



Dave Yost • Auditor of State



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MANAGEMENT LETTER

Ohio Senate
Statehouse, 1 Capitol Square
Columbus, Ohio 43215

We are auditing the basic financial statements of the State of Ohio in accordance with *Government Auditing Standards* as of and for the year ended June 30, 2015, and will issue our opinion thereon.

Government Auditing Standards require us to report significant internal control deficiencies, fraud, and illegal acts (including noncompliance with laws and regulations), and also abuse and noncompliance with contracts and grant agreements that could directly and materially affect the determination of the State of Ohio's financial statement amounts. We will issue the required report for the year ended June 30, 2015.

The Ohio Senate is part of the primary government of the State of Ohio. While we have applied audit procedures to the Ohio Senate, our procedures are designed to detect matters the preceding paragraph describes that could be material to the State's financial statements. Accordingly, these procedures may not detect misstatements, control deficiencies, or noncompliance that might be significant to the Ohio Senate. However, the procedures we performed at the Ohio Senate did not identify matters we must report in the statewide report *Government Auditing Standards* requires.

We are also submitting the following comment for your consideration regarding the Ohio Senate's noncompliance with applicable state laws and regulations and on its internal controls. This comment reflects a matter that does not require inclusion in the report *Government Auditing Standards* requires. Nevertheless, this comment represents a matter for which we believe improvements in compliance or internal controls or operational efficiencies might be achieved.

The scope of our audit included testing procedures related to state revenues, non-payroll and payroll disbursements, inventory, and legal compliance with certain laws and regulations for the period January 1, 2013 through December 31, 2014.

Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing these recommendations. However, this comment reflects our continuing desire to assist the Ohio Senate. If you have questions or concerns regarding this comment, please do not hesitate to contact us.

1. FRAUD-REPORTING SYSTEM

Ohio Rev. Code (ORC) § 117.103 (B) states, in part:

- (1) A public office shall provide information about the Ohio fraud-reporting system and the means of reporting fraud to each new employee upon employment with the public office. Each new employee shall confirm receipt of this information within thirty days after beginning employment. . . .
- (2) On the effective date of this section, each public office shall make all its employees aware of the fraud-reporting system required by this section.

1. FRAUD-REPORTING SYSTEM (Continued)

- (3) Divisions (B)(1) and (2) of this section are satisfied if a public office provides information about the fraud-reporting system and the means of reporting fraud in the employee handbook or manual for the public office. An employee shall sign and verify the employee's receipt of such a handbook or manual.

The Ohio Senate hired approximately 121 new employees during the audit period. As part of the orientation process, the Ohio Senate notified new employees of ORC § 117.103 and required the employees complete an acknowledgement form about the fraud-reporting system. However, three of 12 (25%) new employees tested did not submit an acknowledgement form or did not submit the form timely. One form could not be located and the other two forms were submitted 45 days and 136 days after the employee's hire date.

Without all new employees acknowledging receipt of notification about the fraud-reporting system and the means of reporting fraud, the risk exists that new employees are unaware of the fraud-reporting system and how to handle possible fraud within their entity. This could lead to possible or actual fraud not being reported to the appropriate officials.

We recommend the Senate continue to provide information about the fraud-reporting system and the means of reporting fraud to all new employees. Additionally, we recommend the Senate implement a control procedure (for example, a tickler file) to monitor and follow up with all new employees who have not submitted the acknowledgement form. This control procedure should be performed before the 30-day deadline expires. Also, all returned forms should be maintained and easily retrievable in accordance with an approved records retention schedule.

On June 30, 2015, we delivered a draft of this Management Letter to the Ohio Senate's management and provided them with an opportunity to have an exit conference to discuss its contents. The Ohio Senate has elected not to have an exit conference or to formally respond to this Management Letter. This letter is intended for the information and use of State of Ohio management and the Ohio General Assembly.



Dave Yost
Auditor of State
Columbus, Ohio

July 7, 2015



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OHIO SENATE

FRANKLIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 23, 2015