

Ohio Police & Fire Pension Fund

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February 23, 2021

Bethany Rhodes
Director and General Counsel
Ohio Retirement Study Council
30 E. Broad Street, 2nd Floor

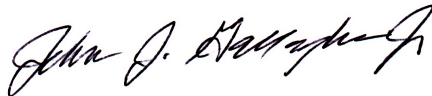
Dear Ms. Rhodes:

Pursuant to R.C. 742.105, enclosed please find a report of actions taken by the Administration and Audit Committee for calendar year 2020. The attached report was prepared by Caren Sparks, OP&F Chief Audit Executive & Privacy and Ethics Officer. The OP&F Administration and Audit Committee held five (3) meetings during 2020. Following is a summary of the meetings and action taken:

Meeting Date	Summary & Action Taken
January 21, 2020	<i>Approved:</i> 2019 Annual ORSC Audit Report and Risk Management Policy.
May 19, 2020	<i>Approved:</i> Board Governance Policy Manual and Internal Audit Charter.
September 29, 2020	<i>Discussed:</i> BTS Status Update and IA Status Report. <i>Approved:</i> Communications Plan.

Please feel free to contact Caren Sparks or myself if you have any questions.

Sincerely,



John J. Gallagher
Executive Director

Ohio Police and Fire Pension Fund

2020 Annual Audit Report

(Submitted to ORSC February 23, 2021)

Closed Audits: Recommendations

Audit Area	Risk Rating ¹	Scope	Recommendations	Management's Response	Implemented	Implementation or Target Implementation
Investments – Private Equity Capital Calls & Distributions	Low	To evaluate the effectiveness and efficiency of management's capital calls and distributions process. April 1-September 30, 2019.	1. An electronic, single repository that has the ability to track, manage, classify, compile, analyze and store documents and data is not available. Implement a software solution to streamline the process and eliminate the need to print, aggregate, file and store hard copy documents. In addition, the records retention schedules should be evaluated and adjusted to meet business operations. The process should meet the risk appetite for OP&F and be a joint effort between RIM, Investments and Legal.	1. Evaluating cost benefit.	1. No	1. NA
			2. Management does not perform callbacks to verify the validity of the capital calls. Based on management's risk appetite, perform callbacks for new managers or wire instruction changes.	2. Management immediately implemented corrective action.	2. Yes	2. Implemented
Comments: There were no high or medium risk observations identified during the review. Other opportunities to improve the overall efficiency of the capital call and distribution process were discussed with management.						

¹ Risk Rating Levels:

High: Requires immediate attention and remediation.

Moderate (Mod.): Requires near-term attention.

Low: Improvements possible but does not require attention in immediate or near-term.

Enterprise wide – Business Continuity & Disaster Recovery	Mod	<p>To determine if management has a framework for business continuity in place.</p> <p>To evaluate OP&F's preparedness in the event of a process disruption.</p> <p>January 1- December 31, 2017 (Last full testing occurred during this timeframe)</p>	<ol style="list-style-type: none"> OP&F should ensure its business continuity recovery plans are up to date and meet the risk appetite of the fund. A process should be developed to verify the plan complies with best practices and policy expectations. At a minimum, the plan should be updated annually and be reviewed and approved by all responsible parties. Management should periodically test business continuity plans and the test results and lessons learned reviewed, documented, and applied. In addition, the test results should be documented and management and the board of directors should be informed of the results. 	1-2. Management is in the process of updating the Business Continuity and Disaster Recovery Plan. A project plan has been drafted and includes the steps to complete the finalized plan.	1-2. Partially Implemented	1-2. Various dates
<p>Comments: The overall effectiveness of the processes and controls evaluated during this audit is rated Well Controlled with Improvements Needed.</p> <p>It is important to note that during fieldwork, management was developing a response plan and performing readiness testing for COVID-19. Although plans were not readily available and tested, OP&F was able to perform critical business functions without any major issues.</p>						
Member Services – Health Care	Mod	<p>To verify under the Board's "OPEN" HRA model and pre-funding protocol that members are stipend eligible and have enrolled in qualified health care coverage.</p> <p>Program year 2020, pre-65 members</p>	<ol style="list-style-type: none"> Freeze the health care stipend accounts for the members who did not provide the requested supporting documentation. Reduce the monthly pension from the one member to recover the health care stipend overpayment. 	<ol style="list-style-type: none"> Accounts of members not providing supporting documentation will be placed in a "freeze" status. The vendor will recover the overpayment from the member. 	<ol style="list-style-type: none"> Yes In Process 	<ol style="list-style-type: none"> Immediate No
Comments: NA						

Investments – Investment Accounting Reconciliation	Low	<p>To verify reconciliations are performed timely; to determine if reconciliation reviews are effective; to evaluate for efficiency opportunities.</p> <p>Reconciliations performed between February - June 2020 (COVID-19 Pandemic).</p>	<ol style="list-style-type: none"> 1. Track and monitor review comments to ensure timely research and corrective action. 2. Continue to work with RIM and General Counsel to update the records retention schedules to permit electronic documents. This would improve efficiency and allow for timely reviews when staff are working remotely. 3. Review electronic copies to ensure timely review. Notes, initials, and dates can be placed on the document for future reference. If paper documents are required, the reconciliations can be printed and filed later. 	1-3. Per Internal Audit policy, management is not required to provide a response for low rated comments.	NA	NA
<p>Comments: Significant improvements noted since previous review. The reconciliation process has been streamlined with automated reports to identify missed trades, unit outages and errors.</p>						
Human Resources – Policy Compliance		<p>To determine compliance by verifying each employee used the mandatory five consecutive workdays of vacation leave within the year.</p>	<ol style="list-style-type: none"> 1. Management should ensure exceptions to policies are documented in advance and saved for future reference. 2. Management should cross-train staff to ensure proper backup and flexibility for completing essential work. 3. Management should consider documenting directives to reduce misunderstandings. 	1-3. Per Internal Audit policy, management is not required to provide a response for low rated comments.	1-3. NA	1-3. NA
<p>Comments: The COVID-19 pandemic resulted in unusual circumstances during 2020.</p>						

Closed Audits: No Recommendations

Audit Area	Risk Rating	Scope	Management's Response
Member Services – Service Credit & System Transfers	Low	<p>To verify accuracy and timeliness of processing and posting of service credits and system transfers; to determine compliance with policies, procedures and regulations and to evaluate the efficiency of the service credit and system transfer process.</p> <p>January 1-December 31, 2019. Excluded military service credit purchases.</p>	<p>NA</p> <p>Comments: There were no high, medium or low risk comments identified during the review. Opportunities to improve the overall efficiency of the process were discussed with management during the exit conference.</p>
Investments – Management Fees		<p>To evaluate the current process in place to verify the reasonableness of management fees and performance fees/carried interest.</p> <p>Comments: Management has an adequate review process in place to verify the reasonableness of management fees and performance fees/carried interest.</p>	<p>NA</p>
Finance – Expenditure Testing	Low	<p>To verify proper approval controls are adhered to and payments are made timely during the COVID-19 pandemic.</p> <p>March – April 2020</p> <p>Comments: No errors were noted during testing, controls were operating as intended and payments were made timely.</p>	<p>NA</p>
Investments – Funding and	Low	<p>To evaluate management's process for planning and preparing for changes in revenue streams.</p>	<p>NA</p>

Cash Management		Short-term investments and employer contributions.	
		Comments: Management has a sufficient process in place to react and timely prepare and plan for changes in revenue streams resulting from economic shifts.	
Enterprise wide – Records Retention	Low	To evaluate process in place to ensure compliance and completeness with the records retention schedules; verify timely processing and destruction of paper & electronic documents and determine if a cross-training and backup process exists.	NA
		Comments: No high or medium risk observations were noted during testing. Opportunities to enhance the overall effectiveness of the records retention process were discussed with management.	

Active Audits

Audit Area	Risk Rating	Scope	Target Completion
Business & Technology Solutions	Mod	To evaluate management’s cybersecurity prevention, incident identification, breach reporting & response plan. Verify for reasonableness.	2/26/2021
Communications	Mod	To evaluate the process for tracking public records and media records and responses. Verify timely responses.	3/31/2021

Other Audit Related Activity

Area	Risk Rating	Subject/Project	Description
Enterprise-wide	Low	Internal Control Education and Training	Provided on-going educational information to employees to help enhance and strengthen OP&F's control environment. Prepared internal controls and fraud education program for new employees.
Internal Audit	Low	Internal Audit Procedures Manual	Updated Internal Audit Procedures Manual to reflect current practices. The Manual describes the audit procedures and policies established by the Chief Audit Executive by which the internal audit function can operate effectively while providing a high level of accountability.
Internal Audit	Low	Internal Audit Crosswalk to Standards	Institute of Internal Auditors <i>Standards</i> for the Professional Practice of Internal Auditing to OP&F Internal Audit Procedures Manual Crosswalk. The Crosswalk documents how Internal Audit complies with the IIA <i>Standards</i> .
Internal Audit	Low	Quality Assurance Reviews	Performed workpaper quality assurance reviews to comply with the Institute of Internal Auditors <i>Standards</i> for the Professional Practice of Internal Auditing.
Internal Audit	Low	Self-Assessment	Performed self-assessment to prep for external peer review. Working to trade services with local retirement system staff.
Enterprise-wide	Low	Risk Assessment and Audit Plan for 2020	Completed the Risk Assessment and Audit Plan for 2020. The Institute of Internal Auditors <i>International Standards for the Professional Practice of Internal Auditing</i> requires the chief audit executive to establish a risk-based plan to determine the priorities of the internal audit activity, consistent with organization's goals. The assessment of the organization's risk environment was completed and the audit plan was finalized. The plan is adjusted, as necessary, in response to changes in the organizations business, risks, operations, systems, and controls. The risk assessment is also updated quarterly (minimum) or more frequently if needed. The Administration and Audit Committee approved the plan on 1/21/20.
Enterprise-wide	Low	Updates to 2020 Risk Assessment and Audit Plan	The Audit Plan was updated in January, March, May, June, September and October 2020 to reflect emerging risk and changes necessary because of the COVID-19 pandemic. IA worked closely with management to ensure appropriate audit coverage and to minimize disruption to essential business operations during the business continuity recovery/planning/adjusting for COVID-19.
Enterprise-wide	Low	Audit Follow-up	Performed audit follow-up. Internal audit monitors the status of outstanding audit observations to verify management has corrected the internal control weaknesses. Results are presented to Audit Committee.
Internal Audit	Low	Internal Audit Charter - 2020	Updated the Internal Audit Charter for 2020. The Institute of Internal Auditors <i>Standard 1000</i> requires the purpose, authority, and responsibility of internal audit be formally defined in an Internal Audit Charter, consistent with the Mission

			of internal audit and the mandatory elements of the International Professional Practices Framework. The chief audit executive must periodically review the internal audit charter and present it to senior management and the Administration and Audit Committee for approval. The 2020 Internal Audit Activity Charter was submitted to management for review and input on 1/23/20 and was submitted to the Administration and Audit Committee for review and approval on 5/19/20.
Enterprise-wide	Low	Ethics Training	Updated ethics training material and provided ethics training to all OP&F employees. New employees receive the training their first week at OP&F. Also provided a No Gift Acceptance Education and Training to staff.
Enterprise-wide	Low	HIPAA Training	Health Insurance Portability and Accountability Act Training (HIPAA): Researched U.S. Department of Health and Human Services website for HIPAA updates, prepared Power Point presentation, provided annual HIPAA training to OP&F staff on policies and procedures for use, disclosure, and general treatment of protected health information (PHI) and ePHI. New employees receive the training their first week at OP&F.
Internal Audit	Low	Financial Audit	Provided requested documents to external auditor.
Internal Audit	Low	Research	Performed Privacy Notice Research and updated policy.
Administration	Low	Ohio Ethics Financial Disclosure Statement	Reviewed the statements submitted by staff and Board of Trustees and monitored the Ohio Ethics Liaison site to ensure statements were submitted by deadline.
Enterprise-wide	Low	OP&F Board Governance Policy Manual	Updated the OP&F Board Governance Policy Manual. Manual contains: OP&F's Mission, Vision, and Core Values; Fiduciary Duties; Governing Style; Trustee Development; Board Officers and Offices; Code of Conduct; Committee Guidelines; Committee Charters; Ethics Policy; Board Travel Policy; and Modern Rules of Order Tailored for OP&F. The Board of Trustees approved the manual on 5/19/20.
Enterprise-wide	Low	Benchmark Research	Performed benchmark research related to remote work and bring your own device, prepared summary document and policy examples to management.
Internal Audit	Low	Research	During the year, three incidents potentially involving Personally Identifiable Information were reported to internal audit. Internal audit documented each incident and provided a summary report to the Executive Director and General Counsel.
BTS	Low	Audit Follow-up	Reviewed external penetration testing vulnerability assessment and performed follow-up to verify corrective action.
Member Services	Low	Consulting	Updated the health care process map to reflect current practices; conducted return check research to ensure adequate controls and performed proof of life audit follow-up.

Enterprise-wide	Low	Risk Assessment and Audit Plan for 2021	Worked on the Risk Assessment and Audit Plan for 2021. The plan was reviewed with management in January 2021 and approved by the Administration and Audit Committee in February 2021.
Enterprise-wide	Low	Risk Management Policy Manual	Collaborative project with management: Updated the manual to include known internal controls. Met with management, brainstormed potential risks, and discussed controls in place. Internal audit helped facilitate the updates to the policy. The Board of Trustees reviewed and approved in February 2021.
Internal Audit	Low	Education	Participated in webinars and earned continuing education credits for the following webinars: Privacy Matters; Trending Risk Concerns For Business Leaders in 2020; Insights during Uncertain Times; Social Distancing and Internal Audit, Strategies for Auditing in a Time of Crisis; Utilizing Technology to Advance IA and Stay Relevant in a New Risk Environment; IA priorities in the Decade Ahead & Post COVID-19 Auditing; Internal Audit Analytics; Security & Privacy Compliance in Work from Home Situations; Internal Controls and Fraud during and after COVID-19; Understanding, Assessing and Mitigating Insider Threats.
Internal Audit	Low	Benchmark Research	Performed benchmark research related to DocuSign and Trustee Orientation, provided benchmark results to management.
Internal Audit	Low	Enterprise Risk Management Consulting	Prepared risk questionnaires for management, reviewed responses and provided feedback.
Internal Audit	Low	Consulting	Reviewed Remote Work Policies and provided feedback to management.
Internal Audit	Low	Consulting	Performed benchmark research and updated Bank Changes Process Map.

Composition of Audit Committee at end of reporting year (R.C. 742.03)

John Wainscott, Administration and Audit Committee Chair, Retired, Cincinnati Police, term expires 1/3/21

Robert E. Britt, II, term expires 6/4/23

Karin Maloney Stifler, Investment Expert Member appointed by the Treasurer of State, term expires 3/4/23

Ohio law provides for the Board to be comprised of the nine members as follows:

Six employee members elected by their respective member groups

Two representatives of police departments – Ed L. Montgomery, Robert E. Britt, II

Two representatives of fire departments – Daniel Desmond, Stephen A. Corvi

One retired firefighter – Marco J. Miller

One retired police officer – John Wainscott

Three statutory members with professional investment experience

One appointed by the Governor - Charles O. Moore

One appointed by the State Treasurer - Karin Maloney Stifler

One appointed jointly by the Senate President and the Speaker of the House – J. David Heller