

OHIO AUDITOR OF STATE
KEITH FABER



**Ohio Compliance Supplement
- Implementation Guide,
Chapters and Determining
Applicable Requirements**


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Agenda

- Ohio Compliance Supplement Implementation Guide
- Chapter 1 Direct Laws
- Chapter 2 Indirect Laws & Statutorily Mandated Test
- Chapter 3 Stewardship


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**Ohio Compliance Supplement
Implementation Guide**

- This includes:
 - Introduction
 - Compliance Risk and Controls
 - Organization of OCS
 - Reporting
 - **Audit Findings**
 - Referrals to the Ethics Commission, Other State Agencies, and the IRS
 - **Appendixes**
 - **Exhibits**
 - Question and Comments


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Audit Findings

- Noncompliance Citations
- Auditee Responses to Findings
- Findings for Abuse
- Findings for Adjustment
- Findings for Recovery
- Additional Policies for Findings for Recovery for Auditor of State Audits
- Sample NOTICE OF (PROPOSED) FINDING
- Finding for Recovery Procedures for Independent Public Accountants (IPA) Referring Audit Reports


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Appendixes

- **APPENDIX A – Budgetary and Certain Related Requirements**
 - APPENDIX A-1 Transfers and Advances
 - APPENDIX A-2 Direct Charges
- The Ohio Constitution provides certain local governments the power to tax. The budgetary process is a plan to coordinate expenditures and resources. The State Legislature has adopted laws to control expenditures using tax budgets and appropriations.


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Appendixes

- **APPENDIX B – Contracts and Expenditures**
 - In addition to using tax budgets and appropriations to control expenditures, there are several specific laws concerning contracts and the expenditure of public money. Some of these laws are in the Ohio Rev. Code, while others are in local governments' charters, ordinances, and resolutions.


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Appendixes

- **APPENDIX C – Debt**
 - APPENDIX C-1 Tax and Revenue Anticipation Notes
 - The power of a taxing authority to incur debt for public purposes is a power of local self-government provided by the Ohio Rev. Code through Chapter 133, the Uniform Public Securities Law. In addition, the taxing authority's charter, ordinances and resolutions may place further restrictions (or, in the case of a charter, fewer restrictions) on the taxing authority's power to incur debt.


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Appendixes

- **APPENDIX D – Reporting**
 - The Auditor of State prescribes and requires by rules, that certain public offices prepare and file annual financial reports in accordance with generally accepted accounting principles. Certain public offices may also be required by statute, rule, or agreement to prepare and file performance or other special purpose reports.


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Appendixes


- **APPENDIX E – Deposits and Investments**
 - APPENDIX E-1 Federal Agencies
 - APPENDIX E-2 GASB No. 40
 - Depository and investment regulations for political subdivisions from Ohio Rev. Code Chapter 135 generally apply to all public offices, other than to charter municipalities which have exempted themselves by charter or ordinance and community schools.

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Exhibits

- Exhibit 1 – Citation Format
- Exhibit 2 – Public Officers' Bond
- Exhibit 4 – Elected Officials' Compensation
- **Exhibit 5 – Legal Matrices**
- **Exhibit 6 – Entities Not Included**



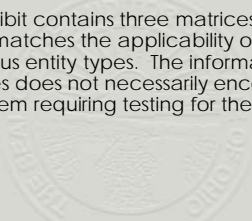
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Exhibits

- **Exhibit 5 – Legal Matrices**

- This exhibit contains three matrices. Each matrix matches the applicability of OCS steps to various entity types. The information in the matrices does not necessarily encompass every item requiring testing for these entities.



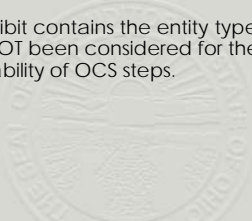
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Exhibits

- **Exhibit 6 – Entities Not Included**

- This exhibit contains the entity types which have NOT been considered for the applicability of OCS steps.



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Chapter 1 Direct Laws

- “Direct and material compliance” refers only to laws a government’s information system (which includes its accounting system) must “capture” to determine financial statement amounts and required disclosures. Therefore, we have classified a law as direct in this OCS if noncompliance has the potential to materially misstate the financial statements.
- Chapter 1 of this compliance supplement includes “direct” laws.

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Chapter 1 Direct Laws

- This includes “direct laws”:

 - **Budgetary Requirements**
 - Annual appropriation measures – classification
 - Establishing funds and Permission to establish special funds
 - **Debt**
 - Foundation anticipation notes
 - Governments investing in their own securities
 - **Accounting and Reporting**
 - Annual financial reporting
 - **Other Laws and Regulations**
 - Liability Self Insurance
 - Allocating township trustee and fiscal officer compensation
 - **Appendix A: Agriculture Society Compliance Supplement**

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Chapter 2 Indirect Laws & Statutorily Mandated Test

- Chapter 2 includes “indirect” laws. Chapter 2 also includes laws that statutes mandate auditors to test during an audit.
- In addition to the “direct,” “indirect,” and “mandated compliance tests” discussed above the Auditor of State has identified laws of significant public interest due to stewardship considerations. Citizens and public officials want and need to know whether governments are handling their funds properly and complying with laws and regulations. Public officials entrusted with public resources are responsible for complying with those laws and regulations. Chapter 3 includes tests for these “stewardship” laws.

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Chapter 2 Indirect Laws & Statutorily Mandated Test

- This includes “indirect laws” :
 - **Budgetary Requirements**
 - Appropriations limited by estimated revenue
 - Restrictions on appropriating and expending money
 - **Contracts and Expenditures**
 - Internet- or computer-based community school cannot contract with a nonpublic school for instructional facility space
 - **Accounting and Reporting**
 - Required accounting records
 - Accounting for management company expenses

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Chapter 2 Indirect Laws & Statutorily Mandated Test

- **Deposits and Investments**
 - Eligible investments for interim monies; inactive deposits and maturities
 - Other allowable investments for subdivisions other than counties
- **Other Laws and Regulations**
 - Sponsor monitoring of community school
 - Disposition of fines and other moneys for mayor’s court

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Chapter 2 Indirect Laws & Statutorily Mandated Test

- **Statutorily Mandated Tests**
 - **Contracts and Expenditures**
 - Force accounts - Counties
 - **Accounting and Reporting**
 - Security controls over counties’ electronic (i.e. internet) transactions
 - **Other Laws and Regulations**
 - Various ORC Sections: Fraud and Abuse; Conflict of Interest; Ethics
 - Anti-Bullying Provisions


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Chapter 3 Stewardship

- This Ohio Compliance Supplement chapter provides a simplified process for assessing the government's compliance with these requirements.




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Chapter 3 Stewardship

- This includes:
 - **General**
 - Deposits of public money
 - Political activities prohibited
 - **Community Schools**
 - Dropout Prevention and Recovery School Eligibility Requirements
 - **Commissaries**
 - Establishment and accounting treatment for commissaries
 - **Courts**
 - Disposition of unclaimed fees and costs
 - Municipal court records

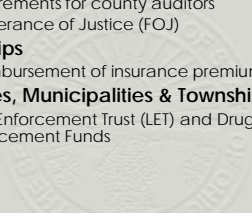


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Chapter 3 Stewardship

- **Counties and County Hospitals**
 - Mandates training and continuing education requirements for county auditors
 - Furtherance of Justice (FOJ)
- **Townships**
 - Reimbursement of insurance premiums
- **Counties, Municipalities & Townships**
 - Law Enforcement Trust (LET) and Drug Law Enforcement Funds



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