



SERS Retirement Board Audit Committee Agenda
Special Meeting
June 20, 2024
2:30 P.M.

1. Roll call (R)
2. Approval of March 20, 2024, minutes (R)
3. External Audit Update
 - o Plante Moran Audit Presentation
4. Executive session pursuant to R.C. 121.22 (G)(6) to discuss security matters (R)
 - o Crowe Presentation
5. Internal Audit Update: Chief Audit Officer's Report
 - o Q4 Update on the FY2024 Audit Plan
 - o Status of Audit Recommendations
 - o FY25 Audit Planning
 - o FY25 Audit Plan
 - o Recently Completed Audits, Other Activities
6. Review and Approve FY25 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

ITEM 1.

SCHOOL EMPLOYEES RETIREMENT SYSTEM

AUDIT COMMITTEE

June 20, 2024

____P.M.

Roll Call:

Barbra Phillips	_____
Catherine Moss	_____
James Rossler	_____

Guests in Attendance:

ITEM 2.

**APPROVAL OF MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON
March 20, 2024**

_____ moved and _____ seconded the motion to approve the minutes of the Audit Committee meeting held on March 20, 2024.

Upon roll call, the vote was as follows:

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

School Employees Retirement System		AUDIT COMMITTEE MINUTES	
Preparer	Megan Robertson	Meeting Date:	March 20, 2024
Committee Chair	Barbra Phillips	Committee roll call was as follows: James Rossler, Barbra Phillips. Absent: Catherine Moss. Also in Attendance: Lisa Reid, Representative of the Ohio Attorney General joined remotely via Zoom, along with members of the public. SERS Staff Members: Jeff Davis, Joe Marotta, Marni Hall, Christi Pepe, Richard Stensrud, Karen Roggenkamp, Vatina Gray, Nicole Whitacre, Pam Burton, and Megan Robertson.	
Agenda	1. Roll call (R) 2. Approval of December 20, 2023, minutes (R) 3. External Audit Update 4. Internal Audit Update: Chief Audit Officer's Report <ul style="list-style-type: none">Q3 Update on the FY2024 Audit PlanStatus of External Audit RecommendationOutsourced IT AuditFY25 Audit PlanningRecently Completed Audits, Other Activities Approve modification to Audit Committee Charter (R) 5. Executive session pursuant to R.C. 121.22 (G) (1) to consider the employment of a public employee (R) 6. Audit committee requests and follow-up items 7. Adjournment		
Discussion	The meeting began in open session at 2:30 p.m. <u>Roll Call</u> The SERS regular Audit committee began with a roll call. The committee roll call was as follows: James Rossler, Barbra Phillips. Absent: Catherine Moss. Also in attendance was Lisa Reid, Representative of the Ohio Attorney General joined remotely via Zoom, along with members of the public. SERS Staff Members: Jeff Davis, Joe Marotta, Marni Hall, Christi Pepe, Richard Stensrud, Karen Roggenkamp, Vatina Gray, Nicole Whitacre, Pam Burton, and Megan Robertson. <u>Approval of Minutes</u> James Rossler moved, and Barbra Phillips seconded the motion to approve the minutes of the Audit Committee meeting held on December 20, 2023. Upon roll call, the vote was as follows: Yea: James Rossler, Barbra Phillips. Absent: Catherine Moss. The motion carried. <u>External Audit Update</u> Marni Hall, CFO, provided an update on the status of the audit finding that was included in Plante Moran's FY23 audit report. Specifically, a significant deficiency regarding monthly reconciliations. Ms. Hall discussed the current status, challenges to fully correcting the finding, and the estimated timeline. Ms. Hall and the audit committee discussed the finding in detail. Ms. Hall closed by explaining there is a written plan to		

	<p>respond to the finding that has been shared with Chief Audit Officer (CAO), Jeff Davis, including monthly updates that will be reviewed.</p> <p><u>Chief Audit Officer's Report</u></p> <p>Mr. Davis provided a presentation on the status of his FY2024 Internal Audit Plan for the third quarter. The audits of Survivor Benefits and Member Annual Statements are completed with the reports provided to the committee. The audit of Purchasing/Contracts has been postponed to FY25 and replaced with an audit of Tenant Revenue and Parking.</p> <p>Mr. Davis also touched briefly on the status of external audit recommendations. This was also addressed by Ms. Hall during the External Audit Update.</p> <p>The outsourced audit of Identity and Access Management is underway. An RFP was issued in March with a firm selected to complete the audit. The work will be completed in April and May with a report and/or presentation provided to the committee in June.</p> <p>Mr. Davis mentioned that the FY25 audit planning process is underway. Meetings have been scheduled with all department leaders. Mr. Davis briefly discussed the planning process.</p> <p>Recently completed audits and other activities were also briefly discussed.</p> <p><u>Executive session pursuant to R.C. 121.22 (G) (1) to discuss the employment of a public employee (R)</u></p> <p>James Rossler moved, and Barbra Phillips the motion that the Audit Committee convene into Executive Session pursuant to R.C. 121.22 (G) (1) to discuss the employment of a public employee. Upon roll call, the vote was as follows: Yea: James Rossler, Barbra Phillips. Absent: Catherine Moss. The motion carried.</p> <p>The committee convened in executive session at 3:02 p.m.</p> <p>The committee returned to open session at 3:21 p.m.</p> <p><u>Committee Requests and Follow Up Items</u></p> <p>The next audit committee meeting will be June 20, 2024.</p> <p>There were no requests or follow-up items discussed.</p> <p>The meeting adjourned at 3:22 p.m.</p>		
	Action Items	Assigned Person	Due Date
Action Items	n/a		
Agenda for Next Meeting			

|

Barbra Phillips, Committee Chair

Richard Stensrud, Secretary

DRAFT

ITEM 3

EXTERNAL AUDIT UPDATE

External Auditor Presentation



School Employees Retirement System of Ohio Audit Committee Pre-Audit Communication

Representing Plante Moran:
Kristin Hunt and Ashley Raden



Your Team



Kristin Hunt, CPA
Engagement Partner

- 30 years of experience
- A leader in the firm's public employee retirement system audit practice with 20 years of experience serving as a specialist in this area



Amanda Cronk, CPA
Principal

- 16 years of experience
- Experience and professional focus in public employee retirement systems and municipalities participating in multi-employer retirement systems
- Member of the governmental technical team



Ashley Raden, CPA
Senior Manager

- 10 years of experience serving governmental clients with a specialty in public employee retirement systems
- Experience auditing pension plans and governmental organizations and serves as a benefit plan audit specialist



Agenda



- Pre-Audit Communication
 - Audits to Perform
 - Auditor Responsibilities
 - Identification of Significant Risks
 - Plante Moran's Approach to Internal Control
 - Materiality Concept
 - Audit Committee Member Views
- Expected Audit Timeline
- Auditing Standard Changes for FY 2024
- Questions



Pre-Audit Communication



Pre-Audit Communication

Plante Moran will perform an audit and express an opinion on the following statements:

- SERS Annual Comprehensive Financial Report as of and for the year ended June 30, 2024
- Audit in accordance with GASB 68 of the Schedule of Employer Allocations and Schedule of Collective Pension Amounts by Employer for the measurement year ended June 30, 2024
- Audit in accordance with GASB 75 of the Schedule of Employer Allocations and Healthcare Amounts by Employer for the measurement year ended June 30, 2024



Pre-Audit Communication

Auditor Responsibilities

- Express an opinion about whether the financial statements prepared by management are fairly presented, in all material respects, in accordance with GAAP
- Communicate noncompliance with provisions of laws, regulations, contracts or grants that have a material effect on the financial statements that come to our attention



Pre-Audit Communication

Identification of Significant Risks

- Accuracy of participant census data and the assumptions underlying the determination of both the total pension liability and total OPEB liability under GASB 67 and GASB 74, respectively
- Management override of controls
- Income recognition related to alternative investment income, along with gains and losses

Additional Significant Focus Areas

- Appropriate valuation of investments, particularly the alternative investments that do not have readily established market values
- Related to both Schedules of Employer Allocations, the calculation of the Collective Pension/OPEB amounts as well as the allocation methodology
- Accuracy of benefit calculations and related payments
- Changes made during the year related to controls surrounding cash reconciliations



Pre-Audit Communication

Plante Moran's Approach to Internal Control

- Narratives/Questionnaires
- Observation and inspection of procedures
- Effectiveness of controls over investments
- No opinion on effectiveness of internal controls

Materiality Concept

We place greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than with those items of lesser importance or those in which the possibility of material error is remote.



Expected Audit Timeline

Our anticipated timeline is as follows:

- Interim testing/understanding of controls – June 2024
- Fieldwork testing – Mid-September – Mid-October 2024
- Review ACFR – November 2024
- Audit opinion – by November 30, 2024
- Audit committee presentation – December 2024
- GASB 68 and 75 reports – February 2025



New Auditing Standards

Statement on Auditing Standards (SAS) 143, *Auditing Accounting Estimates and Related Disclosures* and 145, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*

What is the scope and potential impact?

- SAS 143 – this standard stresses the importance of understanding management's process for developing accounting estimates and outlines specific items required to be considered during the risk assessment phase of the audit.
- SAS 145 – this standard enhances requirements and guidance related to the auditor's risk assessments, particularly related to understanding SERS' system of internal control and required auditing to obtain the necessary understanding of that internal control system. This also includes increased focus related to IT risks.

When is this effective? These new auditing standards are effective for SERS' Fiscal Year Ending June 30, 2024.



Questions?

We greatly appreciate the opportunity to serve you!



Contact Information:

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Engagement Partner

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419.842.6110

Amanda Cronk, CPA

Principal

Amanda.Cronk@plantemoran.com

810.766.6045

Ashley Raden, CPA

Senior Manager

Ashley.Raden@plantemoran.com

586.416.4931

ITEM 4

RESOLUTION FOR EXECUTIVE SESSION

(Security Matter)

ITEM 4.1

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:

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

IN EXECUTIVE SESSION AT _____ A.M./P.M.

RETURN TO OPEN SESSION AT _____ A.M. / P.M.

ITEM 5

INTERNAL AUDIT UPDATE
(Chief Audit Officer's Report)



Internal Audit Update

June 2024

Jeff Davis, CAO – Internal Audit

Agenda



- Status of FY24 Internal Audit Plan
- Status of Audit Recommendations
- FY25 Audit Planning
- FY25 Audit Plan
- Recently completed audits and Other Activities



FY2024 Audit Plan Status



FY2024 Audit Plan Status



Engagement	Type	Status	Comments
Undue Influence (August 2023)	Audit	Completed	Annual Compliance Audit
Investment Incentive Compensation (September 2023)	Audit	Completed	Annual Compliance Audit
Conflict of Interest (November 2023)	Audit	Completed	Annual Compliance Audit
Survivor Benefits (December 2023)	Audit	Completed	
Identity and Access Management (June 2024)	Audit	Completed	Outsourced Audit
Member Annual Statements (February 2024)	Audit	Completed	
Tenant and Parking Revenue	Audit	In Progress	
Board Governance – Audit Committee Annual Report (December 2023)	Consulting	Completed	Annual Activities for Ohio Retirement Study Council - Required by March 31 st

FY2024 Audit Plan Status Continued



Engagement	Type	Status	Comments
Health Care Audit	Consulting	Pending	Biennial outsourced audit of member pharmacy benefits
Other Consulting/Special Projects	Audit	Completed	
IT Consulting	Consulting	Completed	
Continuous Auditing	Audit	Completed	
FY25 Internal Audit Plan	Administrative	Completed	



Status of Audit Recommendations

Status of Audit Recommendations – External Audit



Rating	Risk	Recommendation Summary	Department	Responsible Executive/ Director	Action Plan Due Date
Significant Deficiency	Bank Reconciliations Incomplete	Plante Moran recommended that SERS ensure month-end cash reconciliations are prepared and reviewed timely each month to ensure there is no misappropriation of assets.	Finance	Marni Hall, CFO	TBD

Status:

- Progress has been made on the accounts to be reconciled.
- The volume of data involved is significant.
- SMART project has resumed. Sagitec is working on scoping of the project and programming changes that will be required.
- Reconciling items for monthly reconciliation through April 2024 have been identified.
- The timeline for full implementation will be monitored and re-evaluated as needed as the project progresses.



FY25 Audit Planning

FY25 Audit Planning

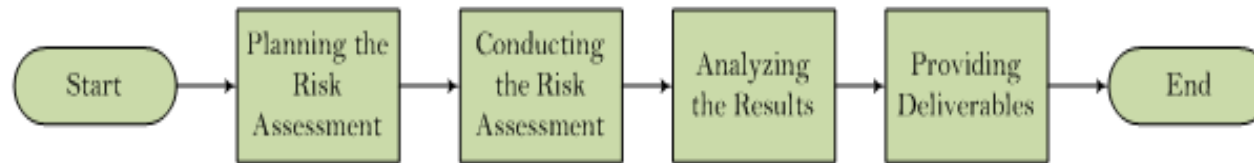


- Audit planning for FY25 completed in May 2024
- Planning involved independent research, coordination with others and management's involvement in identifying audit priorities - including 9 departmental/senior leadership meetings involving approximately 20 leaders
- IA performed its own independent assessment of the audit universe while leveraging knowledge gained from interaction with ERM Office and other department leaders
- The FY25 Internal Audit Plan document is included as "Attachment A"

FY25 Audit Planning



FY25 Audit Planning

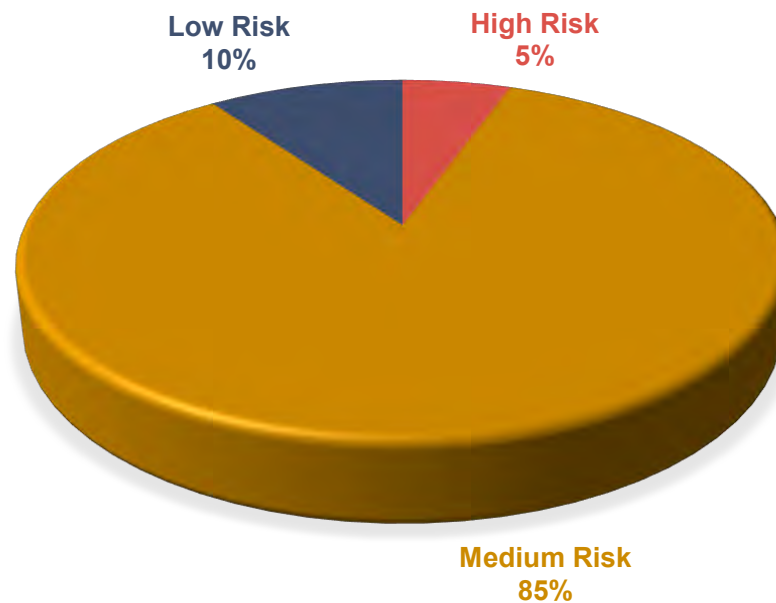


Risk Factors	Weight	Description
A. Control Design and Effectiveness	20%	Assessed reliability of internal controls are important in judging the likelihood of errors in the system; consider known problems/prior audit results.
B. Impact to Members, Retirees, Employers, and Public	20%	Impact to SERS' constituents; 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.

FY25 Audit Planning



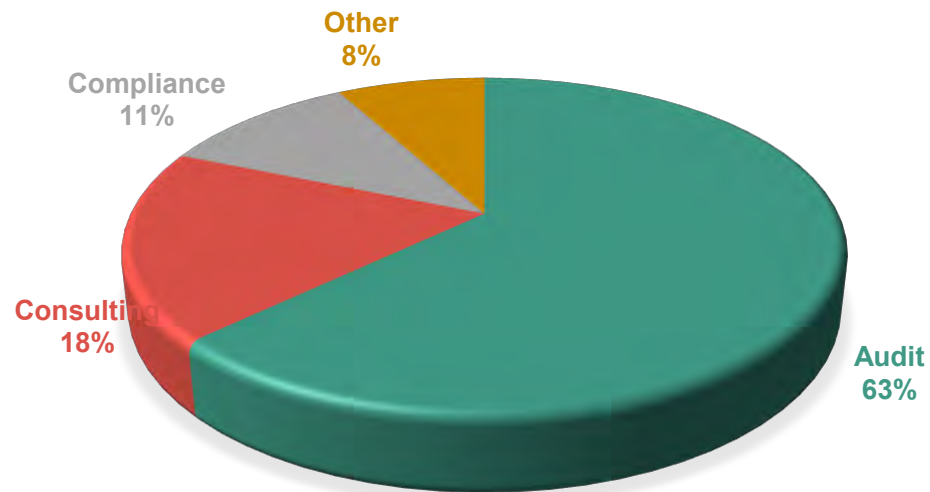
- Summary of Overall Risk Assessment Ratings
- 91 Auditable Processes



FY25 Audit Planning



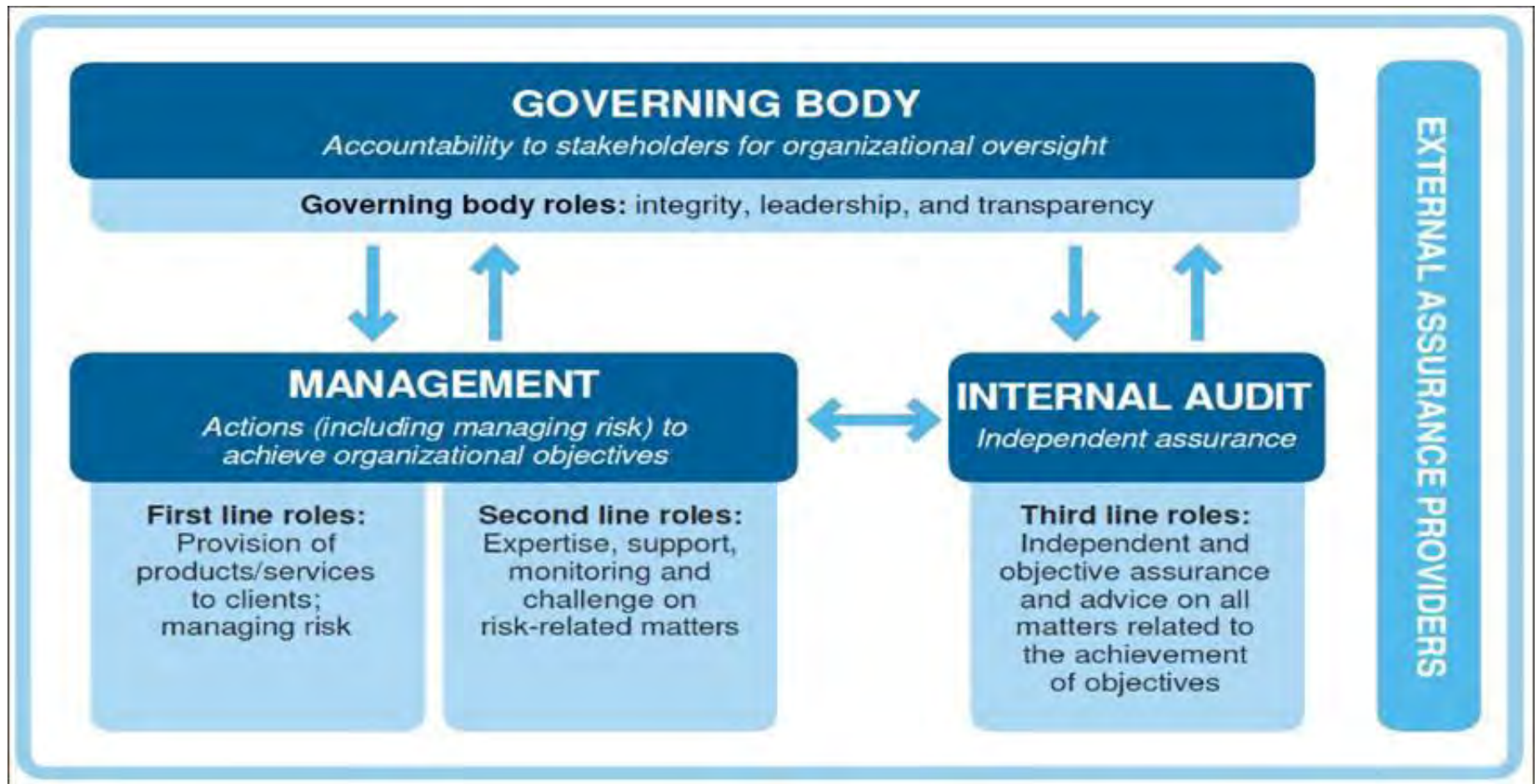
- **Internal Audit Time Allocation 1,250 audit hours – 12 projects**



FY25 Audit Planning



Three Lines of Defense Model





Proposed FY25 Audit Plan

Proposed FY25 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
Outsourced Audit – IT Infrastructure	Audit	Q2, Q3, Q4	Medium
Purchasing/Contracts	Audit	Q3	Large
Health Care Audit (Outsourced)	Consulting	Q3-4	Small
Retirement Benefits – Calculations & Estimates	Audit	Q2	Large
Other Consulting/Special Projects	Consulting	All	Medium
Audit Committee Annual Report	Consulting	Q2	Small

Proposed FY25 Internal Audit Plan



Engagement	Type	Quarter	Level of IA Effort
FY26 Internal Audit Planning	Admin	Q4	Medium
IT Consulting	Consulting	Q1-4	Small
Continuous Auditing/Monitoring	Audit	All	Medium

Proposed FY25 Internal Audit Plan



- Resolution for Audit Committee Approval



Recently Completed Audits and Other Activities

Recently Completed Audits and Other Activities



- Two audits/projects completed since the last committee meeting:
 - FY25 Annual Audit Plan (Attachment A)
 - Identity and Access Management
- Attended Central Ohio Fraud Conference and Central Ohio Infosec IT Conference



Q & A

ITEM 6

RESOLUTION TO APPROVE ANNUAL AUDIT PLAN

ITEM 6.1

SERS AUDIT COMMITTEE – APPROVAL OF FY 2025 INTERNAL AUDIT PLAN

_____ moved and _____ seconded the motion that the FY2025 Internal Audit Plan, as discussed at the June 2024 Audit Committee meeting, be approved.

Upon roll call, the vote was as follows:

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

ANNUAL CONFIRMATION OF INTERNAL AUDIT INDEPENDENCE

Confirmation of Independence and Objectivity Form



Internal Audit Department

Confirmation of Independence and Objectivity Form

SERS' internal auditors must maintain independence and objectivity in performing their duties. Specifically, the Institute of Internal Auditors (IIA) *Standards* require:

- **1100 – Independence and Objectivity:** The internal audit activity must be independent, and internal auditors must be objective in performing their work.
- **1110 – Organizational Independence:** The chief audit executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. The chief audit executive must confirm to the board, at least annually, the organizational independence of the internal audit activity.
- **1112 – Chief Audit Executive Roles Beyond Internal Auditing:** Where the chief audit executive has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards must be in place to limit impairments to independence or objectivity.
- **1120 – Individual Objectivity:** Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.
- **1130 – Impairment to Independence or Objectivity:** If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.
 - **1130.A1** – Internal auditors must refrain from assessing specific operations for which they were previously responsible. Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous year.
 - **1130.A2** – Assurance engagements for functions over which the chief audit executive has responsibility must be overseen by a party outside the internal audit activity.
 - **1130.C1** – Internal auditors may provide consulting services relating to operations for which they had previous responsibilities.
 - **1130.C2** – If internal auditors have potential impairments to independence or objectivity relating to proposed consulting services, disclosure must be made to the engagement client prior to accepting the engagement.

The Chief Audit Officer (CAO) must be aware of, and evaluate whether, any impairments to organizational independence or individual objectivity exist. The CAO will annually submit a Confirmation of Independence and Objectivity Form to SERS' General Counsel and Director - Human Resources, since they are best suited to evaluate and determine whether real or perceived conflicts of interest exist. Details of an impairment, as well as the nature of the impairment, will be discussed with the Audit Committee to ensure proper disclosure and consideration of independence and objectivity concerns.

The CAO must also evaluate whether others providing internal audit services within SERS (internal or external resources) have any independence or objectivity impairments. Any such impairments identified will be evaluated by the CAO in conformity with the above mentioned *Standards*.

The CAO will consult with the General Counsel to determine whether circumstances of the individual case impair the independence of the SERS internal auditor or create the appearance of impairment. If so, the internal auditor may be restricted from any participation in the audit in question. As a SERS internal auditor or vendor providing internal audit services, you must annually confirm during June, by submitting the attached form, that you have no impairment of independence or objectivity in conducting your work. Any changes throughout the year must be updated on a new form.



Internal Audit Department

Please answer the following:

Do you have an immediate family member (parent, sibling, spouse, children, in-laws, stepfather/mother, stepsiblings) or an extended family member (aunts, uncles, grandparents, grandchildren, cousins, spouse's extended family, or close friend/associate) employed by SERS?

☒ **No** ☐ **Yes** (List family member, position, and job duties, as applicable:)

N/A

Are you aware of any SERS-contracted vendors in which you or an immediate or extended family member maintain a business or working relationship?

☒ **No** ☐ **Yes** (List vendor, self or applicable family member, and job duties, as applicable:)

N/A

Have you been employed within SERS in a role outside of internal audit within the past 12 months?

☒ **No** ☐ **Yes** (List the SERS department, position held, and date of separation, as applicable)

N/A

Please list any current outside employment (e.g. part-time, teaching, etc.) or indicate "None":

None.

Are you seeking/being considered for employment within SERS or at a SERS-contracted vendor?

☒ **No** ☐ **Yes** (Indicate the SERS position or vendor under consideration)

I am not aware of any circumstances that may impair, or that may lead others to question, my independence or objectivity as Chief Audit Officer, except as indicated above. I understand that I am also responsible to make timely written notification to SERS' Audit Committee, General Counsel, and Director – Human Resources in the event that any other circumstance arises that may impair, or appear to impair, my independence and objectivity.

Employee Name: Jeffrey A. Davis

ITEM 8

RESOLUTION FOR EXECUTIVE SESSION

(Personnel Matter)

ITEM 8.1

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:

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

IN EXECUTIVE SESSION AT _____ A.M./P.M.

RETURN TO OPEN SESSION _____ A.M. / P.M.

ITEM 9

RESOLUTION TO APPROVE FY25 CAO GOALS

ITEM 9.1

SERS AUDIT COMMITTEE – APPROVAL OF CHIEF AUDIT OFFICER GOALS FOR FY 2025

_____ moved and _____ seconded the motion to approve the Chief Audit Officer's goals for FY 2025.

Upon roll call, the vote was as follows:

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

RECOMMEND MERIT INCREASE IN SALARY FOR CHIEF AUDIT OFFICER

It was moved by _____ and seconded by _____ to discuss with the Board the Committee's recommendation that Chief Audit Officer Jeff Davis receive a merit increase in salary effective the first pay date in Fiscal Year 2025.

Upon roll call, the vote was as follows:

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

AUDIT COMMITTEE REQUESTS AND FOLLOW-UP ITEMS

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ADJOURNMENT

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

The meeting adjourned at _____ p.m.

James Rossler, Acting Audit Committee
Chair



Internal Audit

FY 2025

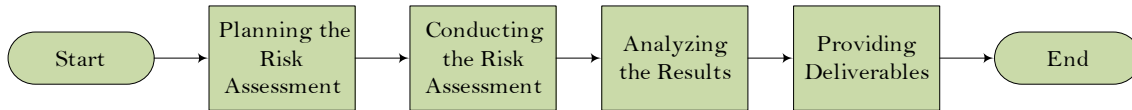
Annual Audit Plan

**School Employees Retirement System
Audit Plan - FY 2025
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Executive Summary

The annual audit plan defines specific audit areas intended to be undertaken in the next year. An audit prioritization process consists of the following steps:



Step 1 - Planning the Risk Assessment: Perform research to identify audit universe.

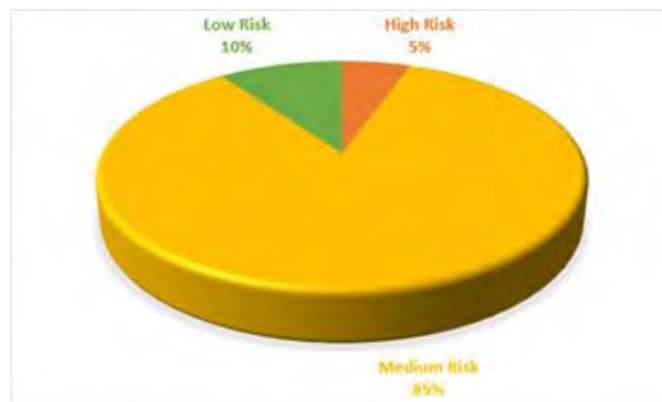
Step 2 - Conducting the Risk Assessment: Obtain client risk factor information.

Step 3 – Analyzing the Results: Assess based on audit universe and risk factors.

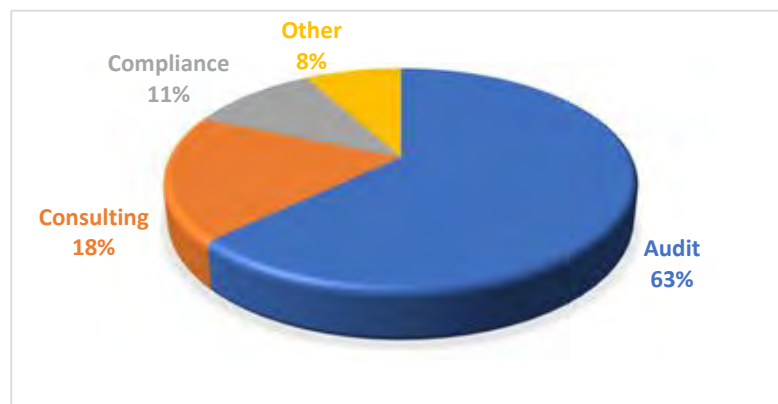
Step 4 – Providing Deliverables: Discuss audit plan priorities with SERS Senior Management to obtain consensus. Obtain Audit Committee approval.

Risk Assessment Ratings Summary

Overall Risk Rating (91 auditable processes)



Internal Audit – Time Allocation (1,250 hours; 12 projects)



FY2025 Annual Audit Plan – Project Summary

Department	Process/ Auditable Area	Overall Risk Rating	IA Service	Description of IA Activity
1. Member Services	Retirement – Benefits/ Calculations/ Estimates	3.80	Audit	Audit of Retirement Benefits/Calculations/Estimates.
2. Finance/Legal	Purchasing/ Contracts	3.45	Audit	Audit of the purchasing/contracting process.
3. Health Care	Pharmacy/ Medical Claims	3.45	Consulting	Minor IA involvement to review scope, report, and remediation of third-party auditor results – process managed by Health Care
4. IT	Infrastructure	3.30	Audit	Outsourced audit of infrastructure.
6. Executive	Investment Incentive Compensation	2.65	Compliance	Annually review of payment accuracy against policy requirements for investment incentive compensation program.
7. Executive	Invest. Mgrs. Disclosures & Conflict of Interest Filings	2.15	Compliance	Annual evaluation of disclosure filings by external investment managers and ethics filings by Investment Department personnel to ensure any potential conflicts are properly identified, evaluated, and managed to avoid a conflict of interest.
8. Executive	Undue Influence	2.00	Compliance	Annual evaluation of filings of key SERS leadership to ensure any undue influence is properly reviewed and reported to the Board.
9. Executive	Committee Annual Report	1.20	Consulting	Prepare the Audit Committee’s annual activities report for the Ohio Retirement Study Council by March 31 st .
10. Executive/ SERS	All	N/A	Consulting	Departmental consulting and special projects related to various processes.
11. IT	Application Management	N/A	Consulting	Consulting related to SMART and other areas.
12. Internal Audit Admin	FY26 IA Audit Plan	N/A	N/A	Conduct risk assessment with input from numerous sources and incorporate audit priorities within the annual audit plan.
13. Continuous Auditing/ Monitoring	On-Going Transactional Auditing	N/A	Audit	Continued development of continuous auditing/monitoring procedures.

Estimated Quarterly Engagement Schedule – FY25

Engagement	Level of IA Effort	Q1	Q2	Q3	Q4
1. Investment Incentive Comp. (Compliance)	Small	X			
2. Undue Influence (Compliance)	Small	X			
3. Conflict of Interest (Compliance)	Small	X			
4. Outsourced Audit – IT Infrastructure	Medium		X	X	
5. Retirement – Benefits/Calculations/Estimates	Large		X		
6. Health Care Medical/Pharmacy Claims Audit (Outsourced) (Consulting)	Small			X	X
7. Purchasing/Contracts	Large				X
8. Other Consulting/Special Projects	Medium	X	X	X	X
9. Audit Committee Annual Report	Small		X		
10. IT Consulting	Medium	X	X	X	X
11. FY26 Internal Audit Plan	Small	X	X	X	X
12. Continuous Auditing/Monitoring	Medium	X	X	X	X

1 Introduction, Mission, Purpose & Requirements

Introduction

The annual audit plan is goal-oriented and defines specific audit areas intended to be undertaken in the next year.

The objectives for the compilation of an effective annual audit plan are:

- Scheduling of activities identified in the annual audit plan must be realistic;
- Completion of planned activities must be achievable; and
- Audit cycle for each activity must be completed.

This Audit Plan contains key information on expected audit activity for fiscal year 2025. The plan is based on the results of the annual risk assessment process.

Mission

The SERS' Internal Audit Department will provide independent, objective assurance and consulting activities designed to improve management practices, identify operational improvement, and reduce SERS' risk exposure.

Purpose

Internal Audit's audit plan focuses on the following objectives:

- Develop an Internal Audit Annual Plan based upon risk
- Focus on areas of higher risk, strategic importance, or SERS audit priority
- Provide SERS with value added recommendations to improve controls, mitigate identified risks, and increase efficiency within operations

The scope of work of Internal Audit is to determine whether SERS' framework of risk management, control, and governance processes, as designed and represented by Board and management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed;
- Interaction with various governance groups occurs as needed;
- Significant financial, managerial, operating information is accurate, reliable, & timely;
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations;
- Resources are acquired economically, used efficiently, and adequately protected;
- Programs, plans, and objectives are achieved;
- Quality and continuous improvement are fostered in control processes;
- Significant legislative or regulatory issues impacting SERS' fiscal operations are recognized and addressed appropriately; and
- Adequate controls are incorporated within new systems and processes.

Requirements

The Institute of Internal Auditor's (IIA) *International Standards for the Professional Practice of Internal Auditing (the Standards)* govern the framework to be followed by SERS' Internal Audit activities.

When developing the annual Internal Audit plan the following IIA guidance must be considered:

Standard 2010 – Planning: The chief audit executive (CAE) must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals.

Standard 2010.A1: The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process.

IIA Practice Advisory 2010-1: Linking the Audit Plan to Risk and Exposures:

"In developing the internal audit activity's audit plan...first develop or update the audit universe. The audit universe is a list of all the possible audits that could be performed. The CAE may obtain input on the audit universe from senior management and the board."

"The CAE prepares the internal audit activity's audit plan based on the audit universe, input from senior management and the board, and an assessment of risk and exposures affecting the organization."

"Audit work schedules are based on, among other factors, an assessment of risk and exposures. Prioritizing is needed to make decisions for applying resources."

SERS' Internal Audit activities must also align to audit planning requirements identified within the Audit Committee and Internal Audit Charters, specifically:

Responsibility under the Audit Committee Charter:

"...Review and approve the internal audit...plans, activities, staffing"

Responsibility under Internal Audit Charter:

"Conduct an annual risk assessment and produce a flexible risk-based audit plan...based upon risks and control concerns identified by the CAO, Board Members, management...and will periodically be updated."

"The Audit Committee retains the right to approve the annual audit plan presented by the CAO. The CAO shall periodically inform the Audit Committee of the status of the audit plan and any changes needed."

"The internal audit plan will consist of a work schedule as well as budget and resource requirements for the next fiscal year."

"The CAO will implement the approved audit plan and any plan amendments, special tasks or projects requested by management or the Audit Committee and agreed to by the CAO."

"The CAO may occasionally need to obtain expertise of persons outside of the Internal Audit Department. This expertise may be obtained within the organization through appropriate arrangements with management. Expertise may also be obtained from outside SERS through contracts. The Audit Committee should be informed about the use of all external consultants obtained."

Internal Audit's Operations Manual requires the CAO to develop a risk-based plan. The methodology for the completion of the annual audit plan shall consider the following:

- Organization's risk management framework or an alternative approach if a framework does not exist;
- Organization's identification and management of its strategic objectives and whether strategic risks and new initiatives are managed to an acceptable level;
- Input from key stakeholders (Board members, SERS executive leadership, department directors) on audit priorities that may impact members, retirees, employers, or SERS;
- Determine staffing resource availability and capability;
- To minimize duplication of effort and to maximize the amount of coverage achieved, consider audits planned by the external auditor and other assurance providers;
- Consider emerging issues resulting from the continuous update of the SERS risk profile;
- Include engagements that focus on revenue enhancement or economy of operations for certain SERS processes (sources may include financial statements, annual budget);
- Identify areas potentially subject to continuous auditing, leveraging any SERS risk management framework;
- Accept consulting engagements based on the engagement's potential to improve management of risks, add value, and improve SERS' operations; and
- Consider common risk area profiles which could result in an enterprise audit across SERS departments with similar risk factors.

This document describes the systematic process used by internal audit to develop its risk assessment and annual audit plan process. Risk assessment is inherently subjective; as such, quantitative analysis is supplemented with Internal Audit judgment and management input.

Internal Audit's risk assessment is solely for the purpose of developing the IA plan and focuses on auditable entities, not the entire universe of risks facing SERS. Also, the assessment does not seek to determine or evaluate management's risk tolerance or risk appetite.

The annual audit plan will be reviewed every three months to determine:

- Any significant variations to the original plan arising from the under or over assessment of the time required for audit projects;
- Effects of unforeseen events that significantly impacted the timetabling of audit projects;
- Rescheduling due to the effect of staff changes;
- Percentage of IA audit effort devoted to assurance and consulting engagements; and
- Other metrics developed in coordination with the Audit Committee

Amendments to the annual audit plan arising as a result of the quarterly review shall be presented by the CAO to the SERS Audit Committee.

2 Audit Prioritization Process

The FY25 Internal Audit Plan is designed to provide audit coverage across the entire organization by deploying Internal Audit resources in an effective and efficient manner.

The following approach was taken in creating the risk assessment and Audit Plan:



2.1 Information Gathering and Scoping

- A. Understand industry trends/risks via discussions with industry and audit professionals, reading publications, attending relevant training
- B. Understand SERS strategic objectives and new initiatives by reviewing the strategic plan, annual financial statements, quarterly operations reports, and annual budgets
- C. Develop and update Internal Audit's risk assessment and audit planning methodology
- D. Use prior audit plan as starting point of auditable risk areas/ audit universe

2.2 Information Analysis

- A. Update audit universe and preliminary risk assessments based on research and review of SERS operations and the pension industry
- B. Interview SERS leadership to gain understanding and input on audit universe, ratings and input on internal audit priorities/ value add opportunities
- C. Develop proposed Audit Plan based on interviews, risk assessment, resource availability, budget, third party assurance coordination, and coverage by risk and department

2.3 Develop Internal Audit Strategy and Plan

- A. Present SERS leadership with:
 - Risk assessment results
 - Planned Internal Audit's audit and consulting projects
- B. Submit preliminary Internal Audit plan to Audit Committee for review

Appendix A contains a detailed listing of the Audit Universe – Highest to Lowest

Appendix B contains a detailed listing of the Audit Universe – By Department

3 Risk Based Audit Methodology

Organizations implement risk management processes to identify risks that threaten their capability of achieving their objectives and successful execution of their business strategies. Through an integrated risk management approach, senior management determines how much risk they are willing to accept (e.g. level of acceptable risk). Senior management's approach to risk management must be undertaken as a continuous process of:

- Establishing risk management objectives, tolerances & limits for SERS' significant risks;
- Assessing risks within the context of established tolerances;
- Developing cost-effective risk management strategies and processes consistent with SERS' overall goals and objectives;
- Implementing risk management processes;
- Monitoring and reporting on the performance of risk management processes;
- Improving risk management processes continuously; and
- Ensuring adequate communication and information for decision making.

The continuous improvement cycle for risk management illustrates the need for SERS management to define, be aware of and manage their inherent and control risks.

IA should assess whether risk management processes are effective by determining:

- Organizational objectives support and align with SERS' mission;
- Significant risks are identified and assessed;
- Appropriate risk responses are selected that align risk with SERS' risk appetite; and
- Relevant risk information is captured and communicated in a timely manner across SERS, enabling management to carry out their responsibilities.

IA will engage and work collaboratively with SERS management, and in particular the Chief Risk Officer. As the enterprise risk management program develops and matures, IA will incorporate the enterprise risk management assessments within the IA risk assessment used for audit planning purposes while maintain organizational independence.

3.1 Risk Methodology Framework

The risk methodology framework and strategy can directly impact risk assessments and planning within the internal audit function. Internal Audit will utilize the methodology as one factor in the course of developing its strategic and annual plans. The process will help ensure higher risk areas are identified and prioritized in the conduct of the audit plan and assignment of internal audit resources.

A risk assessment methodology applies across an entire organization. Each department is responsible for the application of the methodology in their respective areas and aligning to the organizational strategic risk management approach.

3.2 Identification of Audit Universe

The audit universe is reviewed annually as part of the planning process. The audit universe is risk-based and IA leverages management and Audit Committee input, as well as IA knowledge of operations, financial statements, budgets, professional judgment, comparative pension system risks, and brainstorming techniques to identify potential risks. The following factors are considered when developing the audit universe and priorities for annual plan consideration:



NOTE: FY25's plan involved extensive independent research, coordination with other assurance service providers, and management's involvement in identifying audit priorities - including 8 departmental/senior leadership meetings involving over 18 leaders. ERM staff were also included in these meetings to share information and provide added input on risk.

Internal Audit (IA) will evaluate the auditable areas and make modifications throughout the year based upon changes to SERS' risk profile. IA will also participate in SERS' strategic planning process and align IA's plan with appropriate assurance and consulting activities.

3.3 Risk Factors and Weighting

In prioritizing the risks identified, consideration is given to the likelihood of occurrence and consequence, or impact, in the event of occurrence. In weighting risk factors, IA utilizes risk factors from IIA guidance, historical knowledge of pensions, and internal auditing best practices. The overall goal of the risk scoring approach is to ensure that IA audits of high and moderate risk areas receive the largest concentration of audit effort over multiple years.

Once various risk factors are rated, they are weighted in order to arrive at a composite risk score for each area. The composite risk score is then used to determine areas to prioritize in the annual audit plan. Risk factors and assigned weighting are as follows:

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, Public, Reputation	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.

A. Control Design and Effectiveness

The assessed reliability of the internal control system is important in judging the likelihood of errors in the system. Internal controls consider the adequacy of written procedures and whether or not controls have been previously tested.

B. Impact to Members, Retirees, Employers, and Public Reputation

Management or other stakeholder concerns can influence the priority of an auditable area and could take priority over other risk factors in some cases. The reputation of SERS can be impacted by failures in certain sensitive processes. Amount of impact the audit area has on SERS' constituents. Includes concern for public perception. Concern about adverse publicity; laws and regulations; customer demands; and political exposure.

C. Changes in Organization, Programs and Operation

A dynamic environmental change, in terms of systems/processes/people, increases the probability of efficiencies as well as errors occurring. Changes in operations can impact the efficiency and effectiveness of the organization's performance. Criteria include changes in staff size, processing changes (manual to computerized), systems (input and/or output), as well as staff turnover. This area includes concerns of rapid growth in personnel size or additional programs added to an operational area.

Changes in operation to meet statutory, regulatory, and legal requirements, and/or to address organizational restructuring including modifications to manual or automated procedures such as increased use of technology. Changes in operations since this area was last audited may have a significant impact on accuracy and timeliness of work completed, efficiency and effectiveness of operation, and the reliability of work products and records.

D. Complexity of Activities, Operations, or Systems

Complexity includes amount of time, number of steps, techniques or procedures, degree of difficulty, training necessary, and interaction with other organizations/divisions necessary to complete a work task or process a transaction. Complexity can increase both the probability of

error and the effort required to monitor the system. Includes complexity of federal and state laws, rules and regulations governing a particular program.

Computer applications affect the accuracy and timeliness of completed work tasks, as well as the productivities of the staff. Information systems should process information in a secure, reliable and accurate manner.

Age, condition, efficiency and effectiveness of the data processing system specific to this audit area, and the perceived impact of general information technology controls related to: consistent use of an acceptable systems development methodology (including programmer and user documentation and testing procedures), consistent use of an acceptable project management system, effective computer maintenance change controls (to assure application program changes are properly authorized, managed, and recorded), and effective logical access security to guard against unwarranted access and unauthorized changes to computer programs or data.

E. Dollar Materiality/Operational Impact

Materiality focuses on the organizational impact due to financial statement materiality, relative importance, and/or sensitivity to negative public exposure of a process or system.

F. Impact of Fraud, Waste, or Data Loss

Risk inherent in a process or system that employees (including management) individually, or in collusion with others, commit fraud, resulting in financial loss or unauthorized use of financial instruments, physical assets and/or confidential information. For IT systems, also consider the level and type of security threat(s) present (e.g., a firewall has a higher level of security threat associated with it than an internal file server).

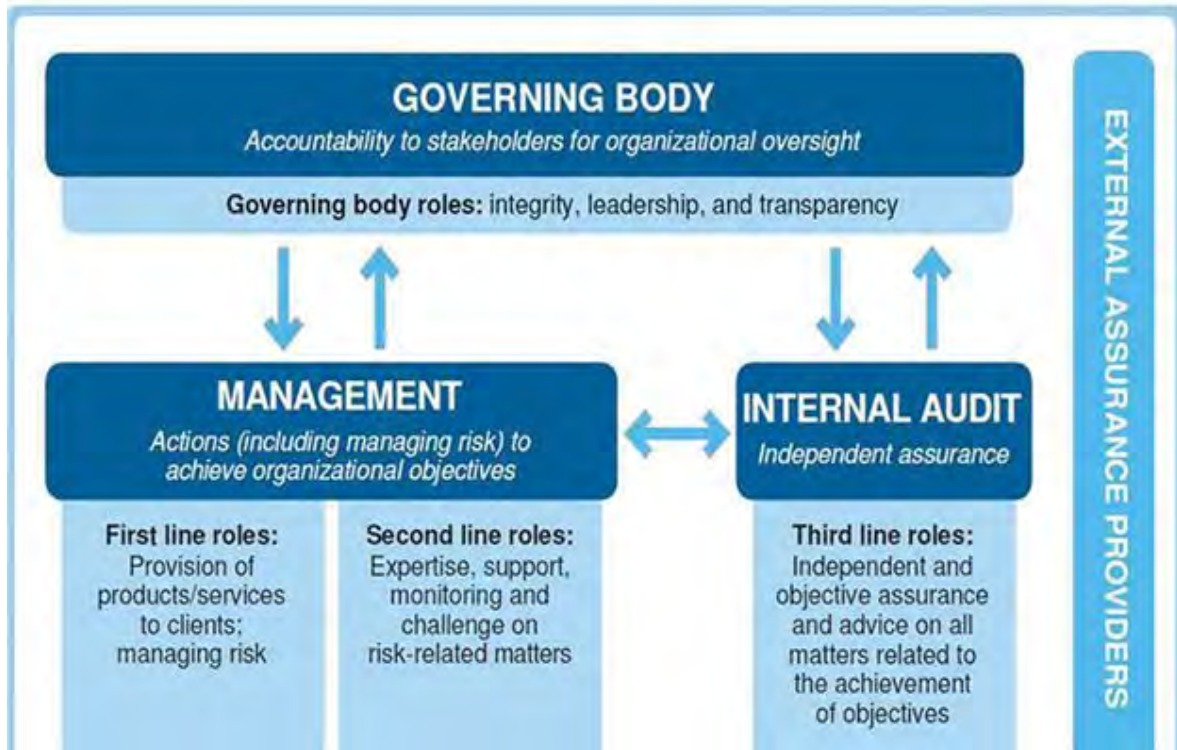
The composite risk rating system is a point in time assessment and ratings may vary based on an individual's perspective or recent event history. Ratings are designed to evaluate SERS risk exposures related to governance, operations, and information systems regarding achievement of their strategic objectives; reliability of financial information; effectiveness and efficiency of operations; safeguarding of assets; and compliance with laws, regulations, and contracts.

To minimize the potential for duplication of effort and to maximize the amount of coverage achieved, the CAO will consider other assurance providers (both internal and external) and their scope and intended reliance by internal audit.

3.4 Coordinated Audit Coverage

After assessing risk-ratings against the audit universe, an evaluation of third-party assurance activities was conducted to maximize audit coordination efforts and coverage.

Three Lines of Defense Model (Institute of Internal Auditors)



NOTE: Internal Audit's plan incorporates audit coverage from external audit; 3rd party external reviews within Executive, Health Care, Administrative Services, and Member Services; and 2nd Line of Defense SERS' monitoring within investment compliance, investment accounting, and IT security. Internal Audit's review of selected auditable units is not intended to offer a complete opinion on every aspect of the category. Rather, Internal Audit judgmentally evaluates the auditable unit and focuses its scope and objectives on key risks and controls to evaluate and report the results to the Committee. SERS is not "relying" on the work of the external auditors, rather avoiding duplication of efforts by not allocating Internal Audit hours to these areas.

Appendix A

Risk Rating – Highest to Lowest

SERS	Risk Factors													
2025 Risk Assessment - Combined	20%	20%	15%	15%	15%	15%	100%							
	A. Control Design and Effectiveness	B. Impact to Members, Retirees, Employers, Public, Reputation	C. Changes in Organization, Programs, Operations	D. Complexity of Activities, Operations, or Systems	E. Dollar Materiality/ Operational Impact	F. Impact of Fraud, Waste, or Data Loss	Combined Risk Rating	Risk Rating	Last Year Audited	Internal Audit Planned Coverage	Planned Hours	External Audit	Other 3rd Party	SERS Control Monitoring
Auditable Area														
Application Management - Software Management/SMART	3	5	3	5	5	5	4.30	High	FY2020			X		X
Enterprise Risk Management - Information Security Program	2	5	3	4	5	5	3.95	High	FY2019			X		X
Alternative Investments - Real Estate, Private Equity, Hedge Funds	2	4	4	5	5	4	3.90	High				X		X
Retirement - Benefits / Calculations / Estimates	2	5	3	4	5	4	3.80	High	FY2020	X	180			X
Identity and Access Management (IAM)	2	4	3	4	5	5	3.75	High	FY2024			X		X
Business Continuity / Disaster Recovery	3	4	4	3	5	3	3.65	Medium	FY2021					X
Member Withdrawals / Refunds & Lump Sum	2	4	3	4	5	4	3.60	Medium	FY2021			X		X
Disability - Benefits / Calculations	2	4	3	4	5	4	3.60	Medium	FY2023			X	X	
Investment Management Fees	3	4	2	5	3	4	3.50	Medium	-					X
Enterprise Risk Management -Information Security Program (HIPAA)	2	5	3	3	4	4	3.50	Medium				X	X	X
Employer Reporting and Remittance of Contributions	2	5	2	3	5	4	3.50	Medium	FY2023			X		
Health Care Fund Revenue - Premiums, Rebates, Funding Allocation	2	5	3	3	5	3	3.50	Medium	FY2016			X	X	X
Imaging and Information Governance	3	4	3	3	4	4	3.50	Medium	FY2019					
Enterprise Risk Management - BC/DR	2	4	3	4	4	4	3.45	Medium	FY2021					
Purchasing	2	4	3	3	4	5	3.45	Medium	FY2024					
Investment Accounting - Custody & Master Record Keeper	2	4	3	4	4	4	3.45	Medium	-			X		X
Claims - Medical and Pharmacy	2	4	3	4	5	3	3.45	Medium				X	X	X
IT Vendor Management	3	4	3	3	3	4	3.35	Medium	FY2019					X
Funding Levels - Compliance and Return Rate	2	5	3	4	5	1	3.35	Medium	-					X
Financial Reporting / ACFR	2	4	3	4	3	4	3.30	Medium	-			X		
Payment Processing / Payables	2	4	2	3	4	5	3.30	Medium	FY2022			X		
Virtualization/Infrastrucure	3	3	4	3	3	4	3.30	Medium	-	X	120			X
Cloud Based Computing	3	3	4	3	3	4	3.30	Medium	FY2022					
Mobile Device Security	3	3	4	3	3	4	3.30	Medium						
Required Minimum Distribution (RMD)	2	4	3	3	4	4	3.30	Medium	FY2021					
Investment Governance & Management - SERS Investment Committee	2	4	3	4	4	3	3.30	Medium	FY2016					X
Member Account Maintenance	2	4	3	3	3	5	3.30	Medium	FY2022			X		
IT Change Management	2	3	4	4	3	4	3.25	Medium	FY2017			X		
Survivor - Benefits / Calculations	2	3	3	4	3	5	3.25	Medium	FY2024			X		
Enterprise Risk Management - Vendor Risk Management	2	5	2	3	4	3	3.20	Medium	-					X
Records Management / Records Requests	3	4	3	3	2	4	3.20	Medium	-					
Investment Accounting - Operational Due Diligence	2	4	3	4	3	3	3.15	Medium	-			X		X
Physical Access - IT General Controls	2	4	2	3	4	4	3.15	Medium	FY2016			X		X
Web Self Service - eSERS	2	4	3	3	4	3	3.15	Medium	-					
Investment Risk Management	2	4	3	4	3	3	3.15	Medium	-					X
Capital Calls and Distributions	2	4	2	3	4	4	3.15	Medium	FY2021					
Asset Management - Hardware	3	3	3	3	3	4	3.15	Medium	FY2019					
Death Benefits - SSN Matches/Proof of Life	2	4	3	3	3	4	3.15	Medium	FY2022					
Confidential Data Management	2	4	3	3	3	4	3.15	Medium	-					
Fixed Income, US Equity, Non-US Equity, Foreign Currency, Mutual Funds	2	3	4	4	4	2	3.10	Medium	FY2019			X		X
Confidential Data Management	2	4	2	3	3	4	3.00	Medium	-					
Interest and Dividend Income	2	4	3	2	3	4	3.00	Medium	-			X		X
Enterprise Risk Management - Investment Compliance	2	4	3	3	3	3	3.00	Medium						
Retiree Accounting	2	4	3	3	3	3	3.00	Medium						
Contract Administration and Monitoring	3	3	4	2	3	3	3.00	Medium	FY2016	X	90	X		

SERS	Risk Factors													
2025 Risk Assessment - Combined	20%	20%	15%	15%	15%	15%	100%							
	A. Control Design and Effectiveness	B. Impact to Members, Retirees, Employers, Public, Reputation	C. Changes in Organization, Programs, Operations	D. Complexity of Activities, Operations, or Systems	E. Dollar Materiality/ Operational Impact	F. Impact of Fraud, Waste, or Data Loss	Combined Risk Rating	Risk Rating	Last Year Audited	Internal Audit Planned Coverage	Planned Hours	External Audit	Other 3rd Party	SERS Control Monitoring
Health Care Vendor Management	2	4	3	3	3	3	3.00	Medium	-					
Investment Due Diligence Review (Existing Investments)	2	4	3	4	2	3	3.00	Medium	-					X
Portability - Retirement System Transfers / Calculations	2	4	3	3	3	3	3.00	Medium	FY2016					
Medicare B Fund - Retirement Benefit Payments	2	3	3	3	3	4	2.95	Medium	-			X		
Health Care Plan - Participant Eligibility / Calculation / Service	2	3	3	3	3	4	2.95	Medium	-			X		
Self Service Portle/On-line Activity	2	3	3	3	3	4	2.95	Medium						
Government Relations - Legislation (Advocacy, Monitoring, Response)	2	5	3	3	3	1	2.90	Medium	-					X
Legal - Contract Review & Execution	1	4	2	2	4	4	2.80	Medium	FY2016					
Employee Health Care Plan / Costs	2	3	3	2	3	4	2.80	Medium	FY2017					
Customer Service / Member Counseling Center	2	3	3	3	4	2	2.80	Medium	-					
IT Governance	3	4	3	2	2	2	2.75	Medium	FY2018					
Service Purchase Credit / Calculation	3	3	3	2	1	4	2.70	Medium	FY2023					
Retirement - Application Process	2	4	3	3	2	2	2.70	Medium	-					
Legal - Litigation	1	4	2	3	4	2	2.65	Medium	-			X		
Cash and Receivables	3	2	2	2	3	4	2.65	Medium	-			X		
Employee Payroll, Timekeeping & Leave	2	3	2	2	3	4	2.65	Medium	FY2021			X	X	
Investment Incentive Compensation	2	3	3	3	2	3	2.65	Medium	FY2024	X	60			
Mail Room / Print Operations/Vehicles	2	3	3	3	2	3	2.65	Medium	FY2019					
Unitized Accounting Practices	3	2	3	3	3	2	2.65	Medium	-					
Personnel Management	2	3	3	3	3	2	2.65	Medium	-				X	
Treasury/Cash Management	2	2	3	2	3	4	2.60	Medium	-			X		
Information and Communications	2	4	3	2	2	2	2.55	Medium	-					
Building Services (OSERS Building, Land, Furniture, Security, Safety)	2	3	2	2	3	3	2.50	Medium	-					
Budget Processing & Reporting	2	3	2	2	4	2	2.50	Medium	-			X		
Reemployed Retirees / QEBA (This potentially belongs to finance)	2	3	2	4	1	3	2.50	Medium	-					
Audit Remediation - Fiduciary, External, Other	2	3	3	3	3	1	2.50	Medium	FY2019					
Tenant Services (OSERS - Suite and Parking services)	2	2	2	2	3	4	2.45	Medium	FY2024					
Legal - Administrative Rules, Public Records Requests, Other	1	3	2	3	3	3	2.45	Medium						
Board Governance	1	3	2	3	3	3	2.45	Medium						
Securities Lending	2	2	3	3	2	3	2.45	Medium	-			X		X
Travel Expenses	2	4	2	1	1	4	2.40	Medium	-					
Investment Data Management / Maintenance / Retention	1	2	3	3	2	4	2.40	Medium	-					X
Member Statements	2	4	3	2	2	1	2.40	Medium	FY2024					
Legal - Tax Compliance	1	4	2	2	4	1	2.35	Medium	FY2016					
Legal - Sensitive Data Handling	1	4	2	2	2	3	2.35	Medium	FY2016					X
Government Relations - Proxy Voting	2	3	3	2	2	2	2.35	Medium	-					X
Capital Project Activities	2	1	2	2	3	4	2.25	Medium	-					
Enterprise Risk Management - Safety	2	3	2	2	3	1	2.20	Low						
Ethics - Conflict of Interest Confirmation	1	3	2	2	2	3	2.15	Low	FY2024	X	60			
Ethics Filings - Conflicts of Interest (Investment Managers / Vendors)	1	3	1	2	2	3	2.00	Low	FY2024	X	60			
Ethics Filings - Undue Influence Forms	1	3	2	1	1	4	2.00	Low	FY2024	X	14			X
Policy / Procedure - Development, Review, and Monitoring	1	3	3	2	2	1	2.00	Low	FY2017					
Fixed Assets / Inventory	2	1	2	2	2	3	1.95	Low	-					
Employment Practices (Recruitment, onboarding, separations, etc)	2	2	2	1	1	1	1.55	Low	-					
Other Benefits	2	1	2	1	1	2	1.50	Low	-					
Audit Committee Annual Report - ORSC	1	2	1	1	1	1	1.20	Low	FY2024	X	20			

Appendix B

Risk Rating – By Department

SERS 2025 Risk Assessment - by Department		Risk Factors													
		20%	20%	15%	15%	15%	15%	100%							
		A. Control Design and Effectiveness	B. Impact to Members, Retirees, Employers, Public, Reputation	C. Changes in Organization, Programs, Operations	D. Complexity of Activities, Operations, or Systems	E. Dollar Materiality/ Operational Impact	F. Impact of Fraud, Waste, or Data Loss	Combined Risk Rating	Risk Rating	Last Year Audited	Internal Audit Planned Coverage	Planned Hours	External Audit	Other 3rd Party	SERS Control Monitoring
Auditable Area															
Building & Tenant Services															
Building Services (OSERS Building, Land, Furniture, Security, Safety)		2	3	2	2	3	3	2.50	Medium	-					
Tenant Services (OSERS - Suite and Parking services)		2	2	2	2	3	4	2.45	Medium	FY2024					X
Capital Project Activities		2	1	2	2	3	4	2.25	Medium	-					
Executive, Legal & Communications															
Enterprise Risk Management - Information Security Program		2	5	3	4	5	5	3.95	High	FY2019			X		X
Enterprise Risk Management - Information Security Program (HIPAA Compliance)		2	5	3	3	4	4	3.50	Medium				X	X	X
Enterprise Risk Management - Vendor Risk Management		2	5	2	3	4	3	3.20	Medium	-					X
Enterprise Risk Management - Safety		2	3	2	2	3	1	2.20	Low						
Enterprise Risk Management - Investment Compliance		2	4	3	3	3	3	3.00	Medium						
Enterprise Risk Management - BC/DR		2	4	3	4	4	4	3.45	Medium	FY2021					
Funding Levels - Compliance and Return Rate		2	5	3	4	5	1	3.35	Medium	-					X
Government Relations - Legislation (Advocacy, Monitoring, Response)		2	5	3	3	3	1	2.90	Medium	-					X
Legal - Litigation		1	4	2	3	4	2	2.65	Medium	-			X		
Investment Incentive Compensation		2	3	3	3	2	3	2.65	Medium	FY2024	X	60			
Information and Communications		2	4	3	2	2	2	2.55	Medium	-					
Audit Remediation - Fiduciary, External, Other		2	3	3	3	3	1	2.50	Medium	FY2019					
Legal - Tax Compliance		1	4	2	2	4	1	2.35	Medium	FY2016					
Legal - Sensitive Data Handling (Division Of Property Orders, Power of Attorney)		1	4	2	2	2	3	2.35	Medium	FY2016					X
Legal - Administrative Rules, Public Records Requests, Other		1	3	2	3	3	3	2.45	Medium						
Legal - Contract Review & Execution		1	4	2	2	4	4	2.80	Medium	FY2016	X	90			
Government Relations - Proxy Voting		2	3	3	2	2	2	2.35	Medium	-					X
Ethics Filings - Conflicts of Interest (Investment Managers / Vendors)		1	3	1	2	2	3	2.00	Low	FY2024	X	60			
Ethics Filings - Undue Influence Forms		1	3	2	1	1	4	2.00	Low	FY2024	X	14			X
Mail Room / Print Operations/Vehicles		2	3	3	3	2	3	2.65	Medium	FY2019					
Board Governance		1	3	2	3	3	3	2.45	Medium						
Audit Committee Annual Report - ORSC		1	2	1	1	1	1	1.20	Low	FY2024	X	20			
Finance															
Purchasing		2	4	3	3	4	5	3.45	Medium	FY2024	X	90	X		
Employer Reporting and Remittance of Contributions		2	5	2	3	5	4	3.50	Medium	FY2023			X		
Investment Accounting - Custody & Master Record Keeper		2	4	3	4	4	4	3.45	Medium	-			X		X
Financial Reporting / ACFR		2	4	3	4	3	4	3.30	Medium	-			X		
Retiree Accounting		2	4	3	3	3	3	3.00	Medium						
Payment Processing / Payables		2	4	2	3	4	5	3.30	Medium	FY2022			X		
Investment Accounting - Operational Due Diligence		2	4	3	4	3	3	3.15	Medium	-			X		X
Contract Administration and Monitoring		3	3	4	2	3	3	3.00	Medium	FY2016			X		
Budget Processing & Reporting		2	3	2	2	4	2	2.50	Medium	-			X		
Treasury/Cash Management		2	2	3	2	3	4	2.60	Medium	-			X		
Unutilized Accounting Practices		3	2	3	3	3	2	2.65	Medium	-					
Travel Expenses		2	4	2	1	1	4	2.40	Medium	-					
Cash and Receivables		3	2	2	2	3	4	2.65	Medium	-			X		
Fixed Assets / Inventory		2	1	2	2	2	3	1.95	Low	-					
Health Care															
Health Care Fund Revenue - Premiums, Rebates, Funding Allocation		2	5	3	3	5	3	3.50	Medium	FY2016			X	X	X
Claims - Medical and Pharmacy		2	4	3	4	5	3	3.45	Medium		X	16	X	X	X
Health Care Vendor Management		2	4	3	3	3	3	3.00	Medium	-					
Confidential Data Management		2	4	2	3	3	4	3.00	Medium	-					
Medicare B Fund - Retirement Benefit Payments		2	3	3	3	3	4	2.95	Medium	-			X		
Health Care Plan - Participant Eligibility / Calculation / Service		2	3	3	3	3	4	2.95	Medium	-			X		

SERS

2025 Risk Assessment - by Department

	20%	20%	15%	15%	15%	15%	100%									
	A. Control Design and Effectiveness	B. Impact to Members, Retirees, Employers, Public, Reputation	C. Changes in Organization, Programs, Operations	D. Complexity of Activities, Operations, or Systems	E. Dollar Materiality/ Operational Impact	F. Impact of Fraud, Waste, or Data Loss	Combined Risk Rating	Risk Rating	Last Year Audited	Internal Audit Planned Coverage	Planned Hours	External Audit	Other 3rd Party	SERS Control Monitoring		
Administrative Services																
Personnel Management	2	3	3	3	3	2	2.65	Medium	-				X			
Employee Payroll, Timekeeping & Leave	2	3	2	2	3	4	2.65	Medium	FY2021			X	X			
Employee Health Care Plan / Costs	2	3	3	2	3	4	2.80	Medium	FY2017							
Policy / Procedure - Development, Review, and Monitoring	1	3	3	2	2	1	2.00	Low	FY2017							
Other Benefits	2	1	2	1	1	2	1.50	Low	-							
Employment Practices (Recruitment, onboarding, separations, etc)	2	2	2	1	1	1	1.55	Low	-							
Imaging and Information Governance	3	4	3	3	4	4	3.50	Medium	2019							
Records Management / Records Requests	3	4	3	3	2	4	3.20	Medium	-							
Information Technology																
Application Management - Software Management/SMART	3	5	3	5	5	5	4.30	High	FY2020					X		
Identity and Access Management (IAM)	2	4	3	4	5	5	3.75	High	FY2024			X		X		
Business Continuity / Disaster Recovery	3	4	4	3	5	3	3.65	Medium	FY2021					X		
IT Vendor Management	3	4	3	3	3	4	3.35	Medium	FY2019					X		
Virtualization/Infrastructure	3	3	4	3	3	4	3.30	Medium	-	X	120			X		
Cloud Based Computing	3	3	4	3	3	4	3.30	Medium	FY2022							
Mobile Device Security	3	3	4	3	3	4	3.30	Medium								
IT Change Management	2	3	4	4	3	4	3.25	Medium	FY2017			X				
Physical Access - IT General Controls	2	4	2	3	4	4	3.15	Medium	FY2016			X		X		
Web Self Service - eSERS	2	4	3	3	4	3	3.15	Medium	-							
Asset Management - Hardware	3	3	3	3	3	4	3.15	Medium	FY2019							
IT Governance	3	4	3	2	2	2	2.75	Medium	FY2018							
Investments																
Alternative Investments - Real Estate, Private Equity, Hedge Funds	2	4	4	5	5	4	3.90	High	-			X		X		
Investment Management Fees	3	4	2	5	3	4	3.50	Medium	-					X		
Investment Governance & Management - SERS Investment Committee	2	4	3	4	4	3	3.30	Medium	FY2016					X		
Fixed Income, US Equity, Non-US Equity, Foreign Currency, Mutual Funds	2	3	4	4	4	2	3.10	Medium	FY2019			X		X		
Investment Risk Management	2	4	3	4	3	3	3.15	Medium	-					X		
Investment Due Diligence Review (Existing Investments)	2	4	3	4	2	3	3.00	Medium	-					X		
Interest and Dividend Income	2	4	3	2	3	4	3.00	Medium	-			X		X		
Capital Calls and Distributions	2	4	2	3	4	4	3.15	Medium	FY2021							
Securities Lending	2	2	3	3	2	3	2.45	Medium	-			X		X		
Investment Data Management / Maintenance / Retention	1	2	3	3	2	4	2.40	Medium	-					X		
Ethics - Conflict of Interest Confirmation	1	3	2	2	2	3	2.15	Low	FY2024	X	60					
Member Services																
Retirement - Benefits / Calculations / Estimates	2	5	3	4	5	4	3.80	High	FY2020	X	180			X		
Member Withdrawals / Refunds & Lump Sum	2	4	3	4	5	4	3.60	Medium	FY2021			X		X		
Survivor - Benefits / Calculations	2	3	3	4	3	5	3.25	Medium	FY2024			X				
Member Account Maintenance	2	4	3	3	3	5	3.30	Medium	FY2022			X				
Disability - Benefits / Calculations	2	4	3	4	5	4	3.60	Medium	FY2023			X	X			
Required Minimum Distribution (RMD)	2	4	3	3	4	4	3.30	Medium	FY2021							
Death Benefits - SSN Matches/Proof of Life	2	4	3	3	3	4	3.15	Medium	FY2022							
Customer Service / Member Counseling Center	2	3	3	3	4	2	2.80	Medium	-							
Confidential Data Management	2	4	3	3	3	4	3.15	Medium	-							
Portability - Retirement System Transfers / Calculations	2	4	3	3	3	3	3.00	Medium	FY2016							
Member Statements	2	4	3	2	2	1	2.40	Medium	FY2024							
Service Purchase Credit / Calculation	3	3	3	2	1	4	2.70	Medium	FY2023							
Retirement - Application Process	2	4	3	3	2	2	2.70	Medium	-							
Self Service Portle/On-line Activity	2	3	3	3	3	4	2.95	Medium	-							
Reemployed Retirees / QEBA	2	3	2	4	1	3	2.50	Medium	-							