



STATE TEACHERS
RETIREMENT SYSTEM
OF OHIO

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March 25, 2009

Mr. Aristotle Hutras, Director
Ohio Retirement Study Council
88 E. Broad St., Suite 1175
Columbus, OH 43215

RETIREMENT BOARD CHAIR
MARY ANN QUILTER CERVANTES

RETIREMENT BOARD VICE CHAIR
MARK H. MEUSER

EXECUTIVE DIRECTOR
MICHAEL J. NEHF

Dear Aris:

Pursuant to Substitute Bill 133 and as required by Section 3307.044 of the Ohio Revised Code, enclosed is a report of the actions of the Audit Committee of the State Teachers Retirement Board for calendar year 2008.

Please don't hesitate to contact me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Michael J. Nehf', written in a cursive style.

Michael J. Nehf
Executive Director

Enclosure



AUDIT COMMITTEE ANNUAL REPORT

Audit Committee

Members:

Mary Ann Cervantes, *Chair*
Jeffrey Chapman, *Vice
Chair*
Craig Brooks
Dennis Leone

To: Ohio Retirement Study Council (ORSC)

Subject: STRS Ohio Audit Committee Report – 2008

Date: March 25, 2009

As required by Section 3307.044 of the Ohio Revised Code, the following report outlines the activities of the STRS Ohio Audit Committee and the STRS Ohio Internal Audit Department for the year ending Dec. 31, 2008. This report outlines the following: audit reviews completed during 2008; STRS Ohio Audit Committee meetings and actions; special reviews completed during 2008; and the 2009 Internal Audit Plan. Audit Committee members during 2008 were Mary Ann Cervantes, Jeffrey Chapman, Craig Brooks and Dennis Leone.

Audit Reviews Completed During 2008

The attached 2008 Internal Audit Summary lists the audits performed, the scope for each audit, the recommendations to management, management's response and expected implementation date. The Internal Audit Summaries were mailed to all State Teachers Retirement Board members in March, May, August and December 2008.

STRS Ohio Audit Committee Meetings and Actions

May 15, 2008 — The Audit Committee met to discuss the Internal Audit Quarterly Report of audit findings and recommendations. Internal Audit provided background information and clarification to areas of interest ranging from specific audits to general processes and confirmed staff cooperation.

The Audit Committee also discussed hiring a consultant to perform Information Technology (IT) reviews on an as-needed basis instead of hiring a full-time IT auditor (due to higher than expected IT audit salaries). It was understood that the Audit Committee would have to approve any expenditure in this area before there was an official commitment of resources.



Sept. 18, 2008 — The Audit Committee met with Kevin Rohrs, from Clifton Gunderson, to discuss the audit scope for the external audit. Committee members asked if Clifton Gunderson was doing more detailed review of investment information to verify accuracy and increase the likelihood that the investments data is reliable.

The Committee also met with Phil Licata and Carol Feeny, from Jefferson-Wells, to discuss the proposed scope of work for the independent IT audit reviews.

Dec. 11, 2008 — The external auditors (Clifton Gunderson) were present to provide the results of the 2008 STRS Ohio financial examination for the year ending June 30, 2008. The Clifton Gunderson presentation included a Report on Internal Control Over Financial Reporting and on Compliance and Other Matters. Gunderson also discussed recent GASB pronouncements affecting public pension plans. The Audit Committee also reviewed the 2008 Internal Audit Plan and 2007 Internal Audit Summary of audit findings and recommendations.

Special Reviews

The STRS Internal Audit Department did not perform any special reviews during 2008.

2009 Internal Audit Plan

The 2009 Internal Audit Plan was approved by the Retirement Board on Dec. 11, 2008. A copy of the 2009 Plan is enclosed.

If you have any questions or need further information, please feel free to call me at (614) 227-2821.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'David S. Tackett', written in a cursive style.

David S. Tackett, CFA, CPA, CIA
Chief Audit Executive



2008 Internal Audit Summary

Audit Area	Scope	Recommendations	Management's Response	Implemented	Implementation Date or Targeted Implementation Date
Alternative Investments 2008	Proper Notification & Approval	Develop a formal document that controls the due diligence process and includes secondary associate review	Agree	Yes	11/28/2008
	Due Diligence				
	Valuations	Establish written policies for monitoring general partners. The written checklists should be prepared annually for each investment	Agree	Yes	11/28/2008
	Monitoring				
	Segregation of Duties	Develop a charter that lists the duties and responsibilities of the Investment Committee	Agree	No	12/31/2008
Building Maintenance	Purchases of Goods and Services	Prioritize building maintenance work-orders as "High, Medium or Low" to ensure appropriate attention is given to critical areas.	Final Report Under Mgt. Review	N/A	N/A
	Preventive Maintenance				
	Associate Training				
	Quality Assurance				
Call Center	Associate Training	Draft Report Under Mgt. Review	N/A	N/A	N/A
	Scheduling of Call Center Associates				
	Monitoring of Associates				
Contribution Reporting	Compliance	Audit in Progress	N/A	N/A	N/A
	Foundation Receipts/Reconciliations				
	Monthly Deposit Processing				
Derivatives	Derivatives Classification/Reporting	Audit in Progress	N/A	N/A	N/A
	Currency Forward Settlements				
	Swap Settlements				
Domestic Equities	Investment Policy Compliance	Audit in Progress	N/A	N/A	N/A
	Monitoring of External Managers				
	External Manager Fees				
Fixed Assets - Computers	Purchasing	Audit in Progress	N/A	N/A	N/A
	Accuracy of Inventory Records				
	Disposition				
Fixed Assets - Non Computer	Tracking and Reporting	Audit Initiated	N/A	N/A	N/A
	Depreciation				
	Disposition				
Insurance*	Compliance with STRS Ohio Risk Management Manual	Update the Risk Management Manual as soon as possible	Agree	No	12/31/2009
	Adequacy of Existing Insurance Policies				
	Adequacy of Carrier's Ratings				
	Accuracy of Premium Payments				
	Segregation of Duties				

Audit Area	Scope	Recommendations	Management's Response	Implemented	Implementation Date or Targeted Implementation Date
Investment Performance	Accuracy of PBI Awards Investment Policy Compliance	Audit Resulted in No Recommendations	N/A	N/A	N/A
Ohio Ethics Commission Reporting	Segregation Duties G/L Postings Review and Signoff OEC Spreadsheet Accuracy	Staff involvement in the Board's OEC reporting process be eliminated or significantly reduced Eliminate redundant or unnecessary processes	Final Report Under Mgt. Review	N/A	N/A
Post-Retirement Benefits*	Death Matches Annuity Certain Expirations Overpayments/Collections Disbursements Compliance Reselections	Review the overpayments and collections process and develop methods to keep information between multiple departments synchronized Review V3 functionality and determine if the overpayments/collections process has been captured or improved	Agree Agree	Yes Yes	11/01/2008 Upon STaRS (V3) Implementation
Proxy Voting	Compliance	Audit in Progress	N/A	N/A	N/A
Purchasing Service Credit	LEGACY access Certifications and Cost Calculations Member Applications Accredited Institutions	Audit in Progress	N/A	N/A	N/A
Purchasing Service Credit-Payroll Deduction	Member Applications Processing of Payroll Deduction Receipts Processing of Refund Payments	Audit Initiated	N/A	N/A	N/A
Records Management	Policy Compliance Imaging	Audit Initiated	N/A	N/A	N/A
Securities Lending	Policies and Procedures Compliance Reinvestment of Cash Collateral Accuracy of Income Approved Borrowers Reconciliation of Monthly Earnings Report	Operations Dept. performs compliance reviews and Finance reviews income collections for all asset classes to maintain proper segregation of duties Automate manual review and verification processes where possible to increase efficiency and reduce the risk of errors Perform a more detailed reconciliation and income split reviews on a monthly basis to verify proper income allocation Operations Dept. to verify Bank of New York securities lending compliance with STRS' Approved Borrowers List periodically	Agree Agree Agree Agree	Yes No Yes Yes	07/28/2008 01/01/2009 06/03/2008 07/28/2008

Audit Area	Scope	Recommendations	Management's Response	Implemented	Implementation Date or Targeted Implementation Date
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Closed Audits

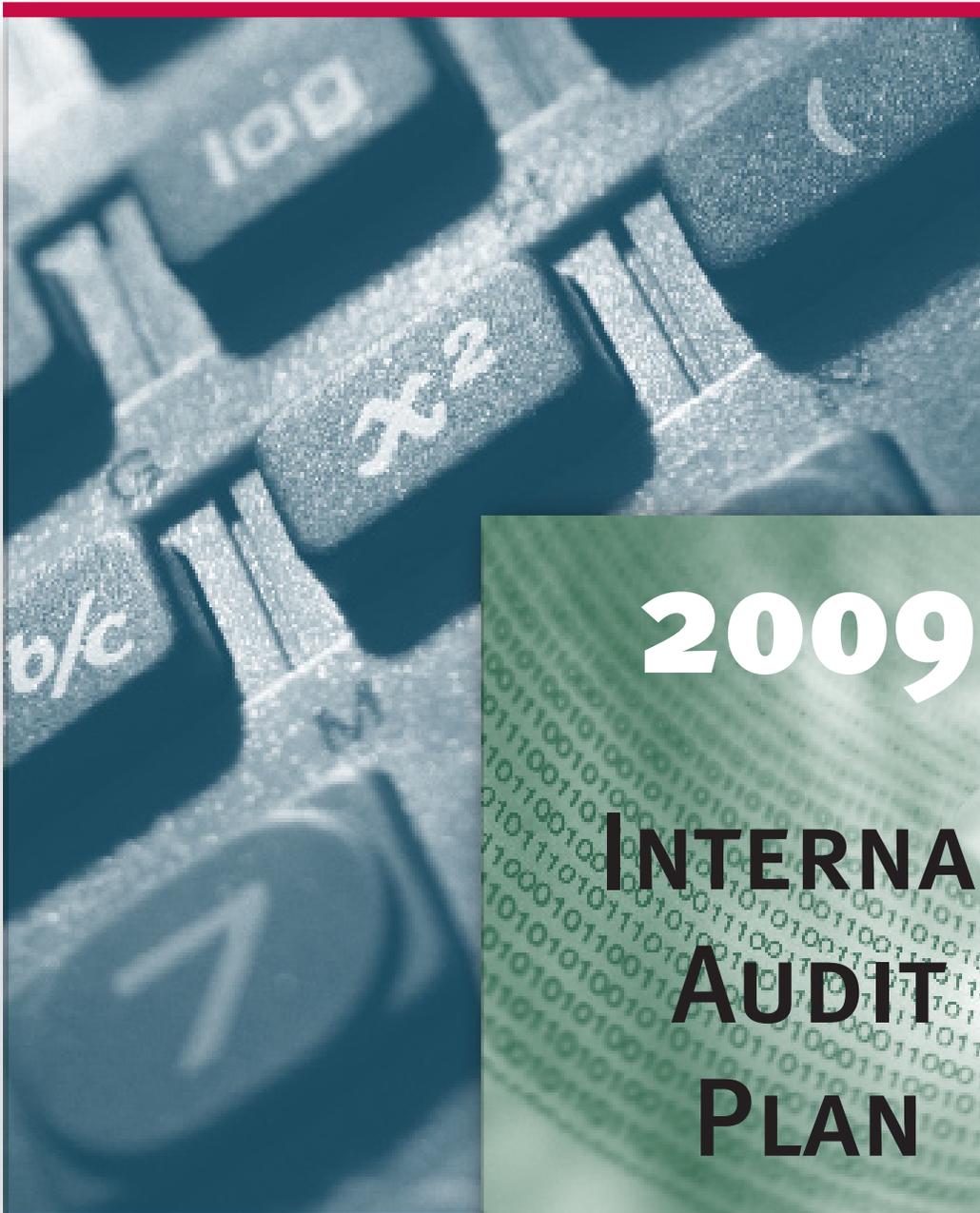
Alternative Investments* 2006	Proper Notification and Approval	Add additional staff to allow for an increased level of performance related to due diligence	Agree	Yes	6/30/2006
	Due Diligence				
	Funding Process	Perform a cost/benefit analysis of obtaining additional technology resources to improve monitoring and analysis of program performance	Agree	Yes	3/31/2008
	Contributions and Distributions				
	Management Fees				
	Monitoring of Alternative Investments	Verify the accuracy of each general partner capital call or distribution	Agree	Yes	3/31/2008
	Segregation of Duties	Establish written procedures for conducting and documenting the due diligence process	Agree	Yes	3/31/2008
A. I. Reports					
Compliance with Investment Advisor Recommendations					
Associate Travel*	Prior Authorization	Establish formal procedures for translating foreign expenditures	Agree	Yes	11/07/2008
	Proper Documentation/Approval				
	Compliance	When possible, track foreign expenditures by using credit cards so that \$U.S. can be identified on statements	Agree	Yes	11/07/2008
Board Expenses 2008	Compliance	Audit Resulted in No Recommendations	N/A	N/A	N/A
Disability Benefits*	Benefit Processing	Audit Resulted in No Recommendations	N/A	N/A	N/A
	Reexamination Schedules				
	Payment of Medical Invoices				
	Statement of Employment/Earnings				
	Termination of Benefits				
Fixed Income 2007	Adequacy of Policies/Procedures	Audit Resulted in No Recommendations	N/A	N/A	N/A
	Compliance with Investment Objective and Policy Statement				
	Month / Year-End Pricing				
	Accounting / Reporting				
	Due Diligence				
	Measuring / Controlling Risk				
	Interest Income				
	External Manager Review				
Health Care*	Contract Compliance	Develop procedures and controls that improve G/L postings and reconciliations for Health Care accounts	Agree	Yes	10/25/2007
	Disbursements				
Income Taxes	Member Federal/State Withholding Change Reconciliation	Research cost/benefit of offering members online self-service account management options for tax withholding	Agree	Yes	10/8/2008
	Tax Interface Reconciliation				

Audit Area	Scope	Recommendations	Management's Response	Implemented	Implementation Date or Targeted Implementation Date
International Investing*	Compliance with Investment Objective and Policy Statement Reconciliation of Monthly Bank of New York (BONY) Reports External Management Fees Contract and Calculation BONY's Monitoring of Sub-Custodian Banks Valuation of International Portfolios Monitoring of External Managers Foreign Tax Reclamations Corporate Action - Dividend Payment Accuracy	Lower the tolerance threshold percentage for external portfolio manager reconciliations Follow-up on uncollected foreign tax reclaims on a quarterly basis	Agree	Yes	1/9/2008
Purchasing Service Credit	Legacy Access Certifications/Cost Calculations Member Applications Accredited Institutions Posting of Purchased Service Free Military Service Credit Compliance with Ohio Revised Code	Audit Resulted in No Recommendations	N/A	N/A	N/A
Real Estate Investments 2007	Accuracy of Property Mgt. Fees Site Inspections External Compliance Reviews Property Valuations Tenant Surveys Legal Fees Compliance with Investment Objectives and Policy	Establish detailed policies and procedures to monitor and report on the use of leverage in REITs and non-core investments All future legal decisions be approved by the STRS Ohio Chief Legal Counsel	N/A (Due to Policy Change. See Notation Below) ≡ (See Mgt.'s Response Below)	N/A N/A	N/A N/A
Reemployed Retirees	Compliance with ORC Accuracy of Lump-Sum Payment Violations/Collections	Audit Resulted in No Recommendations	N/A	N/A	N/A

Rescheduled Audits

Insurance/Risk Mgt.	Compliance with STRS Ohio Risk Manual Carrier Ratings Accuracy of Premium Payments Segregation of Duties	Rescheduled from 2008 to 2009 Plan	N/A	N/A	N/A
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*Audits were listed as "Under Mgt. Review," "In Progress," "Audit Initiated" or had not implemented recommendation(s) at the time of the last annual report.



2009

**INTERNAL
AUDIT
PLAN**

STATE TEACHERS RETIREMENT SYSTEM OF OHIO
275 East Broad Street
Columbus, OH 43215-3771

614-227-4090
www.strsoh.org

INTERNAL AUDIT DEPARTMENT

Mission Statement

To work in partnership with associates to conduct value-added independent appraisals of policies and procedures to contribute to the continuous improvement of STRS Ohio.

Vision Statement

To be recognized as an innovative department that, through independent appraisals and partnered solutions, strives for quality enhancements and the elimination of non-value-added processes.

To create an environment that encourages teamwork, innovation, open communication, empowerment and personal and professional growth.

Guiding Principles

To achieve our mission and vision, we will:

- Prepare a comprehensive, practical, planned program of audit coverage consistent with STRS Ohio's mission, vision and guiding principles.
- Perform audits in compliance with professional standards.
- Verify the adequacy and effectiveness of STRS Ohio's systems of administrative, operating and financial controls.
- Understand the associates' business from their perspective.
- Produce objective, clear, concise, constructive and timely reports.
- Maintain contemporary professional proficiency through continuing education and training.
- Seek to continuously improve our team, tools and processes.
- Develop professional expertise for potential career opportunities within STRS Ohio.

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2009 INTERNAL AUDIT SCHEDULE

Audit Area	Description of Audit Area	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Fixed Income	Compliance												
	Approved Brokers/Commissions												
	Accuracy of Pricing												
	Due Diligence Monitoring of External Managers												
Petty Cash	Compliance With Policies												
	Cafe Operations												
	Reconciliations Segregation of Duties												
Liquidity Reserves	Income												
	Purchases/Sales Compliance												
Attendance Reporting	Accuracy of Database												
	Compliance With Policies												
Unused Sick/Vacation Leave	Compliance												
	Accuracy of Payments												
Alternative Investments	General Partner Review												
	Valuations												
	Fees Reporting/Accounting												
Educational Assistance Program	Compliance												
	Withholdings Disbursements												
Postage	Compliance												
	Disbursements												
Other Staff Expenses	Compliance With Policies												
	External Manager Fees												
International Investing	Monitoring of External Managers												
	Foreign Tax Reclamations												
	BNY Role as Sub-Custodian Valuations												
Risk Management/Insurance	Compliance With STRS Ohio Risk Manual												
	Carrier Ratings												
	Accuracy of Premium Payments												
	Segregation of Duties												

2009 INTERNAL AUDIT SCHEDULE

Audit Area	Description of Audit Area	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Member Data Management	Third Party Access to Member Data Transmission of Member Data/Security Third Party Operations/Controls Contractual Language With Third Parties												
Investment Performance	Accuracy of PBI Awards Investment Policy Compliance												
Board Expenses	Pre-approval of Travel Timeliness/Accuracy of Reimbursements Compliance With Rules/Policies												
Annual Reporting	Report Processing												
Real Estate	Compliance With Policies/ORC Asset Management Review of Property Manager Expenses Valuations												
Jefferson-Wells Review	IT Operations/Risk Assessment												
Internet/Intranet	Security												
Securities Lending	Compliance Accuracy of Income Approved Borrowers Quality of Collateral Reporting/Accounting												

RISK FACTORS

Risk Factor	Risk Factor Description	Weighting
A	Adequacy and Effectiveness of the System of Internal Controls	9
B	Major Changes in Technology, Operations, the Organization or the Economy	8
C	Dates and Results of Previous Audits	7
D	Recent or Relevant Changes in Key Personnel	6
E	Complexity or Volatility of Activities	5
F	Asset Size or Transaction Volume	4

RISK ASSESSMENT SCALE

The risk assessment scale is a 9-point system with graduations of risk as follows:

Risk Factor Description	Score
Extremely Risky	9
Very Risky	7
Risky	5*
Slightly Risky	3
Not Risky	1

* If no previous audit was performed, the auditable area was assessed a 5 — Risky.

ASSIGNMENT OF RISK RATING

Audit Area	Risk Factors*						Total
	A	B	C	D	E	F	
ADMINISTRATION							
Associate Payroll	2	2	2	2	2	3	13
Associate Travel Expenses	2	2	3	2	2	2	13
Attendance Reporting	3	2	3	2	2	3	15
Benefit Check Printing	3	4	3	3	3	3	19
Board Elections	2	2	2	2	2	1	11
Board Expenses	2	2	2	2	2	2	12
Building Maintenance	2	2	2	2	2	2	12
Business Continuity Plan	3	3	3	3	4	3	19
Child Care Center	2	3	2	2	2	2	13
Educational Assistance Program	2	2	2	2	2	2	12
Fixed Assets — Computer Equipment	3	3	3	3	3	3	18
Flexible Spending Plans	3	3	3	3	2	2	16
Insurance/Risk Management	3	3	3	3	2	2	16
Internet/Intranet	2	3	3	2	3	3	16
Network Security	3	3	3	2	2	2	15
Ohio Ethics Commission Reporting	1	2	2	2	2	1	10
Other Staff Expenses	2	2	5	2	1	1	13
Personal Investment Disclosure	2	2	2	2	2	2	12
Postage	2	2	3	2	2	3	14
Prior Work Experience — Vacation Leave Credit	3	3	3	2	3	2	16
Purchasing Practices	3	3	3	2	2	3	16
Unused Sick and Vacation Leave	2	2	5	2	2	1	14

*See Page 4 for description of risk factors.

ASSIGNMENT OF RISK RATING

Audit Area	Risk Factors*						Total
	A	B	C	D	E	F	
FINANCE							
Accounts Payable	2	2	2	2	2	2	12
Actuarial Processing	3	2	2	2	2	2	13
Annual Reporting	2	2	2	2	2	2	12
Annual Statements	2	2	2	2	2	2	12
Contribution Reporting	2	3	3	2	2	3	15
Early Retirement Incentive Credit	2	2	2	2	3	2	13
Employer Audits	3	2	3	2	2	2	14
Financial Reporting (STRS Ohio)	3	4	2	2	4	4	19
Fixed Assets	3	2	3	2	2	2	14
Income Taxes	4	4	2	2	2	4	18
Member Withdrawals	3	3	3	2	2	3	16
Petty Cash	3	2	4	3	1	1	14
Purchasing Service Credit by Payroll Deduction	3	3	3	2	3	2	16

INVESTMENTS							
Alternative Investments	4	5	3	2	4	3	21
Derivatives	3	4	2	2	4	2	17
Equities	3	4	2	2	4	5	20
Fixed Income	2	4	2	2	3	3	16
International Investing	3	4	2	3	4	5	21
Investment Performance	3	3	2	2	3	2	15
Liquidity Reserves	2	3	3	2	2	2	14
Proxy Voting	2	2	2	3	2	1	12
Real Estate	3	4	3	2	3	3	18
Securities Lending	3	4	2	2	3	4	18

*See Page 4 for description of risk factors.

ASSIGNMENT OF RISK RATING

Audit Area	Risk Factors*						Total
	A	B	C	D	E	F	
MEMBER BENEFITS							
Call Center	2	2	2	2	2	2	12
Defined Contribution Plan	2	2	2	2	2	2	12
Disability Benefits	3	3	3	2	2	2	15
Health Care	2	3	2	2	3	4	16
Member Data Management	3	3	5	2	2	2	17
Post-Retirement Benefits	3	2	3	4	2	2	16
Purchasing Service Credit	2	3	2	2	3	2	14
Records Management	2	2	3	2	2	3	14
Reemployed Retirees	3	3	3	3	2	2	16
Service Retirement Benefits	2	3	2	3	3	4	17
Survivor Benefits	2	2	2	3	2	2	13

*See Page 4 for description of risk factors.

RISK FACTORS WEIGHTED

Audit Area	Risk Factors*						Total
	A	B	C	D	E	F	
ADMINISTRATION							
Associate Payroll	18	16	14	12	10	12	82
Associate Travel Expenses	18	16	21	12	10	8	85
Attendance Reporting	27	16	21	12	10	12	98
Benefit Check Printing	27	32	21	18	15	12	125
Board Elections	18	16	14	12	10	4	74
Board Expenses	18	16	14	12	10	8	78
Building Maintenance	18	16	14	12	10	8	78
Business Continuity Plan	27	24	21	18	20	12	122
Child Care Center	18	24	14	12	10	8	86
Educational Assistance Program	18	16	14	12	10	8	78
Fixed Assets — Computer Equipment	27	24	21	18	15	12	117
Flexible Spending Plans	27	24	21	18	10	8	108
Insurance/Risk Management	27	24	21	18	10	8	108
Internet/Intranet	18	24	21	12	15	12	102
Network Security	27	24	21	12	10	8	102
Ohio Ethics Commission Reporting	9	16	14	12	10	4	65
Other Staff Expenses	18	16	35	12	5	4	90
Personal Investment Disclosure	18	16	14	12	10	8	78
Postage	18	16	21	12	10	12	89
Prior Work Experience — Vacation Leave Credit	27	24	21	12	15	8	107
Purchasing Practices	27	24	21	12	10	12	106
Unused Sick and Vacation Leave	18	16	35	12	10	4	95

*See Page 4 for description of risk factors.

RISK FACTORS WEIGHTED

Audit Area	Risk Factors*						Total
	A	B	C	D	E	F	
FINANCE							
Accounts Payable	18	16	14	12	10	8	78
Actuarial Processing	27	16	14	12	10	8	87
Annual Reporting	18	16	14	12	10	8	78
Annual Statements	18	16	14	12	10	8	78
Contribution Reporting	18	24	21	12	10	12	97
Early Retirement Incentive Credit	18	16	14	12	15	8	83
Employer Audits	27	16	21	12	10	8	94
Financial Reporting (STRS Ohio)	27	32	14	12	20	16	121
Fixed Assets	27	16	21	12	10	8	94
Income Taxes	36	32	14	12	10	16	120
Member Withdrawals	27	24	21	12	10	12	106
Petty Cash	27	16	28	18	5	4	98
Purchasing Service Credit by Payroll Deduction	27	24	21	12	15	8	107

INVESTMENTS							
Alternative Investments	36	40	21	12	20	12	141
Derivatives	27	32	14	12	20	8	113
Equities	27	32	14	12	20	20	125
Fixed Income	18	32	14	12	15	12	103
International Investing	27	32	14	18	20	16	127
Investment Performance	27	24	14	12	15	12	104
Liquidity Reserves	18	24	21	12	10	8	93
Proxy Voting	18	16	14	18	10	4	80
Real Estate	27	32	21	12	15	12	119
Securities Lending	27	32	14	12	15	16	116

*See Page 4 for description of risk factors.

RISK FACTORS WEIGHTED

Audit Area	Risk Factors*						Total
	A	B	C	D	E	F	
MEMBER BENEFITS							
Call Center	18	16	14	12	10	8	78
Defined Contribution Plan	18	16	14	12	10	8	78
Disability Benefits	27	24	21	12	10	8	102
Health Care	18	24	14	12	15	16	99
Member Data Management	27	16	35	12	10	8	108
Post-Retirement Benefits	27	16	21	24	10	8	106
Purchasing Service Credit	18	24	14	12	15	8	91
Records Management	18	16	21	12	10	12	89
Reemployed Retirees	27	24	21	18	10	8	108
Service Retirement Benefits	18	24	14	18	15	16	105
Survivor Benefits	18	16	14	18	10	8	84

*See Page 4 for description of risk factors.

2009 INTERNAL AUDIT WORK PLAN

Audit Area	Priority	Dept.	Risk Score	Last Audit	Estimated Audit Date	Risk Codes
Alternative Investments	High	I	141	2008	Mar-09	F, I, C, O
International Investing	High	I	127	2007	May-09	F, I, C, O
Equities	High	I	125	2008		F, I, C, O
Real Estate	High	I	119	2007	Aug-09	F, I, C, O
Derivatives	High	I	113	2008		F, I, C, O
Fixed Income	High	I	103	2007	Jan-09	F, I, C, O
Liquidity Reserves	High	I	93	2007	Feb-09	F, I, C, O
Business Continuity Plan	Med.	A	122	2007		F, I, C, O
Financial Reporting (STRS Ohio)	Med.	F	121	2006		I, C, O
Risk Management/Insurance	Med.	A	108	2006	Jun-09	F, I, C, O
Member Data Management	Med.	MB	108	N/A	Jun-09	PS, C
Health Care	Med.	MB	99	2007		I, C, O
Contribution Reporting	Med.	F	97	2008		I, C, O
Accounts Payable	Med.	F	78	2007		I, C, O
Annual Reporting	Med.	F	78	2006	Aug-09	I, C, O
Annual Statements	Med.	F	78	2007		I, C, O
Defined Contribution Plan	Med.	MB	78	2007		I, C, O
Benefit Check Production Process	Low	A	125	2007		I, C, O
Income Taxes	Low	F	120	2007		I, C, O
Fixed Assets — Computer Equipment	Low	A	117	2008		I, C, O
Securities Lending	Low	I	116	2007		I, C, O
Flexible Spending Plans	Low	A	108	1998	Apr-09	I, C, O
Reemployed Retirees	Low	MB	108	2007		I, C, O
Prior Work Experience — Vacation Leave Credit	Low	A	107	1995		I, C, O

Risk Codes:

- F: Financial = Risk related to financial impact
- I: Integrity = Risk related to accuracy of data or asset managed/presented
- C: Compliance = Risk related to non-compliance with laws/regulations/internal policies
- O: Operational = Risk related to operational efficiencies/inefficiencies
- PS: Public Sensitivity = No material financial impact but high public sensitivity

2009 INTERNAL AUDIT WORK PLAN

Audit Area	Priority	Dept.	Risk Score	Last Audit	Estimated Audit Date	Risk Code
Purchasing Service Credit by Payroll Deduction	Low	F	107	2008		I, C, O
Purchasing Practices	Low	A	106	2008		I, C, O, PS
Member Withdrawals	Low	F	106	2006		I, C, O
Post-Retirement Benefits	Low	MB	106	2007		I, C, O
Service Retirement Benefits	Low	MB	105	2006		I, C, O
Investment Performance	Low	I	104	2008		I, C, O
Internet/Intranet	Low	A	102	2004	Nov-09	I, C, O
Network Security	Low	A	102	2006		I, C, O
Disability Benefits	Low	MB	102	2007		I, C, O
Attendance Reporting	Low	A	98	2004	Mar-09	I, C, O
Petty Cash	Low	F	98	2003	Jan-09	I, C, O, PS
Unused Sick and Vacation Leave	Low	A	95	N/A	Mar-09	I, C, O
Employer Audits	Low	F	94	N/A		I, C, O
Fixed Assets	Low	F	94	2008		I, C, O
Purchasing Service Credit	Low	MB	91	2008		I, C, O
Other Staff Expenses	Low	A	90	N/A	May-09	I, C, O, PS
Postage	Low	A	89	1995	May-09	I, C, O
Records Management	Low	MB	89	2008		C, O
Actuarial Processing	Low	F	87	1997		I, C, O
Child Care Center	Low	A	86	2004		I, C, O
Associate Travel Expenses	Low	A	85	2007		I, C, O, PS
Survivor Benefits	Low	MB	84	2006		I, C, O
Early Retirement Incentive Credit	Low	F	83	2005		I, C, O
Associate Payroll	Low	A	82	2007		I, C, O

Risk Codes:

- F: Financial = Risk related to financial impact
- I: Integrity = Risk related to accuracy of data or asset managed/presented
- C: Compliance = Risk related to non-compliance with laws/regulations/internal policies
- O: Operational = Risk related to operational efficiencies/inefficiencies
- PS: Public Sensitivity = No material financial impact but high public sensitivity

2009 INTERNAL AUDIT WORK PLAN

Audit Area	Priority	Dept.	Risk Score	Last Audit	Estimated Audit Date	Risk Code
Proxy Voting	Low	I	80	2008		I, C
Call Center	Low	MB	78	2008		C, O
Board Expenses	Low	A	78	2008	Aug-09	I, C, O, PS
Building Maintenance	Low	A	78	2008		I, C, O
Educational Assistance Program	Low	A	78	1997	Apr-09	I, C, O
Personal Investment Disclosure	Low	A	78	1996		I, C
Board Elections	Low	A	74	2004		I, C
Ohio Ethics Commission Reporting	Low	A	65	2008		I, C, O, PS

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