

# Ohio Police & Fire Pension Fund

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February 28, 2007

Aristotle Hutras  
Ohio Retirement Study Council  
88 East Broad Street, Room 1175  
Columbus, OH 43215

Dear Mr. Hutras. *Aris*

As a result of Senate SB 133, effective September 15, 2004, enclosed is the report of actions taken by the Administration Audit Committee of the OP&F Board of Trustees for the previous fiscal year 2006.

Please contact me if there are any questions.

Sincerely,

*Bill*

William J. Estabrook  
Executive Director

# **Ohio Police & Fire Pension Fund Administration/Audit Committee Annual Report 2006**

The following report documents the activities of the Ohio Police & Fire Pension Fund (OP&F) Administration/Audit Committee and the OP&F Internal Auditor for the year ending December 31, 2006. This report is categorized into four areas:

- I. Audit Reviews Completed
- II. Special Projects Completed
- III. Summary of Administration/Audit Meetings and Actions Taken
- IV. 2006 Annual Audit Plan

## **I. Audit Reviews Completed**

- 1. V3 Security Review – Audit reviewed user access levels as a result of implantation of new pension system.
- 2. External Investment Consultant Review – Audit reviewed controls and procedures over investment consultant operations.
- 3. 2006 OP&F Business Continuity Test – The objective was to test the continuity plan and procedures in place to determine if the OP&F system could be restored off-site and produce a benefit pension check.
- 4. 2006 OP&F Disclosure Statements – Audit reviewed the OP&F staff disclosure statements that must be completed by selected staff that focuses on potential conflicts of interest from the previous year.
- 5. Travel Audit – Audit was part of semi-annual review as required by the Board Governance Policy. Audit looked at travel for both Board and staff. Reimbursement documentation was reviewed.

## **II. Special Projects Completed**

- 1. Risk Assessment Summary – A risk assessment was performed to aid in identifying audit to be selected for annual audit plan. Information from audits completed last year were updated on this year assessment.
- 2. Strategic Planning Committee – Internal auditor was part of committee that created the first strategic plan at OP&F. The plan was presented to the Board at the annual Board Retreat. The strategic plan was established

to cover a 3-year period that will be a living document and reviewed as needed.

3. NPAS Steering Committee – The Internal Auditor has been part of the NPAS Steering Committee since the beginning of the project. The intent of being on the committee is to provide input on potential controls from an outside viewpoint. The Internal Auditor gains valuable experience that will aid in future audits.
4. Integrated Healthcare RFP Committee – participated on committee to recommend a vendor to the Board of Trustee for selection for 2008.
5. Independent Fiduciary Audit - (Originally scheduled to be completed January 2005). The fiduciary audit was required by Senate Bill 133 to be performed once every 10 years. The Ohio Retirement Study Commission selects the vendor. I coordinate with the vendor providing information and responding to draft reports. I am managing project from the OP&F perspective.
6. Check Run Processing Validation – This project was the validation of benefit payments from the new v3 system to the AS400. Parallel testing was performed and a check run validation was to ensure members received the appropriate amounts on their monthly benefit checks.

### III. Summary of Administration/ Audit Meetings and Actions Taken

This section identifies the dates of all meetings held and appropriate Administration/ Audit Committee actions that took place at the specific meetings.

- **January 2006** – The committee received a report from the Information Services Department. The Internal Auditor presented and the committee approved the Final 2005 Administration Audit Report. A status report of the IFS fiduciary audit was made.
- **February 2006** – The committee received a presentation on the annual compensation adjustments and the 2005 paid leave buyback program. The Information Services monthly report was presented. The Internal Auditor discussed the IFS draft recommendations. Trustee travel was approved as required by Board Governance Policy.
- **March 2006** – Committee did not meet

- **April 2006** – The Internal Auditor discussed the OP&F Disclosure Report and the IFS 2<sup>nd</sup> draft recommendation of the fiduciary audit. The Deputy Executive Director presented the Information Services department monthly report.
- **May 2006** –The Committee received a presentation from Clark, Schaefer, Hackett & Co on the financial audit they are conducting. The Board approved trustee travel as required by the Board Governance Policy. The Information Services report was presented. The Internal Auditor discussed a travel audit that was completed. He also updated the committee on the V3 security review and the fiduciary audit that were still in progress. The quarterly Board Expenses report was part of the material available to the Trustees.
- **June 2006** – The Committee approved Trustee Travel as required by the Board Governance Policy. The Deputy Executive Director presented the Information Services (IS) department monthly report. The Deputy Executive Director also discussed the IS response to the 2005 external audit questions. The Internal Auditor made a presentation concerning the Board Governance Policy and the Board Officers and Offices section. The Internal Auditor also provided the Board Ethics Policy as a review. The Internal Auditor discussed the risk assessment process that is used to evaluate the audits chosen for review and provided an update on the V3 security review and the IFS fiduciary audit.
- **July 2006** – The Committee heard the Monthly Information Services department monthly report. The committee also reviewed the Board Governance Policy for its annual review. The committee approved the Administration/Audit Committee Charter and the Committee schedule. The Internal Auditor presented the V3 security Audit and the IA audit plan and risk assessment for the coming year.
- **August 2006** –The Committee approved Trustee Travel as required by the Board Governance Policy. The Committee received monthly status presentations from the Internal Auditor and the Deputy Executive Director. The Quarterly Board Expense Report was available to the Trustees for review.
- **September 2006** – The Committee received Internal Audit and Information Services monthly status reports. A memo concerning parliamentary procedures was provided to the Committee for their information. The Board approved Trustee travel as required by the Board Governance Policy.
- **October 2006** – The Committee received the monthly IS monthly update. The Internal Auditor discussed the Business Continuity Test results. The Human Resources Manger made presentation concerning the 2007 Salary, wages and Employee Healthcare budget planning. The 2007 budget review presentation for Administration, IS, and Trustee was conducted and approved at the committee level.

- **November 2006** – The Committee received a presentation concerning the Review of the External Investment consultant from the Internal Auditor. The Committee received the IS monthly update. The committee received and update on the Board Elections RFP proposals. A general discussion was had concerning the Board Governance Policy.
- **December 2006** – The committee reviewed the draft of the Administration/Audit 2006 Annual Report.

#### IV. **June 2006- June 2007 Annual Audit Plan**

The Internal Audit plan was made from June 1, 2006 to May 31, 2007 to tie in with the Administration/Audit Committee year. The audit plan was reviewed with the Committee and is created based on a risk assessment that is updated annually. The below list includes anticipated audit projects to be worked on through May 2007:

##### Audit Projects

Completion of V3 Security  
General Investment Consultant  
Investment Performance Calculations  
Investment Manager Fees  
Member Overpayments  
Member Refund/ Withdraw / Transfers  
CAFR Review  
Quality Assessment Project  
Internal Audit Manual  
Business Continuity Test  
Disclosure Statements  
Follow-up to IFS recommendations once report is presented

A new audit plan will be created in June for the next Administration/Audit Committee year.

Respectfully submitted,



Scott K. Miller, CIA, CIDA  
Internal Auditor