

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

Question and Answer Document

**Auditing Services
RFP #515-12-236**

1. Question: Who are the Plans/Systems using for actuarial services and how long has such firm served as the actuary? Will there be any significant changes in 2012 of the actuary, plan trustees, investment managers, or other financial professionals used by any of the four entities being audited?

Answer: Cavanaugh Macdonald is OPERS' current actuarial firm. The firm was selected after an RFP process in April, 2010 for a contract of up to five (5) years. There are no significant changes in actuarial services and Cavanaugh Macdonald is still OPERS' actuary. We had several new board members begin their tenure early in calendar 2011, but no significant turnover is anticipated in calendar 2012. The Board is nearing the end of an RFP process for investment consultant. The incumbent consultant is one of 2 finalists to be interviewed on February 16, 2012.

2. Question: Was there any new significant legislation or other changes that would impact the benefits paid by the plans or how new contributions are made to the plans?

Answer: The biggest benefit changes made during the 2011 session only affect new members who joined on or after November 1, 2011. The default retirement age was increased to 65 from age 62. Prior members were under the Rule of 90 or Rule of 80. New members can also retire under the Rule of 90 if they are at least 60 years of age. The other significant legislation that passed requires the Legislature to provide adequate funding prior to enacting Cost of Living Adjustments (COLAs). OPERS and the URSJJ were able to remove a COLA assumption from their actuarial assumptions. This reduced OPERS actuarial accrued liabilities by around \$1.7 billion.

3. Question: Were there any material weaknesses or significant deficiencies noted as part of the June 30, 2011 audits? If so, please provide a general description of such items.

Answer: No.

4. Question: Based on prior completed audits, please provide a general overview of the timing of interim and final fieldwork for the audit. This would include the month(s) that interim and final fieldwork was performed and the approximate number of weeks that the auditors were onsite for interim and for final.

Answer: Typically, one week is spent in our office conducting interim fieldwork during the month of May. This is followed by two weeks of final field work around the last two weeks of August. In addition, our office has provided to the external auditor an electronic file of benefit payments for the period of July through March, prior to interim fieldwork,

and for the period April through June when fiscal year end is completed so work can be completed off site.

5. *Question: In terms of final documents, what should the external auditors anticipate providing? Will it be just the independent auditors' reports, financial statements, footnotes and supplemental schedules or will they also be involved in putting together the full CAFR, including the MD&A?*

Answer: The external auditor provides a final document to the Audit committee and Board of Trustees that includes the following for each of the four plans: Required Communications (Statement on Auditing Standard No. 114 (pre-audit), Arrangement Letter, Statement on Auditing Standard No. 114 (Post-audit), as well as complete Financial Statements including the Independent Auditor's Report, MD&A (prepared by staff), Financial Statements and accompanying notes (prepared by staff), Required Supplementary Information (prepared by staff), and Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.

6. *Question: Have there been any disagreements with the incumbent auditors and have they been asked to participate in the proposal process?*

Answer: No disagreements. The incumbent is free to submit a proposal.

7. *Question: Can you provide the historical audit hours and audit fees for this request for proposal?*

Answer:

This is a corrected answer to Question #7 on the Q & A document posted on Friday, February proposal.

Year	Hours	Fees
2007	645	\$69,000.00
2008	645	\$81,000.00
2009	700	\$77,000.00
2010	700	\$79,300.00
2011	700	\$79,300.00
	3,390	\$385,600.00

8. *Question: Do you have someone on your staff verifying the fair value of investments from your fund managers, or do you hire a third party to do this?*

Answer: The Northern Trust Company, the System's Master Custodian bank, provides monthly reporting with investment fair values. Northern Trust utilizes a number of different external sources to provide this information.

9. *Question: Are there any internal control deficiencies reported to those charged with governance?*

Answer: If the question is “were” there any control deficiencies in the last audit, the answer is “no.” If any internal control deficiencies are observed by the external auditor, they should be disclosed to the Board of Trustees as the governing body of OPERS.

10. *Question: Regarding item #6 on page 2 of the RFP, what does “support” mean as it related to the preparation of the audit schedules and the preparation of the financial statement drafts?*

Answer: Staff is responsible for the preparation of draft financial statements and schedules. We rely on the expertise of the external auditor to assist us in incorporating any new accounting pronouncements.

11. *Question: Have there been any adjustments made in the prior year to your financial statements?*

Answer: No.

12. *Question: How long has the current auditor done the audit of the Plans/Systems and do the Plans/Systems have any policies and historical practices concerning the rotation of their audit firm?*

Answer: The incumbent auditor was selected after an RFP for a contract that could be renewed up to five (5) total years. The incumbent firm was renewed each year for a full five (5) years. There is no current Board policy requiring a change of external audit firms.

13. *Question: Who are the auditors for other State of Oklahoma retirement systems such as Teachers Retirement System, Police, Firefighters, etc.?*

Answer: You would need to check with those agencies.

14. *Question: Have there been any significant changes in the administration of, or financial statements of, the Plans/Systems covered by the RFP since June 30, 2011?*

Answer: There have been no significant changes in administration or in the financial statements since June 30, 2011.

15. *Question: Has there historically been any audit adjustments proposed in connection with the Plan/System audits? If so, can you provide additional on the nature and amounts of the adjustments?*

Answer: No.

16. *Question: What procedures does the outsourced internal audit function provide for year ending June 30, 2012 and to what extent has external auditors been able to utilize the internal audit function to support the external audit process?*

Answer: See Internal Audit Program at the end of Q & A document that contains procedures from our outsourced internal auditor. Note: The Board of Trustees has approved hiring a permanent staff member for the position of internal auditor. We anticipate a staff internal auditor will provide much of the same information and will be available to support the external audit process, however, at this time we are unable to estimate how effective a newly hired internal auditor will be able to contribute to the FY2012 financial statement audit process.

17. *Question: Can you provide the names of the investment managers and investment custodians used by each Plan/System?*

**Answer: BlackRock Financial Mgmt, (Constrained Core Fixed Income for both plans)
Hosington Investment Mgmt, (Interest Rate Anticipation Fixed Income for both plans)
Metropolitan West Asset Mgmt, (Core Plus Fixed Income for both plans)
BlackRock Institutional Trust Co., (Several index funds for both plans)**

- a. TIPS**
- b. ACWI ex U.S.**
- c. ACWI ex U.S. growth (OPERS only)**
- d. Russell 1000**
- e. Russell 1000 Growth (OPERS only)**
- f. Russell 2000 (URSJJ only)**

**Mondrian Investment Partners, (International Equity Value, OPERS only)
Mellon Cap Mgmt (Enhanced Large Cap Domestic Equity, OPERS only)
State Street Global Advisors (Enhanced Large Cap Domestic Equity, OPERS only)
Aronson Johnson Ortiz (Large Cap Equity Value, OPERS only)
UBS Global Asset Mgmt (Small Cap Growth Equity, OPERS only)
Barrow Hanley McWhinney (Small Cap Value Equity, OPERS only)
DePrince, Race & Zollo (Small Cap Value Equity, OPERS only)**

Northern Trust Co., Master Custodian and manager of short-term cash account

**OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM
OKLAHOMA CITY, OKLAHOMA**

**Procedures to be Performed—
Internal Audit Program**

June 30, 2011

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

**OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) AND
UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES (URSJJ)
DEFINED BENEFIT PLANS**

**Procedures to be Performed—
Internal Audit Program—
OPERS Contribution Process**

June 30, 2011

Audit Procedure	Risk Code	Performed By	W/P Ref.
1. Obtain financial statements certified by OPERS to be complete and accurate.	1		
2. Review plan documents for items which require proper disclosure in the audit report.	1		
3. Make a selection of employee participants from both Budget Office (BO) and Non-Budget Office (NBO) participant files. Verify that the participants met the requirements to participate. Compare participant percentages to the enrollment forms of the participant, verifying that the percentages are correct for the agency with which the participant is employed. If possible, compare the signature on the enrollment form to other signatures on file to ensure validity. Review the information on the master file to determine that the contribution percentages for both the employer and the employee were properly applied against the participant's eligible compensation amount.	1		
4. Send confirmation letters to either the participant or the participant's agency, verifying that the salary amount being used is the correct salary rate.	1		
5. Perform tests on the BO selections to verify that the contribution amounts for both the employer and the employee for random pay periods were properly included in the funds received from OSF by review of the master file detail. Verify that the total for each pay period selected per the OSF report equals the total reflected on the deposit tickets.	1		
6. Review monthly reconciliations for the BO accounts performed by OPERS personnel, reconciling the OSF amounts received to the monthly OSF reports. Verify that reconciliations were performed in a timely manner.	1		

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**Procedures to be Performed—
Internal Audit Program—
OPERS Contribution Process, Continued**

June 30, 2011

Audit Procedure	Risk Code	Performed By	W/P Ref.
7. Review the spreadsheet maintained by Sarah Roe documenting refund amounts used in reconciliations. Compare refund amounts to source documentation supporting the refunds.	1		
8. Review a sample of ending required balances to determine that either excess funds were forwarded to Northern Trust or additional amounts needed were wired to meet demand.	1		
9. Perform tests on the NBO selections to verify that the contribution amounts for both the employer and the employee for random pay periods were properly included in the funds received from the NBO by review of the master file detail and the pre-lists. Verify that the total for each period selected per the pre-lists report equals the total reflected on the deposit tickets and the certificates.	1		
10. Review pre-lists for changes made by the reporting agencies. Verify that all changes were supported by a change form from the agency, documenting the reason for the change.	1		
11. Trace a sample of NBO checks from the listing prepared by Arlene Schnack to the deposits and then to the bank statement.	1		
12. Select a sample of checks received from NBOs and trace those checks back through the OPERS system to determine that handling procedures were correctly followed (all checks were included in Arlene Schnack’s control total and check listing, check receipt was recorded by Tanna Harrington, check amounts were compared to certificates, and employer and employee contributions were entered into the system). Verify that the individual responsible for recording cash receipts does not also have check signing authority or perform bank reconciliations, to ensure appropriate segregation of duties.	1		

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**Procedures to be Performed—
Internal Audit Program—
OPERS Contribution Process, Continued**

June 30, 2011

Audit Procedure	Risk Code	Performed By	W/P Ref.
13. Compare a sample of NBO checks to the system download of all cash received, verifying that all checks were included.	1		
14. Review NBO deposit records for the checks selected, verifying that balances tie to control totals from the control total worksheet prepared by Arlene Schnack.	1		
15. Review NBO deposit information and verify that all deposits were properly approved (i.e., signatures, initials, etc.) and necessary information was forwarded to the State Treasurer and to Member Benefits.	1		
16. Review a sample of monthly reconciliations for the NBOs. Verify that this process was performed in a timely manner.	1		
17. Review a sample of the NBO ending required balances to determine that either excess funds were forwarded to Northern Trust or additional amounts needed were wired to meet demand.	1		
18. Review a sample of edit reports and verify that all exceptions were reviewed and corrected.	1		
19. Select a sample of installment payments and supplemental sheets prepared for miscellaneous cash receipts and verify that these items were input into the member ledger and were included in the deposit amount.	1		

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DEFINED BENEFIT PLANS**

**Procedures to be Performed—
Internal Audit Program—
URSJJ Contribution Process**

June 30, 2011

Audit Procedure	Risk Code	Performed By	W/P Ref.
1. Obtain from OPERS the financial statements for the period being tested.	1		
2. Review plan documents for items which require proper disclosure in the audit report.	1		
3. Make a selection of employee participants from participant files. Verify that the participants met the requirements to participate. Compare participant percentages to the enrollment forms signed by the participant, verifying that the percentages are correct for the agency with which the participant is employed. If possible, compare the signature on the enrollment form to other signatures on file to ensure validity. Review the information on the master file to determine that the contribution percentages for both the employer and the employee were properly applied against the participant's eligible compensation amount.	1		
4. Send confirmation letters to the participant, verifying the salary amount being used is the correct salary rate.	1		
5. Perform tests to verify that the contribution amounts for both the employer and the employee for random pay periods were properly included in the funds received from OSF by review of the master file detail. Verify that the total for each pay period selected per the OSF report equals the total reflected on the deposit tickets.	1		
6. Review monthly reconciliations performed by OPERS personnel reconciling the OSF amounts received to the monthly OSF reports. Verify that reconciliations were performed in a timely manner.	1		

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**Procedures to be Performed—
Internal Audit Program—
URSJJ Contribution Process, Continued**

June 30, 2011

Audit Procedure	Risk Code	Performed By	W/P Ref.
7. Review the spreadsheet maintained by Sarah Roe documenting refund amounts used in reconciliations. Compare refund amounts to source documentation supporting the refunds.	1		
8. Review the ending required balances to determine that either excess funds were forwarded to Northern Trust or additional amounts needed were wired to meet demand.	1		
9. Review a sample of five edit reports and verify that all exceptions were reviewed and corrected.	1		

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**Procedures to be Performed—
Internal Audit Program—
OPERS and URSJJ Distribution Process**

June 30, 2011

Audit Procedure	Risk Code	Performed By	W/P Ref.
<p>1. Obtain the warrant and direct deposit recap for the period selected.</p> <p>I. Select a sample of distributions made during the period.</p> <p>a. Obtain a signed copy of the participant’s retirement application.</p> <p>b. Obtain a printout of the participant’s master file (data processing).</p> <p>c. Agree the option factor on the retirement application to the master file.</p> <p>d. Determine the current distribution is reasonable, with consideration given to COLAs since the retiree’s retirement date.</p>	1		
<p>2. Obtain from Matt Smith the new retiree distribution listing.</p> <p>I. Select a sample of distributions for the period.</p> <p>II. Determine that the appropriate documentation has been obtained and the eligibility requirements have been met.</p> <p>Required documentation:</p> <p>a. Signed copy of retirement application.</p> <p>b. Evidence of age (birth certificate, driver’s license, etc.).</p> <p>c. Evidence of years or months of service.</p>	1		

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**Procedures to be Performed—
Internal Audit Program—
OPERS and URSJJ Distribution Process, Continued**

June 30, 2011

Audit Procedure	Risk Code	Performed By	W/P Ref.
<p>2. Continued.</p> <p>III. Recalculate the final benefit calculation for the selected participants, using the information provided in the participant’s file.</p> <p>IV. Verify that the initial and final benefit calculations contain the approval signature of appropriate OPERS personnel.</p> <p>V. For selected new retirees, determine recent pay increases were appropriate. Confirm any significant changes occurring in the 24 months prior to retirement with the retiree’s employer.</p> <p>VI. Recalculate the average compensation for the retiree used in the final benefit calculation.</p> <p>VII. Confirm distributions and relevant participant data with selected retirees.</p> <p>VIII. Determine that new retirees have been removed from the active payroll ledgers.</p>	<p>1</p>		

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**Procedures to be Performed—
Internal Audit Program—
OPERS and URSJJ Distribution Process, Continued**

June 30, 2011

Audit Procedure	Risk Code	Performed By	W/P Ref.
<p>3. Determine that payment has been received on unused sick leave for members who utilize the sick leave as an extension of years of service.</p> <p>I. Obtain the master sheet and review to determine whether sick leave is credited toward total years of service.</p> <p>II. If unused sick leave is used, review member’s file for a copy of the invoice that should have been mailed to the corresponding agency.</p> <p>III. Trace invoice to member’s account to verify invoice is present.</p> <p>IV. Trace payment received to corresponding incoming cash report and deposit slip.</p> <p>V. Agree the balance per the incoming cash report to the monthly financial statements.</p> <p>VI. For invoices not yet paid, send a positive confirmation to the corresponding agency to verify member and amount of unused sick leave.</p>	1		

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**Procedures to be Performed—
Internal Audit Program—
OPERS and URSJJ Distribution Process, Continued**

June 30, 2011

Audit Procedure	Risk Code	Performed By	W/P Ref.
<p>4. Obtain from Dennis French a listing of death and disability distributions for the period.</p> <p>I. Required documentation.</p> <p>a. Notice of award from the Social Security office (disability).</p> <ul style="list-style-type: none"> • Verify that OPERS reviews continuing eligibility of disability retirees up to the time they are otherwise eligible for normal retirement. <p>b. Copy of death certificate.</p> <ul style="list-style-type: none"> • Determine the current distributions are appropriate in consideration of the option factor on the retiree’s retirement application. 	1		
<p>5. Obtain the most recent Berwyn death match report and electronic file from the Oklahoma Health Department and determine OPERS personnel have investigated all possible matches. Verify OPERS has received supporting documentation for resolution of match.</p>	2		

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**Procedures to be Performed—
Internal Audit Program—
OPERS and URSJJ Distribution Process, Continued**

June 30, 2011

Audit Procedure	Risk Code	Performed By	W/P Ref.
6. Determine that benefit payments cease when participants die or otherwise become ineligible. <ul style="list-style-type: none"> I. Compare signatures on canceled checks with the signature on the retirement application or other documents. II. Investigate any long-outstanding checks for possible indications that the recipient has died. III. Verify that when final benefit payments were made, the deceased’s name was removed from the benefit rolls. 	2		
7. Obtain the distribution reconciliations for the period. Agree the distributions to the financial statements and agree the warrant and direct deposit recap to the reconciliation.	1		
8. Obtain the Warrant Code Accounting Report and verify that the total disbursements made amount agrees to the control sheet.	1		
9. Obtain the check number count per OPERS and the check run numbers per the actual check and reconcile the count amounts.	1		
10. Obtain from Dennis French the pull sheet and reconcile pulled checks to the count amounts of the signed checks. Review for supervisor approval of pulled checks.	1		
11. Confirm with OSF and the State Treasurer transfers of cash for distributions for the latest period reconciled.	1		

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**Procedures to be Performed—
Internal Audit Program—
OPERS and URSJJ Distribution Process, Continued**

June 30, 2011

Audit Procedure	Risk Code	Performed By	W/P Ref.
12. Obtain the returned cash items report. a. Select a sample of returned cash items. b. Sight supporting documentation for returned item (cancelled check). c. Sight reissuance, if necessary.	1		

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**Procedures to be Performed—
Internal Audit Program—
OPERS and URSJJ Master File Changes**

June 30, 2011

Audit Procedure	Risk Code	Performed By	W/P Ref.
<p>1. Obtain the changes report detailing all changes made to participant data during the period selected.</p> <p>I. Select a sample of changes made during the period.</p> <p>a. Trace the selected changes to supporting documentation. Verify the change is complete and accurate.</p> <p>b. Determine the changes were posted by appropriate OPERS personnel.</p> <p>c. Verify any monetary changes were reviewed by the head of Member Services (Dennis French).</p>	1		

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**Procedures to be Performed—
Internal Audit Program—
OPERS and URSJJ Data Extraction**

June 30, 2011

Audit Procedure	Risk Code	Performed By	W/P Ref.
<p>1. Utilizing data extraction software, apply computer auditing techniques in order to:</p> <ul style="list-style-type: none"> I. Recalculate all contributions received in a given month to verify that all contributions were properly calculated. II. Compare bank account numbers, addresses, and social security numbers for all distributions in the same month to verify that no duplicate information exists. III. Compare contributions currently received to previously received to determine whether any changes are supported by appropriate documentation. IV. Compare distributions currently made to previously made distributions to determine whether any changes are supported by appropriate documentation. 	1		

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**Procedures to be Performed—
Internal Audit Program—
OPERS and URSJJ Investments**

June 30, 2011

Audit Procedure	Risk Code	Performed By	W/P Ref.
1. Review investment committee minutes and agreements with investment advisors, custodians, and trustees, and determine whether the investment portfolio appears to be in accordance with OPERS and URSJJ investment policies approved by the Board of Trustees.	1		
2. Obtain the working trial balance and reconcile the investment balances, income, and gains and losses, etc., to the Northern Trust investment portfolio for the most current period.	1		
3. Obtain and review a SAS No. 70 report of Northern Trust. Consider the report to determine whether the controls, etc., at Northern Trust provide reasonable assurance for OPERS' reliance on the investment information provided in the Northern Trust portfolio.	4		
4. Test the fair valuation of ending investment balances. For marketable securities that have a market price, refer to the last sales or bid price of stocks and bonds, or net asset value of mutual fund shares published in market listings as of the financial statement date.	1		
5. Test the calculation of unrealized gains or losses by recomputing the difference between original cost and current value for selected investments.	1		
6. Obtain and review the reports and analyses on the various investment companies performed by Strategic Investment Solutions. Investigate any unusual findings.	1		
7. Obtain and reperform reconciliations for selected investment manager monthly statements. Agree number of shares to Northern Trust's monthly statements.	1		

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**Procedures to be Performed—
Internal Audit Program—
OPERS Administrative Expenses**

June 30, 2011

Audit Procedure	Risk Code	Performed By	W/P Ref.
1. Select samples of five employees’ personnel files and verify that payroll documentation is maintained, verifying appropriate approval for current salary rate. Perform testing on various pay periods to verify that payroll was computed accurately. Perform tests to verify that each employee’s payroll amounts for a particular period were included in the total payroll amount submitted for payment. Verify that proper approval was obtained before the payroll claim was submitted to OSF for payment. Trace the payroll selected to inclusion in the general ledger and then trace to the financial statements.	2		
2. Make a selection of five travel reimbursements. Verify that travel was reported on the appropriate forms with adequate approval. Review source documents to verify adequate support for charges reported, noting that receipt dates and locations tie to travel being reported on the reimbursement form. Ascertain that the charges would in fact be reimbursable charges. Verify that the amounts were properly recorded in the general ledger and trace to the financial statements.	2		
3. Review the depreciation calculation spreadsheet to verify that the amounts are correct and proper. Trace to inclusion in the general ledger and then trace to the financial statements.	4		
4. Make a selection of five maintenance and repair billings. Verify that expenses were properly categorized and that there are no items which would need to be capitalized. Verify that proper approval was obtained before payment claim was remitted to OSF. Verify that invoices and/or billing documentation have been marked as “paid.” Trace to inclusion in the general ledger and then trace to the financial statements.	4		

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**Procedures to be Performed—
Internal Audit Program—
OPERS Administrative Expenses, Continued**

June 30, 2011

Audit Procedure	Risk Code	Performed By	W/P Ref.
5. Review a sample of five rental agreements and compare to billings to verify accuracy. Verify that rental billings were properly approved before the payment claim was remitted. Verify that invoices and/or billing documentation have been marked as “paid.” Trace to inclusion in the general ledger and then trace to the financial statements.	4		
6. Make a selection of five miscellaneous purchase orders paid from the other administrative expense categories not tested previously. Verify that the forms were completed correctly, noting that proper approval was obtained before the payment claim was remitted to OSF. Verify that the purchase order and invoice were marked as “paid.” Verify that the payments were appropriately recorded in the general ledger. Trace to inclusion in the financial statements.	4		
7. Review calculations for the allocation of administrative expenses to the other three plans handled by OPERS. Verify that the allocations were properly approved. Review any documentation supporting the transfer of funds from the other three funds to OPERS in payment of the allocated amounts. Ascertain that the total transfer amounts were properly recorded in OPERS’ general ledger and trace to inclusion in the financial statements.	4		
8. Verify that there is a segregation of duties, where the employee who inputs the accounts payable information does not also have check approval and signing authority.	2		
9. Review State purchasing guidelines and determine that purchases are in compliance with those guidelines.	4		

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**Procedures to be Performed—
Internal Audit Program—
OPERS Fixed Assets**

June 30, 2011

Audit Procedure	Risk Code	Performed By	W/P Ref.
1. Obtain a listing of all fixed assets. Obtain certification that the fixed asset balances are complete and accurate.	4		
2. Make a selection of fixed assets from this listing and review supporting documentation proving OPERS ownership. Sight assets to determine that OPERS has custody of assets.	4		
3. Obtain a copy of the fixed asset depreciation schedule. Select a sample of assets and recalculate depreciation to ensure accuracy.	4		
4. Review the estimated lives and methods for the fixed assets selected to ensure that they are correct.	4		
5. Select a sample of assets purchased in the current year. Review the documentation supporting the purchase. Verify that all documents, including the acquisition form, supporting documentation, invoice, etc., have been properly approved according to the OPERS purchase policy.	4		
6. Trace the processed acquisition packets for the asset purchases to the claim submitted to OSF for payment. Verify that the equipment purchase was properly included in the general ledger and trace to the financial statements.	4		
7. Review the monthly listing of all acquisitions. Verify that all assets selected were properly included in this report.	4		
8. Make a selection of ten assets disposed of in the current year. Obtain supporting documentation for the disposal, including the form requesting that the assets be transferred to the State surplus through the DCS. Verify that appropriate approval was obtained for disposals.	4		
9. Verify that the assets selected were properly removed from OPERS' books.	4		

(Updated April 14, 2011)

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

**OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) AND
UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES (URSJJ)
DEFINED BENEFIT PLANS**

**Procedures to be Performed—
Internal Audit Program—
OPERS, URSJJ, and Deferred Compensation Plan (DCP)/
Savings Incentive Plan (SIP) Cash**

June 30, 2011

Audit Procedure	Risk Code	Performed By	W/P Ref.
1. Make a selection of various account reconciliations performed throughout the period. Review and reperform these reconciliations, tracing outstanding checks and deposits in transit to the cash receipt and cash disbursement records.	1		
2. Verify that there is a segregation of duties in the preparation and review of these reconciliations. Verify that the individuals involved have appropriately signed-off.	1		
3. Review the OSF reconciliation forms (if applicable) submitted for the period being tested. Verify that the amounts tie to the underlying OPERS reconciliation and were properly approved before being forwarded to OSF.	1		
4. Verify that any transfers between accounts near the period end were also recorded in the same accounting period on the books.	1		
5. Obtain an understanding of the cash restrictions for the various funds and verify that these restrictions are being enforced.	1		
6. Review the wire transfer process. Determine that a proper segregation of duties is in place. Determine that only authorized personnel can initiate wire transfers.	2		
7. Determine that signers on the bank account are appropriate.	3		

(Updated April 14, 2011)

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

**OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) AND
UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES (URSJJ)
DEFINED BENEFIT PLANS**

**Procedures to be Performed—
Internal Audit Program—
DCP and SIP Contribution Process**

June 30, 2011

Audit Procedure	Risk Code	Performed By	W/P Ref.
1. Obtain from OPERS the financial statements for the period being tested.	1		
2. Review plan documents for items which require proper disclosure in the audit report.	1		
3. Review the personnel files and select a sample of participants to determine that they met the qualifications to participate, noting that if they qualify for the DCP they are automatically qualified for the SIP. If possible, confirm the signature on the form with other signatures on file to ensure validity.	1		
4. Compare the selection of participants' contribution percentages to the enrollment forms signed by the participant. Determine that the contribution percentage was properly applied against the participant's eligible compensation. Also verify that the information was properly entered into the Great West system and investments are being directed as requested by the participant. Review the payroll authorization withholding forms and compare the information back to the enrollment form to verify accuracy of records.	1		
5. Send confirmation letters to the participants, verifying the contribution amounts for the selected month. Determine that the salary amount being used is the correct salary rate by reviewing the member's file.	1		
6. Perform tests on the selections to verify that the contribution amounts for both the DCP and the SIP for random pay periods were properly included in the funds received from OSF by review of the master file detail. Verify that the total for each pay period selected per the OSF report equals the total reflected on the deposit tickets.	1		
7. Review OPERS' comparison of amounts reflected in the OSF downloaded report to the OPERS' calculations. Review edit reports.	1		

(Updated April 14, 2011)

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

**OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) AND
UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES (URSJJ)
DEFINED BENEFIT PLANS**

**Procedures to be Performed—
Internal Audit Program—
DCP and SIP Contribution Process, Continued**

June 30, 2011

Audit Procedure	Risk Code	Performed By	W/P Ref.
8. Verify that the contribution amounts for the selections were correctly recorded per the Great West records.	1		
9. Review wire transfer letters, verifying proper signatures and amounts.	1		
10. Compare monthly wire transfers to detail from Great West to ensure all amounts are being recorded properly.	1		
11. Review monthly reconciliations performed by OPERS personnel, reconciling the OSF amounts received to the monthly OSF reports. Verify that these reconciliations were performed in a timely manner. Also verify that the person performing these reconciliations does not also have responsibility to record cash receipts or have check signing authority.	1		
12. Review the report of monthly additions or changes to participant accounts received from Great West. Make a selection of participants and verify that the information was updated on the system and a new authorization of withholding was prepared.	1		
13. Review the sampling of participants, checking the annual contributions and verifying that participant contributions met the minimum/maximum guidelines detailed in the plan.	1		

(Updated April 14, 2011)

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

**OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) AND
UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES (URSJJ)
DEFINED BENEFIT PLANS**

**Procedures to be Performed—
Internal Audit Program—
DCP and SIP Distribution Process**

June 30, 2011

Audit Procedure	Risk Code	Performed By	W/P Ref.
<p>1. Select a sample of distributions made during the period and determine whether the required documentation is on file.</p> <ul style="list-style-type: none"> I. Documentation required to be on file for retirement distribution: <ul style="list-style-type: none"> a. A signed copy of completed retirement form. b. Evidence of age (birth certificate, driver’s license, etc.). c. Evidence of years or months of service. II. Documentation required to be on file for termination distribution: <ul style="list-style-type: none"> a. Copy of signed letter of termination. III. Documentation required to be on file for death distribution: <ul style="list-style-type: none"> a. Copy of certified death certificate. IV. Documentation required to be on file for hardship withdrawal: <ul style="list-style-type: none"> a. Written and signed documentation of hardship. 	1		
<p>2. Determine whether the participant receiving the benefit is eligible using the documentation on file and the plan’s eligibility requirements.</p>	1		

(Updated April 14, 2011)

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

**OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) AND
UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES (URSJJ)
DEFINED BENEFIT PLANS**

**Procedures to be Performed—
Internal Audit Program—
DCP and SIP Distribution Process, Continued**

June 30, 2011

Audit Procedure	Risk Code	Performed By	W/P Ref.
3. Recalculate the distribution calculation amount using documentation on file and compare to the calculation performed by OPERS. Investigate any unreasonable differences.	1		
4. Confirm selected benefit distributions with the participant and compare the signatures on the confirmation with those on the application form.	1		
5. Determine that payment of distributions was authorized by OPERS by selecting distributions made per Great West records and tracing these back to a payment authorization form prepared by OPERS and signed by authorized personnel.	1		
6. Obtain the tracking spreadsheet and determine that Great West is properly processing the distributions by tracing selected distribution data per the spreadsheet to the customer's online account information.	1		

(Updated April 14, 2011)

OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

**OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) AND
UNIFORM RETIREMENT SYSTEM FOR JUSTICES AND JUDGES (URSJJ)
DEFINED BENEFIT PLANS**

**Procedures to be Performed—
Internal Audit Program—
DCP and SIP Investments**

June 30, 2011

Audit Procedure	Risk Code	Performed By	W/P Ref.
<p>1. Obtain the Great West monthly report, the cash summary prepared by Kathy McCraw, as well as the reconciliation performed by Susan Reed, and perform the following:</p> <p style="padding-left: 40px;">I. Review the reconciliation between the report amounts and the OPERS cash summary, and sight subsequent disposition of any reconciling items.</p> <p style="padding-left: 40px;">II. Test the clerical accuracy of the spreadsheets prepared by OPERS.</p>	1		
<p>2. Obtain and review a SAS No. 70 report for Great West. Consider the report to determine whether the controls, etc., at Great West provide reasonable assurance for OPERS' reliance on the financial statements prepared by the third-party administrator.</p>	4		
<p>3. For selected participants, test the fair valuation of ending investment balances. For marketable securities that have a market price, refer to the last sales or bid price of stocks and bonds or net asset value of mutual fund shares published in market listings as of the financial statement date.</p>	1		
<p>4. For selected participants, test the calculation of net change for the quarter by recomputing the difference between the beginning balance and the current value for selected investments.</p>	1		

(Updated April 14, 2011)

RISK ASSESSMENT TABLE*June 30, 2011*

Risk Level Assigned	Interpretation
1	High level risk due to high dollar volumes involved, the complexity of the control process, or the inherent risk involved with the type of account being reviewed. These areas will be reviewed once per quarter.
2	Moderate level risk due to a somewhat complex control process or average dollar volumes involved. These areas will be reviewed two to three times per year depending on account balances or the number of transactions recorded.
3	Moderate to low level risk due to smaller dollar volumes involved or the simplicity of the control process. These areas will be reviewed semiannually.
4	Low level risk due to small dollar volumes involved, the simplicity of control process, or the minimal inherent risk involved with the type of account being reviewed. These areas will be reviewed once per year.

(Updated April 14, 2011)