEN SESSION \_\_\_\_\_ A.M. / P.M.**

**SERS AUDIT COMMITTEE – APPROVAL OF CHIEF AUDIT OFFICER GOALS FOR FY 2023**

\_\_\_\_\_ moved and \_\_\_\_\_ seconded the motion to approve the Chief Audit Officer's goals for FY 2023.

Upon roll call, the vote was as follows:

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Barbra Phillips	_____	_____	_____
Catherine Moss	_____	_____	_____
James Rossler	_____	_____	_____

**RECOMMEND MERIT INCREASE IN SALARY FOR CHIEF AUDIT OFFICER**

It was moved by \_\_\_\_\_ and seconded by \_\_\_\_\_ to recommend to the Board that Chief Audit Officer Jeff Davis receive a \_\_\_\_\_% merit increase in salary effective the first pay date in Fiscal Year 2023.

Upon roll call, the vote was as follows:

<b><u>ROLL CALL:</u></b>	<b><u>YEA</u></b>	<b><u>NAY</u></b>	<b><u>ABSTAIN</u></b>
Barbra Phillips	_____	_____	_____
Catherine Moss	_____	_____	_____
James Rossler	_____	_____	_____



**ADJOURNMENT**

\_\_\_\_\_ moved that the Audit Committee adjourn to meet at its next regularly scheduled audit committee meeting.

The meeting adjourned at \_\_\_\_\_ p.m.

\_\_\_\_\_  
Barbra Phillips, Audit Committee Chair