

# OHIO AUDITOR OF STATE KEITH FABER



**From:** Auditor of State's Center for Audit Excellence  
**To:** All IPA Firms  
**Subject:** 2025 Ohio Compliance Supplement (OCS) Chapter 4  
**Date:** May 14, 2025

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Chapter 4 of the 2025 Ohio Compliance Supplement (OCS) has been posted to the State Auditor's website at <http://www.ohioauditor.gov/references/compliancemanuals.html>. (If you have trouble seeing the 2025 version of Chapter 4 at this link, please refresh your screen or hit F5.)

As a reminder, all other sections of the 2025 OCS were posted in November 2024. Schools operate on a June 30 fiscal year end basis and legislative changes impacting school audits are often still occurring after our November release. For this reason, steps that are *only* applicable to Traditional Schools, Community Schools, ESCs, or STEM/STEAM Schools are self-contained in Chapter 4 to allow AOS to update and release school compliance changes separately from the remainder of the Supplement at a more appropriate time. Sections of the OCS which apply to schools *and* other entity types are retained in Chapters 1-3 or the OPM.

A summary of Chapter 4 changes from 2024 to 2025 is attached. School audit years ending 6/30/25 must include the new 2025 Chapter 4.

Please review the HB 257 message that was posted on 5/12/25, as related to OCS 2B-8 ([https://www.ohioauditor.gov/ipa/correspondence/2025-05/2025-05-12\\_HB257\\_Virtual\\_Meetings.pdf](https://www.ohioauditor.gov/ipa/correspondence/2025-05/2025-05-12_HB257_Virtual_Meetings.pdf)).

Questions can be directed to Kelly Berger-Davis at [kmberger-davis@ohioauditor.gov](mailto:kmberger-davis@ohioauditor.gov) or to Vance Pulley at [vrpulley@ohioauditor.gov](mailto:vrpulley@ohioauditor.gov).

# Ohio Compliance Supplement May 2025

## Ch. 4 - Summary of Changes

**NOTE: Red text throughout the 2025 Ohio Compliance Supplement is related to COVID-19 and/or the Infrastructure Investment & Jobs Act (IIJA)**

<b>Throughout</b>	<ul style="list-style-type: none"><li>- Red COVID language – Noted that red font is related to both COVID &amp; the Infrastructure Investment &amp; Jobs Act (IIJA).</li><li>- References to State &amp; Local Government Guide (SLG) updated, where appropriate, to agree to 2024 edition.</li><li>- Updated language, where needed, to sync to GASB, AU-C, etc.</li><li>- Removed old effective dates and/or guidance that are irrelevant to the periods covered by this OCS.</li><li>- Removed some instances directing auditors to ‘consult with CFAE’, where it is no longer necessary.</li></ul>
<b>Chapter 4A – Direct Laws</b>	<p><b>4A-2: Permissible expenditures for school districts participating in classroom facilities assistance programs; Interest accounting and allocation and maintenance plan funding and expenditures</b> – Clarified funding options for CFAP Projects. Added the Appalachian Community Innovation Centers Grant Program. Added guidance from SB 168 related to net indebtedness. Added note that the AOS Intranet page includes a list of OFCC projects that were closed during the fiscal year. Other clarifications made throughout.</p> <p><b>4A-4: School District Funding</b> – Removed Supplemental Information-Foundation Funding document and added links to DEW’s Level 2 Report Explanation FTE Report, and DEW’s School Finance Payment Report Line by Line Explanation. Added footnotes explaining that for ORC 3313.482 purposes: 1. a ‘qualifying school’ does not include any school operated by a district that uses an online learning model, and 2. if the school has a blended learning declaration and/or an online learning model in place, it is not required to have an online-makeup plan as well. Added guidance as a result of HB 214 for religious beliefs/practice absence policy. Updated list of allowable excused absences to agree to OAC 3301-69-02. For blended &amp; online schools, added test to determine if the school operated in a way that meets the definition of such. Other clarifications made throughout.</p> <p><b>4A-5: Community School Funding</b> – Removed Supplemental Information-Foundation Funding document and added links to DEW’s Level 2 Report Explanation FTE Report, and DEW’s Community Schools Funding Components guidance. Added guidance as a result of HB 214 for religious beliefs/practice absence policy. For blended schools (4A-5C), added test to determine if the school operated in a way that meets the definition of such.</p>
<b>Chapter 4B – Indirect Laws</b>	<p><b>4B-2: Accounting for management company expenses</b> – Added footnote as a result of updates made to 2 CFR 200 (UG), as related to the de minimis rate &amp; the effective date of the increased single audit threshold. Clarified that under Option #1 (AOS Audit of Management Co.), a separate report is not necessary; documentation of testing in the work papers is sufficient as long as it supports that sufficient assurance was obtained over the footnote presentation. Clarified that under Option #3 (AUP), if the management company accounts for the school’s federal awards, procedure 2 always applies to determine if the school qualifies for a Federal Single Audit (step 2 may not be marked n/a or performed via inquiry).</p> <p><b>4B-4: Sponsor monitoring of community schools</b> – Updated as a result of SB 168 related to: 1. an item no longer required to be in the contract between the sponsor &amp; the school, and 2. prohibiting DEW from evaluating sponsors for Fy 2025, unless the sponsor elects to be evaluated.</p> <p><b>4B-6: Board of Education and Governing Board of Educational Service Centers procedures for bidding and letting of contracts</b> – Updated the bidding threshold as a result of SB 168.</p>
<b>Chapter 4C – Statutorily Mandated Tests</b>	<p><b>4C-2: Restriction upon school district expenditures and certifying adequate revenues. Application: City, local, exempted village and joint vocational school districts</b> – Clarified SAP<sup>i</sup> 2.</p>

<b>Chapter 4D – Stewardship</b>	<p><b>4D-1: Dropout Prevention and Recovery School Eligibility Requirements</b> – Similar to Fy 2024, noted that testing of this section is suspended for Fy 2025 and is expected to be reinstated in a future OCS, once the new Dropout Recovery Advisory Council created by HB 33 has reviewed/updated the related OAC section.</p> <p><b>4D-2: Transportation T-1 and T-2 Forms</b> – Clarified T-1 Form guidance for: 1. ORC definition of ‘qualifying riders’, and 2. OAC 3301-83-01 related to open enrolled students.</p> <p><b>4D-3: College Credit Plus Program (CCP)</b> – Updated as a result of SB 104 related to required forms to be used by schools. Added additional guidance for STEM/STEAM schools, as well as JVS/CTC schools.</p>
<b>Chapter 4E – School Optional Procedures</b>	<p><b>4E-1: Five-Year Projections</b> – Clarified and expanded SAPs over testing of five-year forecasts.</p> <p><b>4E-2: Capital and maintenance reserve account</b> – Updated statewide average base cost per pupil amount.</p> <p><b>4E-4: Community School Audit Fee Bond</b> – Removed reference to auditors checking CFAE master community school spreadsheet, and replaced with guidance that auditors should ask the client to provide support that they filed their bond/written guarantee with AOS.</p>
<b>Anti-Bullying AUP (related to OCS 4C-1)</b>	<p>Minor edits made.</p>

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<sup>i</sup> SAP = Suggested Audit Procedure