



STATE TEACHERS  
RETIREMENT SYSTEM  
OF OHIO

275 East Broad Street  
Columbus, OH 43215-3771  
614-227-4090  
www.strsoh.org

March 17, 2008

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

RETIREMENT BOARD CHAIR  
JEFFREY CHAPMAN

RETIREMENT BOARD VICE CHAIR  
MARY ANN QUILTER CERVANTES

EXECUTIVE DIRECTOR  
DAMON F. ASBURY

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 2007.

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

Sincerely,

A handwritten signature in black ink, appearing to read 'Damon F. Asbury', written over a horizontal line.

Damon F. Asbury  
Executive Director



## AUDIT COMMITTEE ANNUAL REPORT

**Audit Committee  
Members:**  
Jeffrey Chapman, *Chair*  
Taiyia Hayden, *Vice Chair*  
Craig Brooks  
Dennis Leone

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To: Ohio Retirement Study Council (ORSC)

Subject: STRS Ohio Audit Committee Report – 2007

Date: March 17, 2008

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, 2007. This report outlines the following: audit reviews completed during 2007; STRS Ohio Audit Committee meetings and actions; special reviews completed during 2007; and the 2008 Internal Audit Plan. Audit Committee members during 2007 were Jeffrey Chapman, Taiyia Hayden, Craig Brooks and Dr. Dennis Leone.

### **Audit Reviews Completed During 2007**

The attached 2007 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 2007.

### **STRS Ohio Audit Committee Meetings and Actions**

Jan. 8, 2007 – The external auditors (Clifton Gunderson) were present to provide the results of the 2006 STRS Ohio financial examination for year ending June 30, 2006. The Clifton Gunderson presentation included a Report on Internal Control Over Financial Reporting and on Compliance and Other Matters. The Audit Committee also reviewed the 2007 Internal Audit Plan and 2006 Internal Audit Summary of audit findings and recommendations.

Aug. 17, 2007 – The Audit Committee met to discuss the Internal Audit Quarterly Report of audit findings and recommendations. The Committee also discussed and approved the addition of an IT auditor.

Sept. 20, 2007 – In response to the Retirement Board's request for information, the Audit Committee met to discuss Internal Audit's review of severance payments made to several IT associates in July 2007.



## **STRS Ohio Audit Committee Meetings and Actions (cont.)**

Dec. 13, 2007 – The external auditors (Clifton Gunderson) were present to provide the results of the 2007 STRS Ohio financial examination for the year ending June 30, 2007. 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**

February 2007 – Internal Audit prepared an official response to the Independent Fiduciary Services (IFS) Fiduciary Audit. The response was reviewed and approved by the Retirement Board at the February Board Retreat. The response was then provided to ORSC and IFS.

September 2007 - The Internal Audit Department was asked by the Retirement Board to perform a special review to provide clarification and interpretations of Board policies that govern the Executive Director's authority to pay severance payments to associates that were affected by a permanent reduction in workforce.

December 2007 – As recommended by IFS, Internal Audit began preparation for a Quality Assurance Review. The first step was the complete overhaul of the STRS Ohio Internal Audit Manual. The Internal Audit Manual will be used as a tool to verify compliance with the International Standards for the Professional Practice of Internal Auditing.

### **2008 Internal Audit Plan**

The 2008 Internal Audit Plan was approved by the Retirement Board on Dec. 13, 2007. A copy of the 2008 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 over a horizontal line.

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

## 2007 Internal Audit Summary

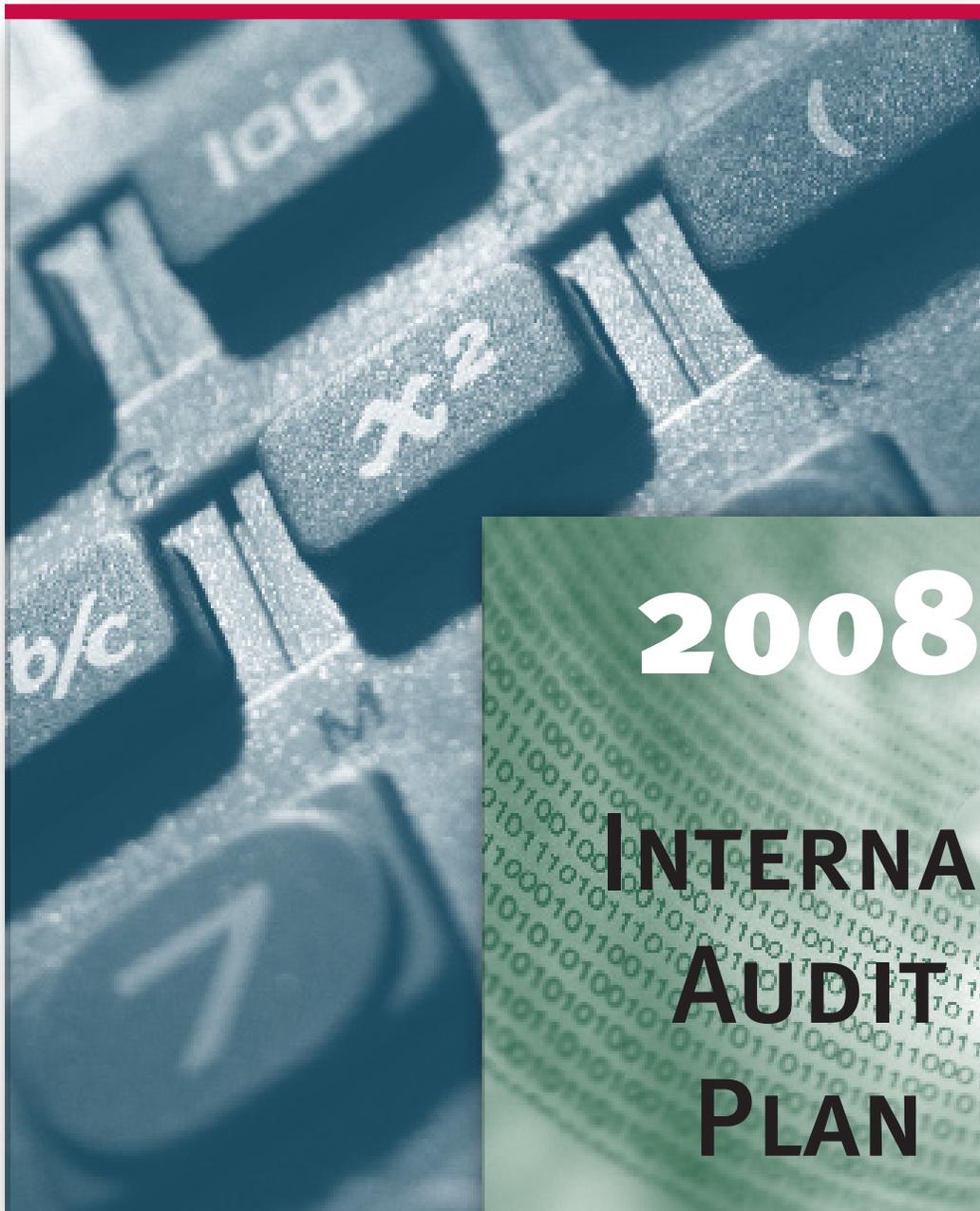
Audit Area	Scope	Recommendations	Management's Response	Implemented	Implementation Date or Targeted Implementation Date
Associate Payroll	Compliance Integrity/Security of Database Accuracy of Final Payments Immigration Guidelines	Audit Resulted in No Recommendations	N/A	N/A	N/A
Accounts Payable*	Vendor Payment History Segregation of Duties	Audit Resulted in No Recommendations	N/A	N/A	N/A
Alternative Investments* 2006	Proper Notification and Approval Due Diligence	Add additional staff to allow for an increased level of performance related to due diligence	Agree	Yes	6/30/2006
	Funding Process	Perform a cost/benefit analysis of obtaining additional technology resources to improve monitoring and analysis of program performance	Agree	No	3/31/2008
	Contributions and Distributions Management Fees	Verify the accuracy of each general partner capital call or distribution	Agree	No	3/31/2008
	Monitoring of Alternative Investments	Establish written procedures for conducting and documenting the due diligence process	Agree	No	3/31/2008
	Segregation of Duties A. I. Reports				
	Compliance with Investment Advisor Recommendations				
Annual Reporting*	Annual Reporting Procedures Proper Access to the Annual Reporting Legacy Screens	Audit Resulted in No Recommendations	N/A	N/A	N/A
Annual Statements	Accuracy of Member Information	Make program changes to ensure consistency in the display of member statement information between benefit plan types	Agree	Yes	2/27/2007
	Accuracy of Benefits Information				
	Accuracy & Security of Online Statements	Distribute the completed procedures manual to ensure proper training and cross training of key staff in the Annual Statement process	Agree	Yes	2/27/2007
	Baesman Contract Segregation of Duties				
Associate Travel	Prior Authorization Proper Documentation/Approval Compliance	Establish formal procedures for translating foreign expenditures  When possible, track foreign expenditures by using credit cards so that \$U.S. can be identified on statements	Final Report Under Mgt. Review	N/A	N/A
Board Expenses	Compliance	Audit Resulted in No Recommendations	N/A	N/A	N/A
Business Contingency Plan	Compliance Management Support	Audit Resulted in No Recommendations	N/A	N/A	N/A
Defined Contribution Plan	Processing of Retirement Plan Selection Forms	Obtain an opinion from STRS Ohio General Counsel to determine compliance with ORC when granting appeals beyond the stated 180 days	Agree	Yes	9/27/2007
	Accuracy of Nationwide Retirement Solution Payments	Require all future contract changes be documented by a formal, written contract amendment	Agree	Yes	9/27/2007
	NRS Contract Compliance				
	Accuracy of Member Statements Segregation of Duties	Perform quarterly reconciliations of DC participant data with Nationwide Retirement Services	Agree	Yes	9/27/2007

Derivatives*	Pre-approval and Post-approval Process Compliance with Derivative Limits Derivative Classification and Reporting Currency Forward Settlements <del>Equity Swap Settlements</del>	Update and revise the Investment Staff Policies and Procedures Manual to reflect current procedures	Agree	Yes	3/16/07
Disability Benefits	Benefit Processing Reexamination Schedules Payment of Medical Invoices Statement of Employment/Earnings Termination of Benefits	Audit Initiated	N/A	N/A	N/A
Domestic Equities*	Broker Commissions Dividends/Splits Purchases/Sales	Change the reporting of the STRS Ohio Compliance Officer position so that it is independent of the Investment Dept.  Periodically review the appropriateness of the access granted to the MacGregor Trading System and correct any current access assignments that are no longer valid	Title changed for this position to more accurately reflect duties  Agrees	N/A	N/A
Financial Reporting* (STRS Ohio)	Reliability of Information Balance Verification Role-Based Security Segregation of Duties Disaster Recovery Initiatives Audit Trail Integrity	Schedule and perform disaster recovery testing at a level that is consistent with the standards developed by the I.T.S. Dept.	Agree	Yes	6/1/07
Fixed Income 2006*	Compliance with Ohio Revised Code Compliance with Investment Objectives and Policy Statement Approved Brokers Accuracy of Month-End Pricing Segregation of Duties Interest Income	Audit Resulted in No Recommendations	N/A	N/A	N/A
Fixed Income 2007	Adequacy of Policies/Procedures Compliance with Investment Objective and Policy Statement Month / Year-End Pricing Accounting / Reporting Due Diligence Measuring / Controlling Risk Interest Income External Manager Review	Audit in Progress	N/A	N/A	N/A
Health Care*	Contract Compliance Disbursements	Develop procedures and controls that improve G/L postings and reconciliations for Health Care accounts	Agree	Yes	10/25/07
Income Taxes	Member Federal/State Withholding Change Data Security Tax Interface Reconciliation	Audit Initiated	N/A	N/A	N/A

Insurance*	Compliance with STRS Ohio Risk Management Manual  Adequacy of Existing Insurance Policies  Adequacy of Carrier's Ratings  Accuracy of Premium Payments  Segregation of Duties	Update the Risk Management Manual as soon as possible	Agree	No	6/30/08
International Investing	Foreign Tax Reclamations  External Manager Review/Fees  Monitoring of External Managers  BNY Role as Sub-Custodian  Valuation	Draft Report Under Mgt. Review	N/A	N/A	N/A
Investment Performance	Accuracy of PBI Awards  Compliance	Audit Resulted in No Recommendations	N/A	N/A	N/A
Liquidity Reserves	Income  Purchases/Sales  Daily Cash Reconciliation	Document changes to the STRS Approved Issuer List and Credit Limit	Agree	Yes	3/27/07
Post-Retirement Benefits	Lump-Sum Death Payments  Death Matches  Annuity Certain Expirations  Overpayments/Collections  Survivor Benefits  Reselections	Audit in Progress	N/A	N/A	N/A
Real Estate Investments 2006	Accuracy of Property Mgt. Fees  Purchases and Sales  Due Diligence  Site Inspections  Property Valuations  Property Manager Reporting  External Audit Reviews  Tenant Surveys  Compliance with Investment Advisor Recommendations  Compliance with Investment Objectives and Policy	Establish detailed policies and procedures to review/respond to tenant surveys as soon as possible  Require formalized contract amendments for all changes in contract terms  Establish a detailed policy to govern the use and reporting of leverage in the STRS Ohio real estate portfolio  In accordance with GASB 34, require the Real Estate Dept. to report the market value of assets and liabilities on the face or in the notes of the financial statements  Require the Real Estate Dept. to begin comparing their performance to NCREIF leveraged return series (This will provide a more valid comparison of Real Estate returns)	Agree  Agree  Mgt. reviewing response by Internal Audit  Agree  Mgt. reviewing response by Internal Audit	Yes  Yes  N/A  Yes  N/A	3/31/07  10/30/06  N/A  10/30/06  N/A
Real Estate Investments 2007	Accuracy of Property Mgt. Fees  Site Inspections  Property Valuations  Property Manager Reporting  External Audit Reviews  Tenant Surveys  Legal Fees  Compliance with Investment Objectives and Policy	Draft Report Under Mgt. Review	N/A	N/A	N/A

Reemployed Retirees	Compliance with ORC Accuracy of Lump-Sum Payment Violations/Collections	Audit Initiated	N/A	N/A	N/A
Securities Lending	Compliance Accuracy of Income Approved Borrowers Reporting/Accounting	Audit in Progress	N/A	N/A	N/A
Service Retirement*	Benefit Calculations Documentation of Key Processes Management of Overpayments Segregation of Duties	Develop formal, written procedures to review and reconcile collections accounts with the Attorney General's Office representatives no less than annually  Discussions take place with appropriate staff to determine who will take ownership of the post AG's Office referral collections process  Appropriate staff meet with Internal Audit to discuss the strengthening of electronic controls related to the reproduction of benefit checks in the new software	Agree  Agree  Agree	Yes  Yes  Yes	3/1/2007  1/2/2007  12/1/2006

\*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.



**2008**

**INTERNAL  
AUDIT  
PLAN**



**STATE TEACHERS RETIREMENT SYSTEM OF OHIO**  
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Columbus, OH 43215-3771

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# 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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# 2008 INTERNAL AUDIT SCHEDULE

Audit Area	Description of Audit Area	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Alternative Investments	General Partner Review												
	Valuation Fees												
	Reporting/Accounting												
Contribution Reporting	Compliance												
	Foundation Receipts/Reconciliations												
	Monthly Deposit Processing												
Fixed Assets — Computer Equipment	Purchasing												
	Accuracy of Inventory Records Disposition												
Building Maintenance	Purchases of Goods and Services												
	Preventive Maintenance												
	Associate Training												
	Quality Assurance												
Purchasing Service Credit	Legacy Access												
	Certifications and Cost Calculations												
	Member Applications												
	Accredited Institutions												
	Posting of Purchased Service Credit												
	Free Military Service Credits												
Proxy Voting	Compliance With Ohio Revised Code												
	Compliance												
Purchasing Practices	Compliance With Policies												
	Receipt of Goods and Services												
Equities	Investment Policy Compliance												
	Monitoring of External Managers												
	External Manager Fees												
	Reporting/Accounting												
	Custodian Research Costs												
Records Management	Policy Compliance												
	Imaging												
Call Center	Associate Training												
	Scheduling of Call Center Associates												
	Monitoring of Associates												
Investment Performance	Accuracy of PBI Awards												
	Investment Policy Compliance												

# 2008 INTERNAL AUDIT SCHEDULE

Audit Area	Description of Audit Area	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Fixed Assets	Tracking and Reporting Depreciation Disposition												
Ohio Ethics Commission (OEC) Reporting	Segregation of Duties General Ledger Postings Review and Sign-Off OEC Spreadsheet Accuracy												
Board Expenses	Preapproval of Travel Timeliness/Accuracy of Reimbursement Compliance With Rules/Policies												
Derivatives	Derivative Classification/Reporting Currency Forward Settlements Swap Settlements												
Purchasing Service Credit by Payroll Deduction	Member Applications Processing of Payroll Deduction Receipts Processing of Refund Payments												
Insurance/Risk Management	Compliance with STRS Ohio Risk Manual Carrier Ratings Accuracy of Premium Payments Segregation of Duties												

# RISK FACTORS

<b>Risk Factor</b>	<b>Risk Factor Description</b>	<b>Weighting</b>
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:

<b>Risk Factor Description</b>	<b>Score</b>
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	
<b>ADMINISTRATION</b>							
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	4	3	5	3	3	3	21
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	4	2	2	3	17
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	
<b>FINANCE</b>							
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

<b>INVESTMENTS</b>							
Alternative Investments	3	4	3	2	3	3	18
Derivatives	3	2	2	2	4	2	15
Equities	3	4	2	2	4	5	20
Fixed Income	2	2	2	2	3	3	14
International Investing	3	3	2	3	4	4	19
Investment Performance	3	2	3	2	3	3	16
Liquidity Reserves	2	2	3	2	2	2	13
Proxy Voting	2	2	2	2	2	1	11
Real Estate	3	3	3	2	3	3	17
Securities Lending	3	3	2	2	3	4	17

\*See Page 4 for description of risk factors.

# ASSIGNMENT OF RISK RATING

Audit Area	Risk Factors*						Total
	A	B	C	D	E	F	
<b>MEMBER BENEFITS</b>							
Call Center	3	3	3	3	3	2	17
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
Post-Retirement Benefits	3	2	3	4	2	2	16
Purchasing Service Credit	3	3	2	2	3	3	16
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	
<b>ADMINISTRATION</b>							
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	36	24	35	18	15	12	140
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	28	12	10	12	113
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	
<b>FINANCE</b>							
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

<b>INVESTMENTS</b>							
Alternative Investments	27	32	21	12	15	12	119
Derivatives	27	16	14	12	20	8	97
Equities	27	32	14	12	20	20	125
Fixed Income	18	16	14	12	15	12	87
International Investing	27	24	14	18	20	16	119
Investment Performance	27	16	21	12	15	12	103
Liquidity Reserves	18	16	21	12	10	8	85
Proxy Voting	18	16	14	12	10	4	74
Real Estate	27	24	21	12	15	12	111
Securities Lending	27	24	14	12	15	16	108

\*See Page 4 for description of risk factors.

# RISK FACTORS WEIGHTED

Audit Area	Risk Factors*						Total
	A	B	C	D	E	F	
<b>MEMBER BENEFITS</b>							
Call Center	27	24	21	18	15	8	113
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
Post-Retirement Benefits	27	16	21	24	10	8	106
Purchasing Service Credit	27	24	14	12	15	12	104
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.

## 2008 INTERNAL AUDIT WORK PLAN

Audit Area	Priority	Dept.	Risk Score	Last Audit	Estimated Audit Date	Risk Codes
Equities	High	I	125	Oct-06	May-08	F, I, C, O
Alternative Investments	High	I	119	May-05	Jan-08	F, I, C, O
International Investing	High	I	119	Oct-07		F, I, C, O
Real Estate	High	I	111	Aug-07		F, I, C, O
Derivatives	High	I	97	Feb-07	Oct-08	F, I, C, O
Fixed Income	High	I	87	Nov-07		F, I, C, O
Liquidity Reserves	High	I	85	Feb-07		F, I, C, O
Business Continuity Plan	Med.	A	122	Mar-07		F, I, C, O
Financial Reporting (STRS Ohio)	Med.	F	121	Mar-06		I, C, O
Insurance/Risk Management	Med.	A	108	May-06	Dec-08	F, I, C, O
Health Care	Med.	MB	99	Oct-07		I, C, O
Contribution Reporting	Med.	F	97	Dec-01	Jan-08	I, C, O
Accounts Payable	Med.	F	78	Jan-07		I, C, O
Annual Reporting	Med.	F	78	Oct-06		I, C, O
Annual Statements	Med.	F	78	Jan-07		I, C, O
Defined Contribution Plan	Med.	MB	78	May-07		I, C, O
Fixed Assets — Computer Equipment	Low	A	140	Jun-03	Jan-08	I, C, O
Benefit Check Production Process	Low	A	125	May-07		I, C, O
Income Taxes	Low	F	120	Dec-07		I, C, O
Purchasing Practices	Low	A	113	Jan-04	May-08	I, C, O, PS
Call Center	Low	MB	113	Jul-00	Jul-08	C, O
Flexible Spending Programs	Low	A	108	Oct-98		I, C, O
Securities Lending	Low	I	108	Nov-07		I, C, O
Reemployed Retirees	Low	MB	108	Nov-07		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

# 2008 INTERNAL AUDIT WORK PLAN

Audit Area	Priority	Dept.	Risk Score	Last Audit	Estimated Audit Date	Risk Code
Prior Work Experience — Vacation Leave Credit	Low	A	107	Jun-95		I, C, O
Purchasing Service Credit by Payroll Deduction	Low	F	107	Apr-02	Nov-08	I, C, O
Member Withdrawals	Low	F	106	Mar-06		I, C, O
Post-Retirement Benefits	Low	MB	106	Oct-07		I, C, O
Service Retirement Benefits	Low	MB	105	Sep-06		I, C, O
Purchasing Service Credit	Low	MB	104	Aug-02	Mar-08	I, C, O
Investment Performance	Low	I	103	Jan-06	Aug-08	I, C, O
Internet/Intranet	Low	A	102	Mar-04		I, C, O
Network Security	Low	A	102	Jan-06		I, C, O
Disability Benefits	Low	MB	102	Nov-07		I, C, O
Attendance Reporting	Low	A	98	Jul-04		I, C, O
Petty Cash	Low	F	98	Oct-03		I, C, O, PS
Unused Sick and Vacation Leave	Low	A	95	N/A		I, C, O
Employer Audits	Low	F	94	N/A		I, C, O
Fixed Assets	Low	F	94	Sep-95	Aug-08	I, C, O
Other Staff Expenses	Low	A	90	N/A		I, C, O, PS
Postage	Low	A	89	Nov-95		I, C, O
Records Management	Low	MB	89	Nov-01	May-08	C, O
Actuarial Processing	Low	F	87	Jun-97		I, C, O
Child Care Center	Low	A	86	Oct-04		I, C, O
Associate Travel Expenses	Low	A	85	Jun-07		I, C, O, PS
Survivor Benefits	Low	MB	84	Oct-06		I, C, O
Early Retirement Incentive Credit	Low	F	83	Apr-05		I, C, O
Associate Payroll	Low	A	82	Jul-07		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

## 2008 INTERNAL AUDIT WORK PLAN

<b>Audit Area</b>	<b>Priority</b>	<b>Dept.</b>	<b>Risk Score</b>	<b>Last Audit</b>	<b>Estimated Audit Date</b>	<b>Risk Code</b>
Board Expenses	Low	A	78	May-07	Sep-08	I, C, O, PS
Building Maintenance	Low	A	78	Dec-01	Mar-08	I, C, O
Educational Assistance Program	Low	A	78	Aug-97		I, C, O
Personal Investment Disclosure	Low	A	78	Dec-96		I, C
Board Elections	Low	A	74	May-04		I, C
Proxy Voting	Low	I	74	Nov-00	Mar-08	I, C
Ohio Ethics Commission Reporting	Low	A	65	Jan-05	Sep-08	I, C, O, PS

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