SERS Retirement Board Audit Committee Agenda
Regular Meeting
March 18, 2026
2:30 P.M.

1. Roll call (R)
2. Approval of December 17, 2025 minutes (R)
3. Executive session pursuant to R.C. 121.22 (G) (6) to discuss security matters (R)
4. Internal Audit Update: Chief Audit Officer's Report
   o Q3 Update on the FY2026 Audit Plan
   o Status of Outstanding Audit Recommendations
   o Recently Completed Audits and Other Activities
      i. ORSC Annual Audit Committee Report
      ii. Audit Committee Charter and Internal Audit Charter
   o Internal Audit's Strategic Plan (FY2026 – FY2029)
   o GAP Assessment Results to the IIA Global Internal Audit Standards

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

SCHOOL EMPLOYEES RETIREMENT SYSTEM

AUDIT COMMITTEE

March 18, 2026
2:30 P.M.

Roll Call:

Aimee Russell   _____

Catherine Moss   _____

James Rossler   _____

Guests in Attendance:

_____

_____

_____

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_____

APPROVAL OF MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON
December 17, 2025

_____ moved and _____ seconded the motion to approve the minutes of the Audit Committee meeting held on December 17, 2025.

Upon roll call, the vote was as follows:

ROLL CALL:	YEA	NAY	ABSTAIN
Catherine Moss	____	____	_____
James Rossler	____	____	_____
Aimee Russell	____	____	_____

School Employees Retirement System	**AUDIT COMMITTEE MINUTES**		
Preparer	Megan Robertson	**Meeting Date**:	December 17, 2025
Committee Chair	Aimee Russell		

Agenda	1. Roll call (R)
	2. Approval of September 17, 2025, minutes (R)
	3. External Audit Update: Review external auditor's financial statement opinion letter, internal control letter, and required communications
	4. Internal Audit Update: Chief Audit Officer's Report
	   o Q2 Update on the FY2026 Audit Plan
	   o Status of Outstanding Audit Recommendations
	   o Recently Completed Audits and Other Activities
	   o ORSC Annual Audit Committee Report
	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. **Roll Call** The SERS Regular Audit Committee began with a roll call. The committee roll call was as follows: Catherine Moss, James Rossler, and Aimee Russell. Also in attendance was Mary Therese Bridge, Representative of the Ohio Attorney General, Plante Moran representatives, Kristin Hunt and Jackson Walker, along with members of the public who joined via Zoom. Staff Members: Steve Ritzer, Joe Marotta, Marni Hall, Richard Stensrud, Karen Roggenkamp, Vatina Gray, Nicole Whitacre, and Megan Robertson. **Approval of Minutes (R)** Catherine Moss moved, and Jamie Rossler seconded the motion to approve the minutes of the Audit Committee meeting held on September 17, 2025. Upon roll call, the vote was as follows: Yea: Catherine Moss, James Rossler, Aimee Russell. The motion carried. **External Audit Update** Steve Ritzer, Chief Audit Officer (CAO), introduced representatives from Plante Moran to provide their presentation on the completed FY2025 external audit. Kristin Hunt, Partner, and Jackson Walker, Senior Staff, were present to discuss the completed audit. They discussed the audit timeline and deliverables, audit areas of focus, results of the audit including the audit opinion letters and required communications. Ms. Hunt and Mr. Walker concluded by sharing that there were no reportable findings identified. Ms. Hunt also made a point to thank SERS for being cooperative and consistently reliable, no audit adjustments is significant with the amount of activity SERS has running through the organization.		

	Chief Audit Officer's Report		
	Next, Mr. Ritzer provided a presentation on the status of his FY2026 Internal Audit Plan for the second quarter. The audit plan has been moving smoothly, with three audits completed this quarter and others in progress or pending.		
	Mr. Ritzer continued his presentation by going over the status of audit recommendations from quarter one to quarter two of FY2026, sharing that overall, there are no significant deficiencies.		
	Mr. Ritzer continued his presentation going over the draft ORSC internal audit annual report. Mr. Ritzer empathized that this is a draft that will change and be finalized in future weeks.		
	Recently completed audits and other activities were also briefly discussed.		
	Executive session pursuant to R.C. 121.22 (G) (1) to discuss the employment of a public employee (R)		
	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 of a public employee. Upon roll call, the vote was as follows: Yea: Catherine Moss, James Rossler, Aimee Russell. The motion carried.		
	The committee convened in executive session at 3:11 p.m.		
	The committee returned to open session at 3:31 p.m.		
	Committee Requests and Follow Up Items		
	The next audit committee meeting will be on March 18, 2026.		
	There were no requests or follow-up items discussed.		
	The meeting adjourned at 3:31 p.m.		
	Action Items	**Assigned Person**	**Due Date**
Action Items	n/a		
Agenda for Next Meeting			

_____   _____

Aimee Russell, Committee Chair   Richard Stensrud, Secretary

<u>EXECUTIVE SESSION</u>

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

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

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

Internal Audit Update
March 2026

Steve Ritzer, CAO – Internal Audit

Agenda

- Q3 Update on the FY2026 Audit Plan

- Status of Outstanding Audit Recommendations

- Recently Completed Audits and Other Activities

  - ORSC 2025 Annual Audit Committee Report

  - Audit Committee Charter and Internal Audit Charter

- Internal Audit Strategic Plan

- GAP Assessment Results to the IIA's Global Standards

FY2026 Audit Plan Status

FY2026 Audit Plan Status

Audit	Type	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Progress	Notes
Undue Influence (issued 8.8.25)	compliance	██												100%	issued
Conflicts of Interest (issued 10.31.25)	compliance		████											100%	issued
Investment Incentive Compensation (issued 10.2.25)	compliance		██											100%	issued
Required Minimum Distribution (issued 11.24.25)	audit				██									100%	issued
Member Self-Service Portal (issued 3.6.26)	audit						████							100%	issued
Purchasing/Contracts	audit									▭				5%	March start
Identity and Access Management (Finance)	audit										▭			0%	
HIPAA Compliance	audit													0%	Note 1
Continuous Auditing	audit	████████████████													
Audit Committee Annual Report	administrative						██							100%	To be submitted
Fiscal Year 2027 Internal Audit Plan	administrative											▭		0%	
Internal Audit Strategic Plan - FY26 - FY29	administrative						██							100%	
Internal Audit Recommendations Follow-up	administrative	████████████████													
Other Consulting/Special Projects	consulting	████████████████													
IT Consulting	consulting	████████████████													
Health Care Medical/Pharmacy Claims	consulting	████████████████													

Note 1: After HIPAA Compliance was added to the FY26 Audit Plan, SERS brought on a HIPAA Compliance officer, required selected employees to complete specialized training, and established a HIPAA Compliance Manual. As a result of these measures, an audit was considered unnecessary for FY26.

Continuous Auditing

Area	Frequency	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Notes
Accounts payable	monthly		■		■		■		■		☐	☐	☐	
Credit card transactions	monthly		■		■		■		■		☐	☐	☐	
Member refund testing	quarterly					■			■			☐		
Bank account changes	quarterly					■			■			☐		
Address changes	quarterly					■			■			☐		Q2 with one exception
Data fix changes	quarterly					■			■			☐		
Duplicate transactions	quarterly				■				■			☐		
Disability	quarterly					■			■			☐		
Vendor/SERS employee comparison	annually						■							
Badge access	annually									☐				
Review of service credit	annually									☐				
Active employees vs. Active Directory users	annually						■							
Merit increases	annually												☐	June/July

FY2026 Audit Plan Status

Engagement	Qtr.	Type	Status	Comments
FY25: Audit				
IT Infrastructure (issued 8/29/25)	Q4 2025	Audit	Completed	Outsourced Audit
FY26: Compliance				
Undue Influence (issued 8/8/25)	Q1	Audit	Completed	
Conflicts of Interest (issued 10/31/25)	Q2	Audit	Completed	
Investment Incentive Compensation (issued 10/2/25)	Q2	Audit	Completed	
FY26: Audit				
Required Minimum Distribution (issued 11/24/25)	Q2	Audit	Completed	

FY2026 Audit Plan Status

Engagement	Qtr.	Type	Status	Comments
FY26: Audit				
Member Self-Service Portal (issued 3/6/26)	Q2 – Q3	Audit	Completed	
HIPAA Compliance	Q3 – Q4	Audit	Deemed not necessary	Deemed not necessary based on SERS hiring a HIPAA Compliance Officer, additional training, and a new HIPAA Compliance Manual.
Identity and Access Management (Finance)	Q4	Audit	Pending	
Purchasing/Contracts	Q3-Q4	Audit	Started	Started in March and expect to complete in April.
Continuous Auditing	Q1- Q4	Audit	Ongoing	

FY2026 Audit Plan Status

Engagement	Qtr.	Type	Status	Comments
FY26: Consulting				
Other Consulting/Special Projects	Q1- Q4	Consulting	Ongoing	
IT Consulting	Q1- Q4	Consulting	Ongoing	
Health Care Medical/Pharmacy Claims	Q1- Q4	Consulting	Ongoing	
FY26: Internal Audit Activities				
Audit Committee Annual Report	Q2 - Q3	Administrative	Completed	Annual Activities for Ohio Retirement Study Council
Internal Audit Strategic Plan	Q3	Administrative	Completed	
Fiscal Year 2027 Internal Audit Plan	Q3 - Q4	Administrative	Pending	
Internal Audit Recommendations Follow-up	Q1- Q4	Administrative	Ongoing	

Status of Outstanding Audit Recommendations

Status of Audit Recommendations - Overall

Audit	Deficiency	Moderate	Total
External auditor			
Segregation of duties in change mgmt.	1		1
Management requested audits (outsourced) *			
Identity & Access Management		3	3
IT Infrastructure		4	4
Internal audit			
Member Self-Service Portal		<u>1</u>	<u>1</u>
Total	**1**	**8**	**9**

* These were audits requested by management and performed by third-parties.

Audit Recommendations Q2 to Q3

Audit	Q2 FY26	Change	Q3 FY26
External audit			
Segregation of duties in change mgmt.	1	0	1
Internal audit			
Member Self-Service Portal (note 1)	0	2 (1) Net 1	1
Management requested audit (outsourced)*			
Identity & Access Management (note 2)	5	(2)	3
IT Infrastructure *	4	0	4
Total	**10**	**(1)**	**9**

Note 1: The audit report included two recommendations. Management addressed one of the recommendations in Q3 FY26. The details of the audit were discussed in executive session at the March 2026 Audit Committee meeting.

Note 2: Management is actively addressing these recommendations through process improvements and software solutions. Evaluation and procurement of tools can cause revised implementation dates.

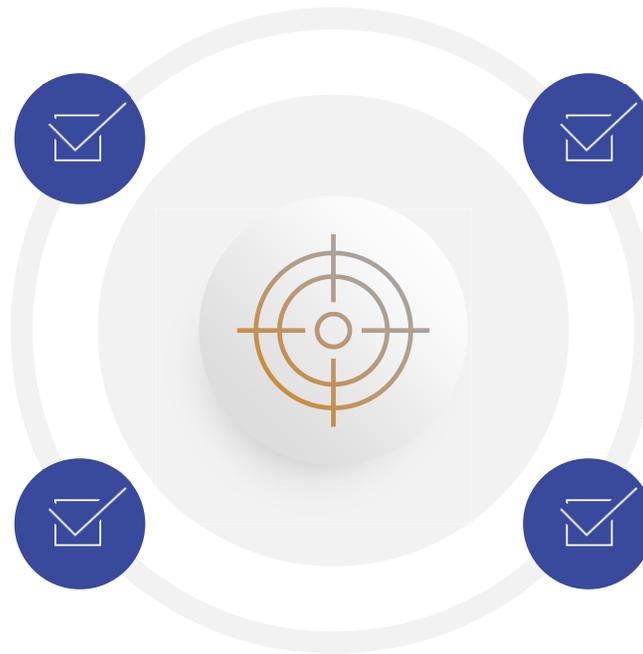# Status of Audit Recommendations – Identity and Access Management

Outsourced Audit

An outsourced audit of Identity and Access Management was completed in 4th QTR FY24.

Audit details

The details of the audit were discussed in executive session at the June 2024 Audit Committee meeting.

Recommendations

There were six moderate risk recommendations.

Corrective Action Plan

Three recommendations corrected to date.

Three recommendations have revised implementation dates through 4th QTR FY26.

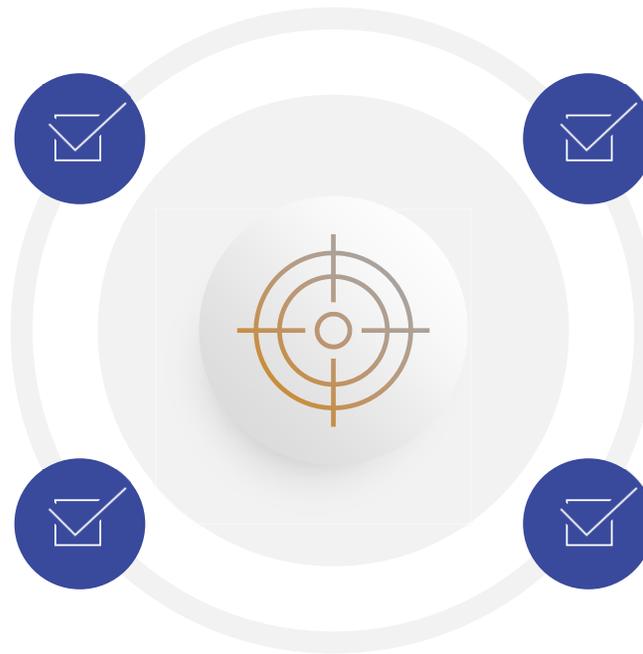# Status of Audit Recommendations – IT Infrastructure

Outsourced Audit

An outsourced audit of IT Infrastructure was performed in 4th QTR FY25.

Recommendations

There were two high and five moderate risk recommendations.

Audit details

The details of the audit were discussed in executive session at the September 2025 Audit Committee meeting.

Corrective Action Plan

Three recommendations have been corrected.

Four recommendations have implementation dates through 4th QTR FY26.

Recently Completed Audits and Other Activities

Recently Completed Audits and Other Activities

Recently Completed Audits

- One audit completed since the last committee meeting:

  Member Self-Service Portal (Attachment A). The details of the audit were discussed in executive session at the March 2026 Audit Committee meeting.

Other Activities

- Ohio Retirement Study Council Annual Report
  - Report finalized at the end of December
  - To be submitted to ORSC
  - Report required to be filed by March 2026

- Audit Committee Charter and Internal Audit Charter

Internal Audit Advisory/Consulting Services

Risk

- Weekly team meetings
- Risk register review meetings
- Fiduciary self-assessment meetings
- Risk maturity model assessment

Executive

- Weekly Senior Leadership meetings
- Monthly Director meetings
- Information Governance committee
- Strategic Leadership panel for Emerging Leader group

Internal Audit Strategic Plan (FY2026 – FY2029)

Internal Audit Strategic Plan

The Internal Audit Strategic Plan (Plan) is required by the Institute of Internal Auditors (IIA) Global Internal Audit Standards (Standards), specifically Standard 9.2, and supports the SERS Strategic Plan.

Requirement: The Standards require the Chief Auditor to develop and implement a strategy for the internal audit function that supports the strategic objectives and success of the organization and aligns with the expectations of the board, senior management, and other key stakeholders. The Standards require that the Chief Auditor review the internal audit strategy with the board and senior management periodically.

Internal Audit Strategic Plan

The Plan (Attachment B) provides a four-year roadmap for IA to effectively support SERS. The Plan will improve IA practices by defining a future state.

IA's Mission:
To provide independent, objective assurance and consulting activities designed to improve management practices, identity operational improvement, and reduce SERS' risk exposure.

IA's Vision:
To be a highly regarded internal audit organization that adds value and mitigates risk by working collaboratively with SERS' leadership to provide objective insights and innovative recommendations to improve operations.

Internal Audit Strategic Plan

Developing the Plan included identifying the current state. To define the current state, IA utilized a SWOT analysis which identified the strengths, weaknesses, opportunities, and threats of the IA function.

SWOT Analysis	
IA's Strengths • IA Structure • Risk-based Audit Plan • Collaborative Relationships • Independence and Objectivity • Access to External Expertise	**IA's Weaknesses** • Resource Constraints • Use of Audit Software • Data Analytic Skills
Opportunities • Enterprise Risk Management (ERM) and IA Alignment • Expand Technology Use • Educate Audit Committee on IIA Audit Standards	**Threats** • Cybersecurity, AI, and Data Privacy Risks • Diverse Stakeholder Expectations • Reputational Risk from Audit Findings

Internal Audit Strategic Plan

After the current state was defined, the next step was to develop the strategic objectives to arrive at a <u>future state</u>. These objectives fall into the below four categories and will be achieved from FY2026 – FY2029. Periodic updates will be provided to the Audit Committee.

Strategic Advisor – Maintain independence while building relationships

Examples include: Board and senior management alignment, addressing emerging risks in the Audit Plan, and audit recommendation metrics

Process – Enhance Audit Quality and Impact

Examples include: Performing a Quality Assurance and Improvement Program (QAIP), performing a Quality Assurance Review (QAR), and completing an Audit Plan

Technology – Modernize the Internal Audit Function

Examples include: Evaluate AI usage, deploy audit management software, and expand data analytics

Talent – Cultivate Staff Learning and Development

Examples include: Strengthen CAO skill sets and consider additional staff and/or resources

GAP Assessment Results to the IIA's Global Standards

GAP Assessment Results to the IIA's Global Standards

Purpose

The gap assessment was intended to provide an understanding of gaps that would need to be addressed in order to pass an external quality assurance review required by the IIA Global Standards.

Steps

The IIA Global Standards are comprised of five domains, 15 guiding principles, and 52 standards. The CAO responded to each standard with IA's current practice to identify any gaps. If there was a gap, or something not documented or currently performed, it was listed for follow-up action.

# GAP Assessment Results to the IIA's Global Standards

Results

Five GAPs were identified which include:

1) Gap: Although a SERS Internal Audit Operations Manual exists, it has not been updated since August 2024. Consequently, with the IIA's Global Internal Audit Standards becoming effective in January 2025, the manual does not currently align with these standards.

   - Response: Update the SERS Internal Audit Operations Manual in Q4FY26. It was last updated in August 2024.

2) Gap: Although there is an internal audit function mandate included in the Internal Audit Charter, there should be a discussion at least annually of the internal audit mandate with the Audit Committee.

   - Response: Discuss the audit mandate in the June 2026 Audit Committee meeting.

3) Gap: The Internal Audit budget is not specifically discussed with the Audit Committee. However, it is part of the overall SERS operating budget, which is reviewed and approved by the full Board.

   1) Response: Discuss FY27 IA budget with Audit Committee during FY27 Audit Plan discussion in June 2026.

4) Gap: A Quality Assessment Improvement Plan (QAIP) has not been conducted in the past 24 months.

   - Response: Have a resource perform a QAIP in 2026.

5) At present, there is no strategic plan for SERS Internal Audit.

   - Response: Discuss with Audit Committee in the March 18, 2026 meeting.
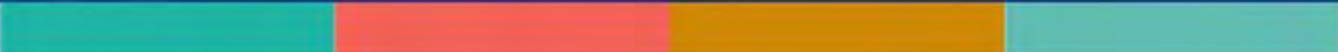
RESOLUTION FOR EXECUTIVE SESSION

(Personnel Matter)

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 of a public employee.

Upon roll call, the vote was as follows:

ROLL CALL:	**YEA**	**NAY**	**ABSTAIN**
Catherine Moss	_____	_____	_____
James Rossler	_____	_____	_____
Aimee Russell	_____	_____	_____

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.

                                                 _____
                                                 Aimee Russell, Audit Committee Chair

SERS INTERNAL AUDIT
FOUR YEAR STRATEGIC PLAN
FY2026 – FY2029

Table of Contents

Introduction

The Internal Audit (IA) Strategic Plan FY2026 – 2029 provides a four-year roadmap for IA to effectively support School Employees Retirement System (SERS)' vision, mission, values, risks, and opportunities. This IA strategic plan will improve internal practices and create a standard by which IA can measure its accomplishments. The four-year period aligns with SERS' Strategic Plan FY2025 - 2029. IA performed a comprehensive review and revision of the previous IA Strategic Plan FY2022-2024 which included examining the newly released *IIA's Global Internal Audit Standards 2024 Edition,* specifically Standard 9.2 on Internal Audit Strategy. To solidify its purpose, IA reviewed its own vision and mission statements, which form the foundation for the plan's objectives, core values, and strategies.

The IA Strategic Plan involved defining the desired state of IA in the vision, defining where we are at now (SWOT analysis), building out the strategic objectives and initiatives for a future state including developing metrics to track progress, and how this aligns with the overall SERS Strategic Plan.

This strategic plan is a living document and will undergo regular evaluation and reporting.

Below are IA's mission, purpose, vision, and values.

Mission	The mission of the SERS Internal Audit (IA) Department is to provide independent, objective assurance and consulting activities designed to improve management practices, identify operational improvement, and reduce SERS' risk exposure.
Purpose	The purpose of the internal audit function is to strengthen SERS' ability to provide our membership with valuable lifetime pension benefit programs and services by providing the Audit Committee and management with independent, risk-based, and objective assurance, advice, insight, and foresight. The internal audit function enhances SERS': • Successful achievement of its objectives. • Governance, risk management, and control processes. • Decision-making and oversight. • Reputation and credibility with its stakeholders. • Ability to serve our members. SERS's internal audit function is most effective when:

Vision	- Internal auditing is performed by competent professionals in conformance with the IIA's Global Internal Audit Standards. - The internal audit function is independently positioned with direct accountability to the Audit Committee. - Internal auditors are free from undue influence and committed to making objective assessments. The vision of SERS' Internal Audit is to be a highly regarded internal audit organization that adds value and mitigates risk by working collaboratively with SERS' leadership to provide objective insights and innovative recommendations to improve operations.
Values	**Focus on Service** IA is committed to continuous improvement and service excellence. Through ongoing training and development, IA maintains the competence and quality necessary to provide insightful, actionable audit findings that provide value. **Be Accountable** IA audits with accountability and transparency. IA provides fair findings and recommendations, adhering to ethical standards. This builds trust and helps us face challenges openly. **Support Collaboration** Success depends on open communication and collaboration. By working closely with the Audit Committee and senior management, IA enhances the quality and relevance of our audits. IA manages stakeholder expectations and provides value-added recommendations that drive improvements and efficiencies. **Respect Differences and Practice Inclusion** IA is committed to fairness, inclusivity, and transparency in our audit approach. Integrating equality into our work helps SERS deliver fair and inclusive services that are accessible to all members, regardless of background or circumstance. **Remain Resourceful and Embrace Change** IA embraces change by implementing new strategies and treating audit plans as dynamic documents.

SWOT Analysis

To effectively implement IA's strategic plan, it is essential to understand the current state of the IA function. A SWOT analysis identified the strengths, weaknesses, opportunities, and threats of the IA function at SERS. This analysis provides a comprehensive overview of the IA function's capabilities and areas for improvement, which will be the basis for the strategic plan's initiatives. By leveraging the strengths and opportunities while addressing the weaknesses and threats, the strategic plan aims to establish a high-quality IA function that adheres to best practices and the IIA Standards. This approach ensures continuous improvement in SERS' services and supports the organization's vision for the future.

Internal	
Strengths	• **IA Structure:** Defined internal audit vision, mission, values, mandate, and charter. • **Risk-Based Audit Plan:** Internal Audit's *Annual Audit Plan* is developed through a comprehensive risk assessment conducted every year. • **Collaborative Relationships:** Collaborative working relationships with management and staff, the CAO, Audit Committee and foster trust and engagement. • **Independence and Objectivity:** IA's reporting structure ensures audit independence and objectivity in all engagements. • **Access to External Expertise**: IA leverages external specialists for complex audits and to manage peak workloads effectively.
Weaknesses	• **Resource Constraints:** Limited resources have hindered workpaper reviews, the number of audits completed in a fiscal year, and resulted in limited capacity for a robust Quality Assessment and Improvement Program (QAIP). • **Use of Audit Software:** Internal Audit does not use audit software. As such, Internal Audit needs to assess the feasibility of acquiring and implementing technology-enabled enhancements to comply with IIA Standards. • **Data Analytic Skills:** Data analytics are limited and primarily Excel based.

Internal Audit Department

External	
Opportunities	• **Enterprise Risk Management (ERM) and IA Alignment**: Closely align with ERM for discussing existing and emerging risks, completing risk assessments, along with compiling the Annual Audit Plan. • **Expand Technology Use**: Expand the use of data analytics relating to SMART, evaluate audit software and its usage. • **Educate Audit Committee on IIA Audit Standards:** Support Audit Committee in understanding the latest audit standards and how the changes affect the governance roles and responsibilities of an audit committee member and senior management.
Threats	• **Cybersecurity, AI, and Data Privacy Risks:** SERS faces significant cybersecurity risks with digital records and storing data. Internal audit functions may struggle to keep pace with evolving cybersecurity practices. • **Diverse Stakeholder Expectations:** Varying expectations and poor communication with stakeholders can create misunderstandings about the audit's role and value. • **Reputational Risk from Audit Findings:** Audit Committee and the CAO must remain vigilant to uphold audit quality and maintain the integrity of the audit function and strive to balance transparency and accountability with consideration for reputational concerns.

Strategic challenges noted above include maintaining independence, understanding business strategy, influence and credibility, process standardization, continuous improvement, integration of new technologies, cybersecurity risks, resource allocation, and skills gap.

Strategic Objectives and Initiatives

Strategic objectives and initiatives emerge from the current situation (see SWOT analysis) and the desired future state. They fall into four categories: Strategic Advisor, Process, Technology, and Talent.

Strategic Advisor Maintain Independence while Building Relationships	• <u>Maintaining Independence:</u> Balancing the advisory role while ensuring the objectivity and independence of internal audit can be difficult, as overly close relationships with management might compromise audit impartiality. • <u>Understanding Business Strategy:</u> Internal auditors need a deep understanding of the organization's strategic objectives, which requires continuous learning and collaboration with various departments. • <u>Influence and Credibility:</u> Gaining the trust of the board and senior management to act on internal audit recommendations is essential, which demands a high level of expertise and persuasive communication skills.
Process Enhance Audit Quality and Impact	• <u>Process Standardization:</u> Establishing consistent audit procedures and methodologies across the organization to improve audit quality and reliability. • <u>Continuous Improvement</u>: Implementing regular assessments and external reviews to ensure high standards while keeping up with evolving industry standards and regulatory requirements.
Technology Modernize the Internal Audit Function	• <u>Integration of New Technologies:</u> Integrating advanced technologies such as data analytics, artificial intelligence, and automation into existing audit processes can be complex and resource intensive. • <u>Cybersecurity Risks:</u> As internal audit functions adopt more technology, they must also address the increased risks associated with cyber threats and data breaches.
Talent Cultivate Staff Learning and Development	• <u>Resource Allocation:</u> Ensuring that the internal audit function is adequately resourced to perform thorough and effective audits, including investments in training and technology. • <u>Skills Gap:</u> Ensuring that internal audit staff have the necessary technical skills to leverage new technologies effectively, which may require significant investment in training and development.

Strategies and Performance Metrics

The following are current and upcoming strategies with performance metrics. Some are underway, while others will be completed within the strategic plan's timeframe. Performance measurement through metrics is crucial for internal audit success. IA tracks metrics aligned with our strategic objectives to ensure efforts support SERS and meet strategy goals.

Strategic Advisor	
Current / Future Strategies	Implementation Date
Board and Senior Management Alignment. Maintain board and senior management support for CAO's key role in influencing change at SERS. CAO maintains ongoing interaction with SERS leadership via meeting/ committee attendance. Engage department directors and leadership by providing consulting services for new projects in the development and implementation stages.	ongoing
Addressing Emerging Risks and Updating the Audit Plan: Closely align with ERM on decision-making processes that could pose a threat to SERS. Adjust the Audit Plan accordingly.	ongoing
(Performance Metric) Total Open Audit Recommendations and Past Due Audit Recommendations. This reflects all open audit recommendations and any past due the expected implementation date.	ongoing
Stakeholder Survey Results This metric reflects the satisfaction of auditees based on post-audit surveys. The survey contains a specific question tracking the percentage of clients who agree or strongly agree that the audit report is clear and recommendations are actionable.	ongoing
(Performance Metric) Number of Issued Audit Reports vs. Audit Plan This metric tracks the number of audits completed in relation to the number planned. It accounts for ad hoc requests and special projects that may arise during the year. Staffing levels, responding to Audit Committee priorities, and emerging risks can all affect the ability to complete the planned audits. **Target:** 100% of planned audits.	2026

Process	
Current / Future Strategies	Implementation Date
Quality Assurance and Improvement Program and Quality Assurance Review (QAIP - internal): Continue the QAIP with internal reviews to ensure continuous improvement. This assesses Internal Audit's level of conformance with the IIA standards, based on the results of periodic internal quality self-assessments. Target: Achieve general conformance	ongoing

Annual Audit Plan: Complete an annual risk-based audit plan and receive Board approval.	ongoing
Quality Assurance Review (QAR - external): An external assessment was last performed in 2022. Contract for an independent external assessment and involve the Audit Committee in all phases of the process.	2027

Technology	
Current / Future Strategies	**Implementation Date**
AI Usage and Audit Plan: Evaluate the usage of AI at SERS and the AI governance structure. As AI usage expands, evaluate the necessity of including in the Audit Plan.	ongoing
Deploy Audit Management Software: Implement an integrated system for streamlined workflows and improved audit tracking.	2027-2029
Expand Data Analytics Capabilities: Use advanced analytics to identify trends, enhance risk assessments and provide data-driven insights.	2026/2027

Talent	
Current / Future Strategies	**Implementation Date**
Staff Competency Coverage: Strengthen the CAO's skill set to address evolving risks by identifying skill gaps, broadening expertise, and ensuring competencies for high-quality, impactful audits across diverse operational areas.	ongoing
Participation in Industry Events and Training: Encourage attendance at conferences, seminars and professional networking events for exposure to new ideas, emerging risks, and best practices. Obtain 40 hours of CPE annually which enhances skill set development in auditing and emerging or industry risks. Ensure training includes AI technologies and their applications in auditing.	ongoing
Professionalism: Support the CAO's requirements for continuing professional education and licensing certifications (CIA, CPA, CFE)	ongoing
Budget: Maintain bi-weekly tracking spreadsheet of CAO's budgeted vs. actual hours by project. Discuss significant variances with the Audit Committee quarterly.	ongoing
Additional Staff and/or Resources: Expand the Internal Audit department which will allow for more audits and better respond to changes in the risk environment. Currently, we have approximately 80 auditable units with medium or high risk ratings. With only one team member, we complete six to eight audits per year. Increasing our staff or resources would enable us to perform more audits, aiming to review all moderate or high-risk units within a five-year rotation.	2026/2027
Co-Source: Utilize a third-party to assist IA in completing complex audits.	2026
(Performance Metric) Utilization: (audit/consulting hours vs. total hours)	2026

Together, the above forms the foundation for a resilient, future-ready Internal Audit function that consistently adds value to SERS by enhancing transparency, accountability and effective resource stewardship.

IA Strategic Plan Aligned with SERS Strategic Plan

Below is the comparison of the mission, vision, and values of SERS Strategic Plan to the Internal Audit Strategic Plan.

	SERS Strategic Plan	Internal Audit Strategic Plan
Mission	To provide our membership with valuable lifetime pension benefit programs and services.	To provide independent, objective assurance and consulting activities designed to improve management practices, identify operational improvement, and reduce SERS' risk exposure.
Vision	Through the continuous pursuit of excellence and innovative solutions, we will partner with our stakeholders so that our membership will understand and achieve security in retirement.	To be a highly regarded internal audit organization that adds value and mitigates risk by working collaboratively with SERS' leadership to provide objective insights and innovative recommendations to improve operations.
Values	- Focus on Service - Be Accountable - Support Collaboration - Respect Differences and Practice Inclusion - Remain Resourceful and Embrace Change	- Focus on Service - Be Accountable - Support Collaboration - Respect Differences and Practice Inclusion - Remain Resourceful and Embrace Change

SERS Strategic Plan includes the goals of sustainability, service delivery/operations, technology, education/engagement, talent/culture, and risk as defined below.

- Goal 1: Sustainability. Maintain pension health care funds that are sustainable, adapt to changing circumstances, and continue to provide value to our current and future members, retirees, and employers.

- Goal 2: Service Delivery and Operations. Optimize SERS' operations to continually improve and enhance service delivery.
- Goal 3: Technology. Utilize technology to improve efficiency, reliability, and security, while maintaining a personalized customer service experience.
- Goal 4: Education and Engagement. Promote transparency, accountability, and awareness of SERS' benefits through educational outreach and engagement with SERS' members, retirees, and employers.
- Goal 5: Talent and Culture. Value and invest in mission-driven employees committed to providing excellent service.
- Goal 6: Risk. Expand, raise awareness, and utilize our risk management programs to identify and manage risks.

SERS Internal Audit Strategic Plan includes the areas of strategic advisor, process, technology, and talent as defined below.

- Strategic Advisor: Maintain Independence while Building Relationships
- Process: Enhance Audit Quality and Impact
- Technology: Modernize the Internal Audit Function
- Talent: Cultivate Staff Learning and Development

Below is the alignment between both strategic plans.

SERS Strategic Plan	Internal Audit Strategic Plan
Goal #1: Sustainability	Process
Goal #2: Service Delivery and Operations	Enhance audit quality and impact
Goal #3: Technology	Technology Modernize the Internal Audit function
Goal #4: Education and Engagement	Strategic Advisor Maintain independence while building relationships
Goal #5: Talent and Culture	Talent Cultivate staff learning and development
Goal #6: Risk	Strategic Advisor Maintain independence while building relationships

In summary, these objectives and goal alignment establish a future-ready IA function that adds value to SERS by improving transparency, accountability, and resource management.