



**SERS Retirement Board Audit Committee Agenda
Special Meeting
June 17, 2025
2:30 P.M.**

1. Roll call (R)
2. Approval of **March 19, 2025** and **May 27 and 28, 2025**, minutes (R-2)
3. External Audit Update
 - Plante Moran Audit Presentation
4. Internal Audit Update: Chief Audit Officer's Report
 - Q4 Update on the FY2025 Audit Plan
 - Status of Audit Recommendations
 - FY2026 Audit Planning
 - FY2026 Audit Plan
 - Recently Completed Audits, Other Activities
5. Review and Approve FY2026 Internal Audit Plan (R)
6. Annual Confirmation of Internal Audit Independence
7. Executive session pursuant to R.C. 121.22 (G)(1) to consider the employment and compensation of a public employee (R)
8. Audit committee requests and follow-up items
9. Adjournment

ITEM 1.

SCHOOL EMPLOYEES RETIREMENT SYSTEM

AUDIT COMMITTEE

June 17, 2025

_____ P.M.

Roll Call:

Catherine Moss	_____
James Rossler	_____
Aimee Russell	_____

Guests in Attendance:

School Employees Retirement System		AUDIT COMMITTEE MINUTES	
Preparer	Megan Robertson	Meeting Date:	March 19, 2025
Committee Chair	James Rossler	Committee roll call was as follows: Catherine Moss, James Rossler, Aimee Russell. Also in Attendance: Lisa Reid, Representative of the Ohio Attorney General joined remotely via Zoom, along with members of the public. Ryan Hennigan joined in person. SERS Staff Members: Jeff Davis, Joe Marotta, Marni Hall, Richard Stensrud, Karen Roggenkamp, Vatina Gray, Nicole Whitacre, Jenn Chao, Pam Burton, and Megan Robertson.	
Agenda	<div><div>1. Roll call (R)</div><div>2. Approval of December 18, 2024, minutes (R)</div><div>3. External Auditor Update</div><div>4. Internal Audit Update: Chief Audit Officer's Report<ul style="list-style-type: none">Q3 Update on the FY2025 Audit PlanStatus of Outstanding RecommendationRevised Audit StandardsAudit Committee and Internal Audit Charters</div><div>5. Amended Internal Audit Charter (R)</div><div>6. Amended Audit Committee Charter (R)</div><div>7. Executive session pursuant to R.C. 121.22 (G) (1) to consider the employment of a public employee (R)</div><div>8. Audit committee requests and follow-up items</div><div>9. Adjournment</div></div>		
Discussion	<p>The meeting began in open session at 2:30 p.m.</p> <p><u>Roll Call</u></p> <p>The SERS regular Audit committee began with a roll call. The committee roll call was as follows: Catherine Moss, Aimee Russell, James Rossler.</p> <p>Also in attendance was Lisa Reid, Representative of the Ohio Attorney General, who joined remotely via Zoom, along with members of the public. SERS Staff Members: Jeff Davis, Joe Marotta, Marni Hall, Richard Stensrud, Karen Roggenkamp, Vatina Gray, Nicole Whitacre, Jenn Chao, Pam Burton, and Megan Robertson.</p> <p>Audit Committee Chair, James Rossler, began the meeting with a reminder that the next regularly scheduled Audit Committee Meeting will be held on June 17, 2025. It has been moved due to the Juneteenth holiday.</p> <p><u>Approval of Minutes</u></p> <p>Catherine Moss moved, and Aimee Russell seconded the motion to approve the minutes of the Audit Committee meeting held on December 18, 2024. Upon roll call, the vote was as follows: Yea: Catherine Moss, Aimee Russell, James Rossler.</p> <p><u>External Audit Update</u></p> <p>Marni Hall, Chief Financial Officer (CFO), provided an update on the status of the audit finding that was included in Plante Moran's FY2023 and FY2024 audit reports.</p>		

Specifically, a deficiency regarding monthly reconciliations. Ms. Hall reminded the committee that when she presented at the December meeting, they had not gotten the previous finding fully resolved. Ms. Hall discussed the current status, pointing out that they are on track with the project timeline and by next month will have achieved a steady state of three consecutive months of timely reconciliations. Ms. Hall and the audit committee discussed the finding and its current status in detail. Chief Audit Officer (CAO), Jeff Davis, concluded that Finance has provided regular updates on the status, and it is going to be in a good place very soon.

Chief Audit Officer's Report

Mr. Davis provided a presentation on the status of his FY2025 Internal Audit Plan for the third quarter.

Mr. Davis also touched briefly on the status of audit recommendations.

Mr. Davis continued his presentation reviewing the revised Internal Audit Standards. The committee discussed the revised Internal Audit Standards.

Finally, Mr. Davis shared two charters that have been revised for the committee to review, the Internal Audit Charter and the Audit Committee Charter. The Audit Committee Charter will also go before the full Board for approval.

Amended Internal Audit Charter (R)

It was moved by Catherine Moss and seconded by Aimee Russell to adopt amendments to the SERS Internal Audit Charter effective March 19, 2025. Upon roll call, the vote was as follows: Yea: Catherine Moss, Aimee Russell, James Rossler.

Amended Audit Committee Charter (R)

It was moved by Catherine Moss and seconded by Aimee Russell to recommend to the SERS Board that it amend the SERS Audit Committee Charter, as presented to the Committee on March 19, 2025, with the amended Charter effective March 20, 2025. Upon roll call, the vote was as follows: Yea: Catherine Moss, Aimee Russell, James Rossler.

Executive session pursuant to R.C. 121.22 (G) (1) to discuss the employment of a public employee (R)

Aimee Russell moved, and Catherine Moss seconded 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: Catherine Moss, Aimee Russell, James Rossler.

The committee convened in executive session at 2:49 p.m.

The committee returned to open session at 3:03 p.m.

Committee Requests and Follow Up Items

The next audit committee meeting will be on June 17, 2025.

	There were no requests or follow-up items discussed. The meeting adjourned at 3:04 p.m.		
	Action Items	Assigned Person	Due Date
Action Items	n/a		
Agenda for Next Meeting			

James Rossler, Committee Chair

Richard Stensrud, Secretary

ITEM 2.

SCHOOL EMPLOYEES RETIREMENT SYSTEM

**APPROVAL OF MINUTES OF THE AUDIT COMMITTEE MEETING HELD
ON March 19, 2025**

_____ moved and _____ seconded the motion to approve the minutes
of the Audit Committee meeting held on March 19, 2025.

Upon roll call, the vote was as follows:

<u>ROLL CALL:</u>	<u>YEA</u>	<u>NAY</u>	<u>ABSTAIN</u>
Catherine Moss	_____	_____	_____
Aimee Russell	_____	_____	_____
James Rossler	_____	_____	_____

School Employees Retirement System		AUDIT COMMITTEE MINUTES	
Preparer	Vatina Gray		Meeting Date(s): May 27 and 28, 2025
Committee Chair	James Rossler	Committee roll call was as follows: Catherine Moss, James Rossler, Aimee Russell. Also in Attendance: SERS Board Chair, Matthew King, Gary Hudepohl, SERS Staff Members, Joe Marotta and Tina Gray.	
Agenda	1. Roll call (R) 2. Executive session pursuant to R.C. 121.22 (G) (1) to discuss the employment and compensation of a public employee (R) 3. Recess (to reconvene on May 28, 2025 at 8:30 a.m.) 4. Executive session pursuant to R.C. 121.22 (G) (1) to discuss the employment and compensation of a public employee (R) 5. Adjournment		
Discussion	<p>The Special Audit Committee meeting began in open session at 10:10 a.m.</p> <p><u>Roll Call</u></p> <p>The SERS regular Audit committee began with a roll call. The committee roll call was as follows: Catherine Moss, Aimee Russell, James Rossler.</p> <p>Also in attendance was Gary Hudepohl of Hudepohl Associates. SERS Staff Members: Joe Marotta and Vatina Gray.</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>Catherine Moss moved, and Aimee Russell seconded the motion that the Audit Committee convene into Executive Session pursuant to R.C. 121.22 (G) (1) to discuss the employment and compensation of a public employee. Upon roll call, the vote was as follows: Yea: Catherine Moss, Aimee Russell, James Rossler. The motion carried.</p> <p>The Audit Committee convened in executive session at 10:11 a.m.</p> <p><u>Recess (To Reconvene May 28, 2025)</u></p> <p>The Audit Committee took a recess at 3:20 p.m.</p> <p>Committee member Aimee Russell left the meeting following the recess and her absence from the remainder of the meeting was excused by the Chair.</p> <p><u>Reconvene</u></p> <p>The Audit Committee reconvened in open session on Wednesday, May 28 at 8:30 a.m.</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>Catherine Moss moved, and Jamie Rossler seconded the motion that the Audit Committee convene into Executive Session pursuant to R.C. 121.22 (G) (1) to discuss the employment and compensation of a public employee. Upon roll call, the vote was as follows: Yea: Catherine Moss, James Rossler. Absent: Aimee Russell. The motion carried.</p> <p>The Audit Committee convened in executive session at 8:31 a.m.</p> <p>The Audit Committee returned to open session at 9:14 a.m.</p> <p><u>Committee Requests and Follow Up Items</u></p> <p>The next audit committee meeting will be a special committee meeting held on Tuesday, June 17, 2025.</p> <p>There were no requests or follow-up items discussed.</p> <p>The meeting adjourned at 9:15 a.m.</p>		
	Action Items	Assigned Person	Due Date
Action Items	N/A		
Agenda for Next Meeting			

James Rossler, Committee Chair

Richard Stensrud, Secretary

ITEM 2.2

SCHOOL EMPLOYEES RETIREMENT SYSTEM

**APPROVAL OF MINUTES OF THE SPECIAL AUDIT COMMITTEE
MEETING HELD ON May 27 and 28 2025**

_____ moved and _____ seconded the motion to approve the minutes of the Special Audit Committee meeting held on May 27 and 28, 2025.

Upon roll call, the vote was as follows:

<u>ROLL CALL:</u>	<u>YEA</u>	<u>NAY</u>	<u>ABSTAIN</u>
Catherine Moss	_____	_____	_____
Aimee Russell	_____	_____	_____
James Rossler	_____	_____	_____

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



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
- Accounting Standard Changes for FY 2025
- 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, 2025
- 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, 2025
- Audit in accordance with GASB 75 of the Schedule of Employer Allocations and Healthcare Amounts by Employer for the measurement year ended June 30, 2025



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
- In accordance with Generally Accepted Government Auditing Standards (GAO Standards), we are required to communicate all noncompliance with provisions of laws, regulations, contracts, or grants that have a material effect on the financial statements that comes 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 2025
- Fieldwork testing – Mid-September – Mid-October 2025
- Review ACFR – November 2025
- Audit opinion – by November 30, 2025
- Audit committee presentation – December 2025
- GASB 68 and 75 reports – February 2026



Accounting Standards Changes

GASB Statement No. 101, *Compensated Absences*

- What is the scope and potential impact?
 - Movement towards a conceptual framework of recording compensated absence liabilities, including focus on when time is earned by employees
 - SERS will need to consider vested leave and estimated non-vested leave based on whether it is more likely than not that the time will be used
 - Management working on evaluation of the impact of this new standard
- When is this effective?
 - SERS's Fiscal Year Ending June 30, 2025



Accounting Standards Changes

GASB Statement No. 102, *Certain Risk Disclosures*

- What is the scope and potential impact?
 - Requires governments to disclose essential information about risks related to vulnerabilities due to certain concentrations (defined as a lack of diversity related to an aspect of significant inflow of resources or outflow of resources) or constraints (defined as a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority).
 - Management working on evaluation of the impact of this new standard
- When is this effective?
 - SERS's Fiscal Year Ending June 30, 2025



Questions?

We greatly appreciate the opportunity to serve you!



Contact Information:

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Senior Manager

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ITEM 4

INTERNAL AUDIT UPDATE
(Chief Audit Officer's Report)



Internal Audit Update

June 2025

Jeff Davis, CAO – Internal Audit

Agenda



- Status of FY2025 Internal Audit Plan
- Status of Audit Recommendations
- FY2026 Audit Planning
- FY2026 Audit Plan
- Recently Completed Audits and Other Activities



FY2025 Audit Plan Status



FY2025 Audit Plan Status



Engagement	Type	Status	Comments
Undue Influence (August 2024)	Audit	Completed	Annual Compliance Audit
Conflict of Interest (November 2024)	Audit	Completed	Annual Compliance Audit
Investment Incentive Compensation (October 2024)	Audit	Completed	Annual Compliance Audit
Retirement Benefits – Calculations & Estimates	Audit	In Progress	
IT Infrastructure	Audit	Completed	Outsourced Audit
Purchasing/Contracts	Audit	Moved to FY26	
Board Governance – Audit Committee Annual Report	Consulting	Completed	Annual Activities for Ohio Retirement Study Council - Required by March 31 st

FY2025 Audit Plan Status Continued



Engagement	Type	Status	Comments
Health Care Audits	Consulting	Completed	Biennial outsourced audits of member medical claims and pharmacy benefits
Other Consulting/Special Projects	Audit	Completed	
IT Consulting	Consulting	Completed	
Continuous Auditing	Audit	Completed	
FY2026 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 continues
- SMART GL Enhancement project phase 1 was completed in October 2024, which synced the GL transaction dates with the bank transaction dates.
- Phase 2 work is being designed with implementation expected 4th QTR FY2025.
- The timeline for full implementation will be monitored and re-evaluated as needed as the project progresses.

Status of Audit Recommendations – Building Services



Rating	Risk	Recommendation Summary	Department	Responsible Executive/ Director	Action Plan Due Date/Status
Moderate	Policy and Procedure	Management should develop policies and procedures to govern the processes involved in handling tenant revenues and other areas of OSERS operations. Documented procedures should include contract management, invoicing/billing, monitoring, and reporting processes.	Building Services – Tenant and Parking Revenue	Mike McManaway	4th QTR FY2025 Progress has been made. Draft policies prepared.

Status of Audit Recommendations – Identity and Access Management



- An outsourced audit of Identity and Access Management was performed in FY2024.
- The details of the audit were discussed in executive session at the June 2024 Audit Committee meeting.
- There were six moderate risk recommendations.
- Progress in implementing corrective action is underway.
- 4 recommendations have been corrected.
- 2 recommendations have a revised implementation date of 2nd Quarter FY2026.



FY2026 Audit Planning

FY2026 Audit Planning

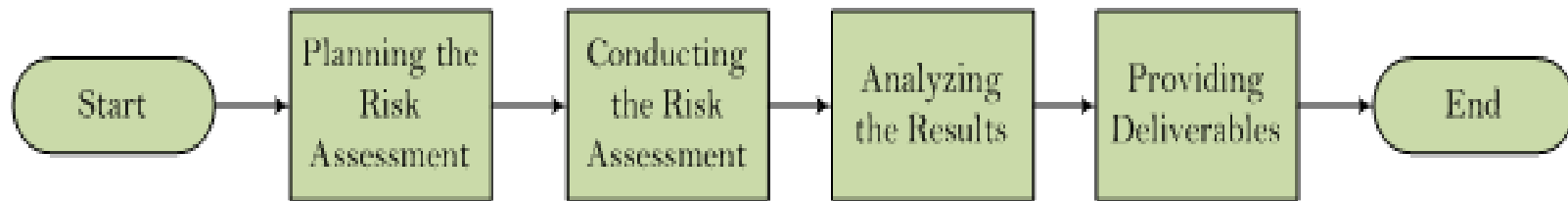


- Audit planning for FY2026 completed in May 2025
- Planning involved independent research, coordination with others and management's involvement in identifying audit priorities - including 9 departmental/senior leadership meetings involving approximately 20 leaders
- IA performed its own independent assessment of the audit universe while leveraging knowledge gained from interaction with ERM Office and other department leaders
- The FY2026 Internal Audit Plan document is included as "Attachment A"

FY2026 Audit Planning



FY2026 Audit Planning

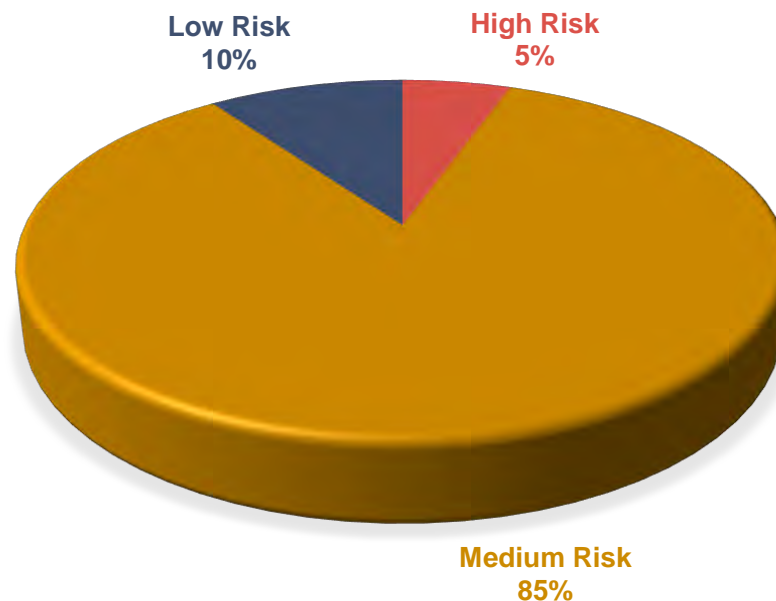


Risk Factors	Weight	Description
A. Control Design and Effectiveness	20%	Assessed reliability of internal controls are important in judging the likelihood of errors in the system; consider known problems/prior audit results.
B. Impact to Members, Retirees, Employers, and Public	20%	Impact to SERS' constituents;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

FY2026 Audit Planning



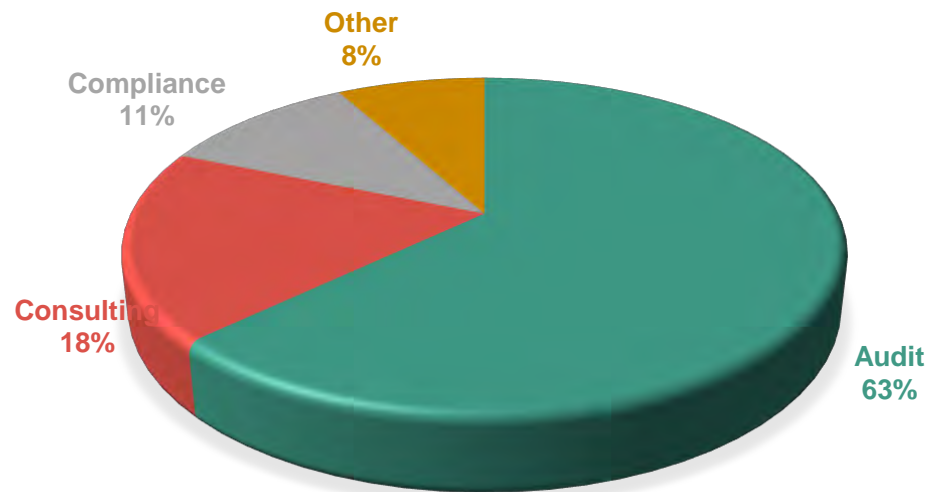
- Summary of Overall Risk Assessment Ratings
- 94 Auditable Processes



FY2026 Audit Planning



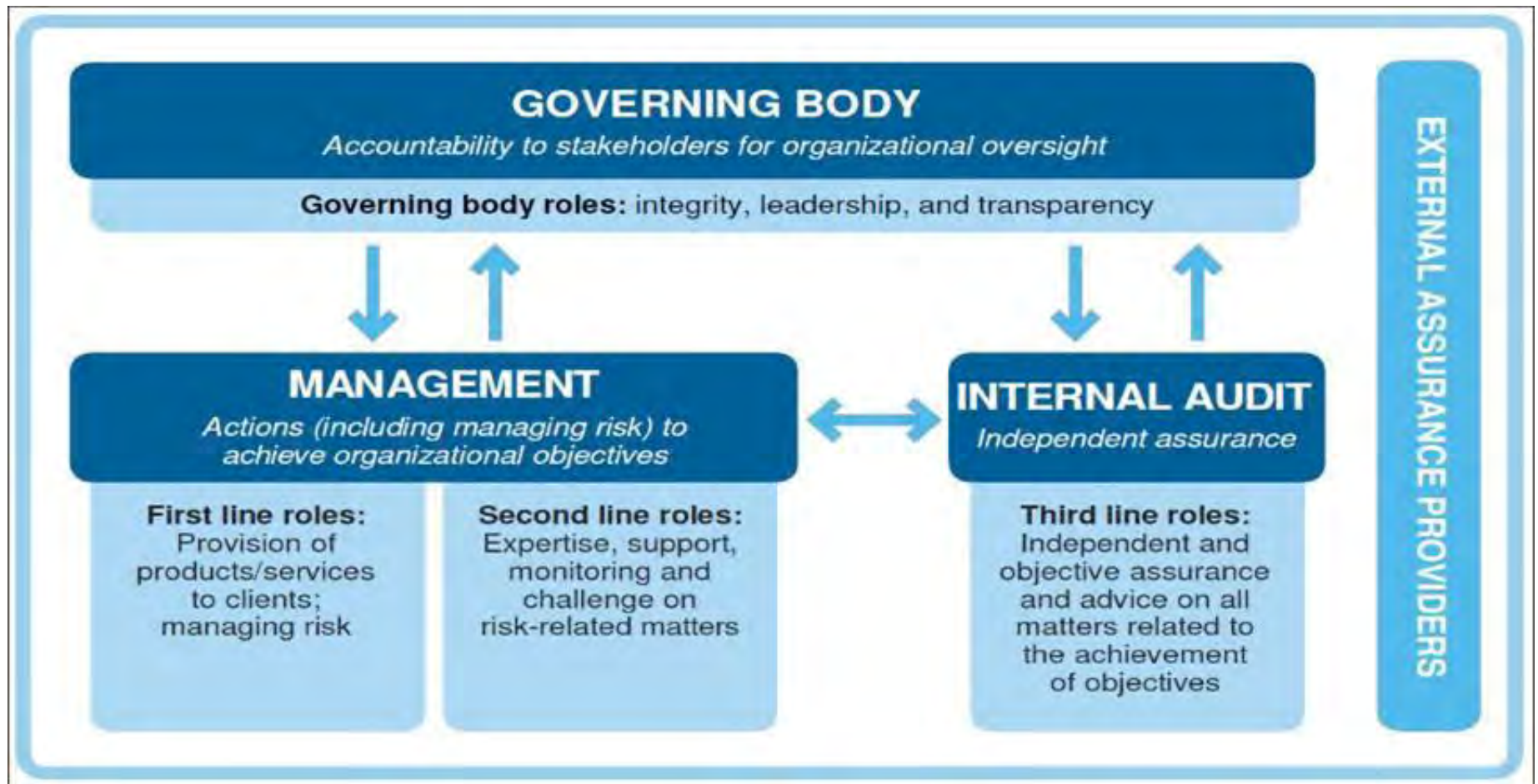
- **Internal Audit Time Allocation 1,330 audit hours – 14 projects**



FY2026 Audit Planning



Three Lines of Defense Model





Proposed FY2026 Audit Plan



Proposed FY2026 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 – HIPAA Compliance	Audit	Q3, Q4	Medium
Purchasing/Contracts	Audit	Q3	Large
Health Care Audit (Outsourced)	Consulting	Q3-4	Small
Required Minimum Distribution	Audit	Q2	Large
Self Service Portal/On-Line Activity	Audit	Q2-3	Medium
Identity and Access Management (Finance)	Audit	Q3	Small

Proposed FY2026 Internal Audit Plan



Engagement	Type	Quarter	Level of IA Effort
Other Consulting/Special Projects	Consulting	All	Medium
Audit Committee Annual Report	Consulting	Q2	Small
IT Consulting	Consulting	Q1-4	Small
FY27 Internal Audit Planning	Admin	Q4	Medium
Continuous Auditing/Monitoring	Audit	All	Medium

Proposed FY2026 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:
 - FY2026 Annual Audit Plan (Attachment A)
 - IT Infrastructure Audit



Q & A

ITEM 5

RESOLUTION TO APPROVE ANNUAL AUDIT PLAN

ITEM 5.1

SERS AUDIT COMMITTEE – APPROVAL OF FY 2026 INTERNAL AUDIT PLAN

_____ moved and _____ seconded the motion that the FY2026 Internal Audit Plan, as discussed at the June 2025 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>
Catherine Moss	_____	_____	_____
Aimee Russell	_____	_____	_____
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 7

RESOLUTION FOR EXECUTIVE SESSION

(Personnel Matter)

ITEM 7.1

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>
Catherine Moss	_____	_____	_____
Aimee Russell	_____	_____	_____
James Rossler	_____	_____	_____

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

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

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, Audit Committee Chair



Internal Audit

FY 2026

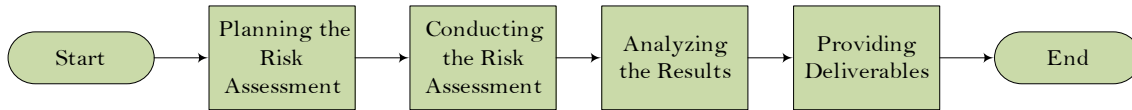
Annual Audit Plan

**School Employees Retirement System
Audit Plan - FY 2026
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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.

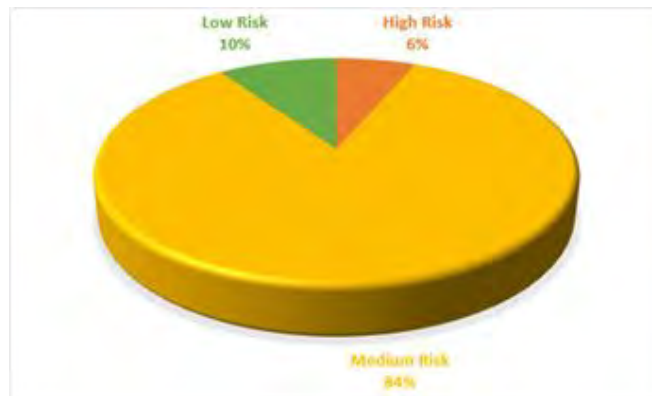
Step 2 - Conducting the Risk Assessment: Obtain client risk factor information.

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

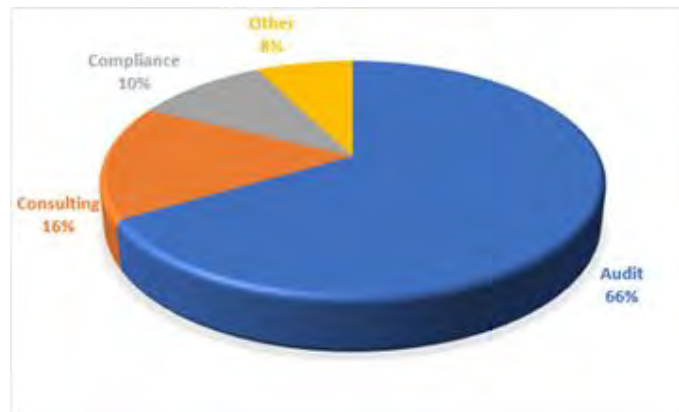
Step 4 – Providing Deliverables: Discuss audit plan priorities with SERS Senior Management to obtain consensus. Obtain Audit Committee approval.

Risk Assessment Ratings Summary

Overall Risk Rating (94 auditable processes)



Internal Audit – Time Allocation (1,330 hours; 14 projects)



FY2026 Annual Audit Plan – Project Summary

Department	Process/ Auditable Area	Overall Risk Rating	IA Service	Description of IA Activity
1. Risk Management	HIPAA Compliance	3.50	Audit	Outsourced audit of HIPAA compliance.
2. Member Services	Required Minimum Distribution	3.50	Audit	Audit of required minimum distribution.
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. Finance/ Executive	Purchasing/Contracts	3.30	Audit	Audit of the purchasing and contracting process.
5. Member Services	Self Service Portal/On-Line Activity	3.15	Audit	Audit of self-service portal processes and activity.
6. Finance	Identity and Access Management	3.10	Audit	Audit of Identity and Access Management related to Oracle NetSuite.
7. Executive	Investment Incentive Compensation	2.65	Compliance	Annually review of payment accuracy against policy requirements for investment incentive compensation program.
8. 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.
9. 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.
10. 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 .
11. Executive/SERS	All	N/A	Consulting	Departmental consulting and special projects related to various processes.
12. IT	Application Management	N/A	Consulting	Consulting related to SMART and other areas.
13. Internal Audit Admin	FY27 IA Audit Plan	N/A	N/A	Conduct risk assessment with input from numerous sources and incorporate audit priorities within the annual audit plan.
14. Continuous Auditing/ Monitoring	On-Going Transactional Auditing	N/A	Audit	Continued development of continuous auditing/monitoring procedures.

Estimated Quarterly Engagement Schedule – FY26

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 – HIPAA Compliance	Medium			X	X
5. Required Minimum Distribution	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. Self Service Portal/On-Line Activity	Large		X	X	
12. Identity and Access Management	Small				X
13. FY27 Internal Audit Planning	Small			X	X
14. 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 2026. 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) Global Internal Audit Standards provide the framework to be followed by SERS' Internal Audit activities.

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

Domain IV: Managing the Internal Audit Function:

Principle 9.4 – Internal Audit Plan: The chief audit executive must create an internal audit plan that supports the achievement of the organization's objectives. The chief audit executive must base the internal audit plan on a documented assessment of the organization's strategies, objectives, and risks. This assessment must be informed by input from the board and senior management as well as the chief audit executive's understanding of the organization's governance, risk management, and control processes. The assessment must be performed at least annually.

This standard requires an organization wide risk assessment to be completed at least annually as the basis for the plan. However, the CAO should keep continuously apprised of risk information, updating the risk assessment and internal audit plan accordingly. If the organization's environment is dynamic, the internal audit plan may need to be updated as frequently as every six months, quarterly, or even monthly. The size, complexity, and type of changes occurring in the organization relative to the maturity of the organization's governance, risk management, and control processes should be considered when determining the appropriate level of effort to update the risk assessment

To complete the organization wide risk assessment, the chief audit executive should consider objectives and strategies not just at the broad organizational level but also at the level of specific auditable units. Additionally, the chief audit executive should give due consideration to risks — such as those related to ethics, fraud, information technology, third-party relationships, and noncompliance with regulatory requirements — that may be tied to more than one business unit or process and may require more complex evaluation.

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:

"At least annually, develop a risk-based internal audit plan that considers the input of the Audit Committee and senior management. Discuss the plan with the Audit Committee and senior management and submit the plan to the Audit Committee for review and approval."

"Communicate the impact of resource limitations on the internal audit plan to the Audit Committee and senior management."

"Review and adjust the internal audit plan, as necessary, in response to changes in SERS' business, risks, operations, programs, systems, and controls."

"Communicate with the Audit Committee and senior management if there are significant interim changes to the internal audit plan."

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 FY26 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: FY26 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).

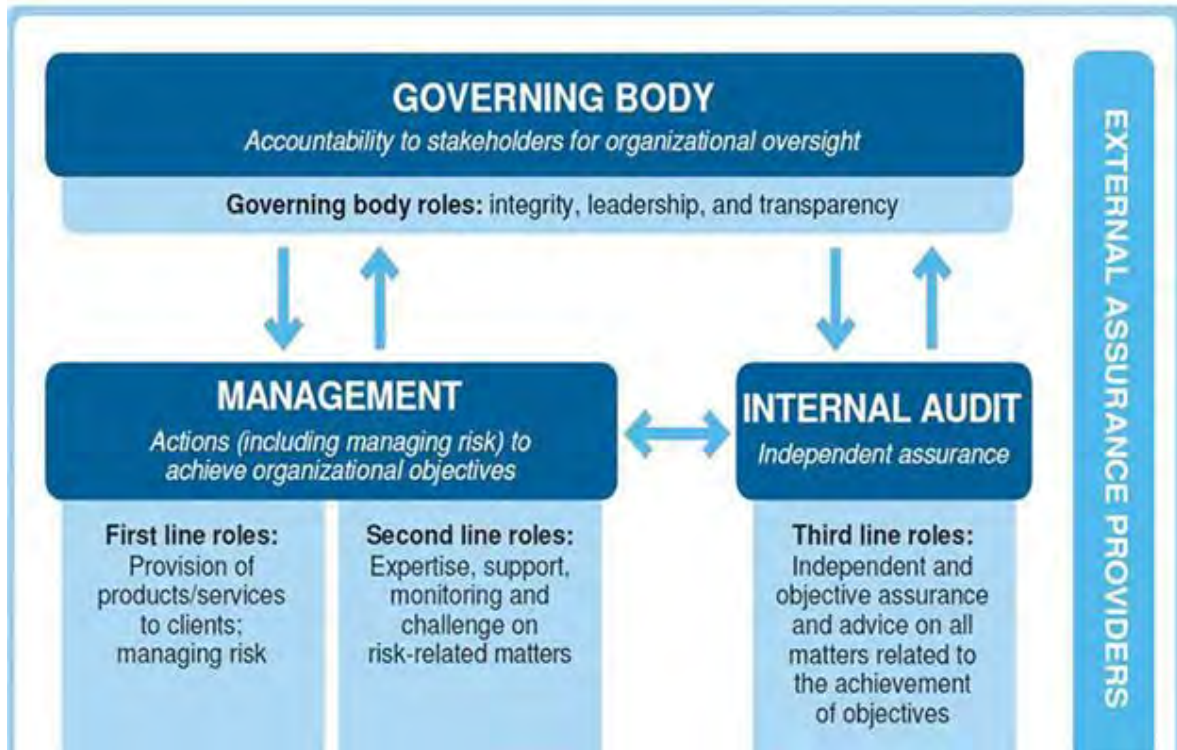
The composite risk rating system is a point in time assessment and ratings may vary based on an individual's perspective or recent event history. Ratings are designed to evaluate SERS risk exposures related to governance, operations, and information systems regarding achievement of their strategic objectives; 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													
2026 Risk Assessment - by Department		20%	20%	15%	15%	15%	15%	100%							
Auditable Area		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
Application Management - Software Management/SMART		3	5	3	5	5	5	4.30	High	FY2020					X
Retirement - Benefits / Calculations / Estimates		3	5	3	4	5	4	4.00	High	FY2025					X
Enterprise Risk Management - Information Security Program		2	5	3	4	5	5	3.95	High	FY2019			X	X	X
Alternative Investments - Real Estate, Private Equity, Hedge Funds		2	4	4	5	5	4	3.90	High	-			X		X
Member Withdrawals / Refunds & Lump Sum		3	4	3	4	5	4	3.80	High	FY2021			X		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
Investment Accounting - Custody & Master Record Keeper		2	4	4	4	4	4	3.60	Medium	-			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 Compliance)		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	2019					
Required Minimum Distribution (RMD)		3	4	3	3	4	4	3.50	Medium	FY2021	X	160			
Enterprise Risk Management - BC/DR		2	4	4	3	5	3	3.45	Medium	FY2021					
Purchasing		2	4	3	3	4	5	3.45	Medium		X	80			
Claims - Medical and Pharmacy		2	4	3	4	5	3	3.45	Medium	FY2025	X	20	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	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/Infrastructure		3	3	4	3	3	4	3.30	Medium	FY2025					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						
Health Care Vendor Management		2	4	3	4	4	3	3.30	Medium						
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					
Self Service Portle/On-line Activity		3	3	3	3	3	4	3.15	Medium		X	160			
Identify and Access Management (Netsuite, Clear Water, Adaptive, Bank Accounts)		3	2	3	3	4	4	3.10	Medium	-	X	60			
Fixed Income, US/Non-US Equity, Foreign Currency, Mutual Funds, Cash Equivalents		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

SERS	Risk Factors														
2026 Risk Assessment - by Department	20%	20%	15%	15%	15%	15%	100%								
Auditable Area	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	
Enterprise Risk Management - Investment Compliance	2	4	3	3	3	3	3.00	Medium	FY2025	X	60				
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			
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						
Employee Health Care Plan / Costs	2	3	3	2	4	4	2.95	Medium	FY2017						
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			
Government Relations - Legislation (Advocacy, Monitoring, Response)	2	5	3	3	3	1	2.90	Medium	-					X	
Confidential Data Management	2	4	2	2	3	4	2.85	Medium							
Legal - Contract Review & Execution	1	4	2	2	4	4	2.80	Medium	FY2016	X	80				
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	FY2025	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		
QEBA	2	2	2	4	3	3	2.60	Medium	-						
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	-						
Artificial Intelligence Governance	3	3	2	3	2	2	2.55	Medium						X	
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			
Customer Service / Member Counseling Center	2	3	3	2	3	2	2.50	Medium	-						
Reemployed Retirees / QEBA	2	3	2	4	1	3	2.50	Medium	-						
Audit Remediation - Fiduciary, External, Other	2	3	3	3	3	1	2.50	Medium	FY2025				X	X	
Tenant Services (OSERS - Suite and Parking services)	2	2	2	2	3	4	2.45	Medium	FY2024					X	
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	
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					X	
Legal - Sensitive Data Handling (Division Of Property Orders, Power of Attorney)	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	-						
Travel Expenses	2	4	2	1	1	3	2.25	Medium	-						
Enterprise Risk Management - Safety	2	3	2	2	3	1	2.20	Low						X	
Ethics - Conflict of Interest Confirmation	1	3	2	2	2	3	2.15	Low	FY2025	X	60				
Ethics Filings - Conflicts of Interest (Investment Managers / Vendors)	1	3	1	2	2	3	2.00	Low	FY2025	X	60				
Ethics Filings - Undue Influence Forms	1	3	2	1	1	4	2.00	Low	FY2025	X	16			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	FY2025	X	20				

Appendix B

Risk Rating – By Department



SERS			Risk Factors													
2026 Risk Assessment - by Department	20%	20%	15%	15%	15%	15%	100%									
Auditable Area	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		
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	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						X		
Enterprise Risk Management - Investment Compliance	2	4	3	3	3	3	3.00	Medium	FY2025	X	60					
Enterprise Risk Management - BC/DR	2	4	4	3	5	3	3.45	Medium	FY2021							
Funding Levels - Compliance and Return Rate	2	5	3	4	5	1	3.35	Medium	-				X	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	FY2025	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	FY2025				X	X		
Legal - Tax Compliance	1	4	2	2	4	1	2.35	Medium	FY2016					X		
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	80					
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	FY2025	X	60					
Ethics Filings - Undue Influence Forms	1	3	2	1	1	4	2.00	Low	FY2025	X	16			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	FY2025	X	20					
Artificial Intelligence Governance	3	3	2	3	2	2	2.55	Medium							X	
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	FY2025	X	20	X	X	X		
Health Care Vendor Management	2	4	3	4	4	3	3.30	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		Risk Factors													
2026 Risk Assessment - by Department		20%	20%	15%	15%	15%	15%	100%							
			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		A. Control Design and Effectiveness													
Finance															
Purchasing	2	4	3	3	4	5	3.45	Medium		X	80				
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	4	4	4	4	3.60	Medium	-				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		
Unitized Accounting Practices	3	2	3	3	3	2	2.65	Medium	-						
Travel Expenses	2	4	2	1	1	3	2.25	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	-						
Identify and Access Management (Netsuite, Clear Water, Adaptive, Bank Accounts)	3	2	3	3	4	4	3.10	Medium	-	X	60				
QEBA	2	2	2	4	3	3	2.60	Medium	-						
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	4	4	2.95	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	FY2025						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						

SERS		Risk Factors													
2026 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
Auditable Area															
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/Non-US Equity, Foreign Currency, Mutual Funds, Cash Equivalents		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	FY2025	X	60			
Member Services															
Retirement - Benefits / Calculations / Estimates		3	5	3	4	5	4	4.00	High	FY2025					X
Member Withdrawals / Refunds & Lump Sum		3	4	3	4	5	4	3.80	High	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)		3	4	3	3	4	4	3.50	Medium	FY2021	X	160			
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	2	3	2	2.50	Medium	-					
Confidential Data Management		2	4	2	2	3	4	2.85	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		3	3	3	3	3	4	3.15	Medium		X	160			
Reemployed Retirees / QEBA		2	3	2	4	1	3	2.50	Medium	-					