

OHIO AUDITOR OF STATE KEITH FABER



From: Auditor of State's Center for Audit Excellence

To: All IPA Firms

Subject: 2026 Ohio Compliance Supplement

Date: November 21, 2025

The 2026 OCS has been posted to <http://www.ohioauditor.gov/references/compliancemanuals.html>. (If you have trouble seeing the 2026 OCS at this link, please refresh your screen or hit F5.)

A summary of changes from 2025 to 2026 is attached. Audit years ending 12/31/2025 must include the new 2026 OCS if compliance testing has not yet started. If you have already pulled the 2025 compliance supplement into your 12/31/2025 (or later) project you must evaluate which edits are considered significant to your engagement and therefore require replacing or adding the corresponding updated sections. You may include the attached file in your work papers with cross references to updated compliance testing where applicable, for the remaining modified sections.

A couple of important notes:

1. For those auditors involved with performing audits of the state retirement systems, please specifically refer to footnote 9 of the OCS-Exhibit 6 tab of the 2026 Legal Matrix spreadsheet which notes that employees of the state retirement systems are not considered state employees for the purposes of Ohio Rev. Code § 117.103.
2. In addition to testing performed within the Ohio Compliance Supplement, auditors of state institutions of higher education should be aware of and perform testing related to the enactment of Ohio Rev. Code § 3333.074 regarding information which must be filed with the chancellor of higher education and Ohio Rev. Code § 3345.591 which includes a requirement for auditors to audit safeguards implemented by the state institutions of higher education under division (E) of this section in the course of their financial audits. These changes are **in addition** to other compliance testing included in the Ohio Compliance Supplement and are a result of HB 96 (136th GA) effective September 30, 2025.

Questions may be directed to Vance Pulley, Technical Lead, with the AOS Center for Audit Excellence at vrpulley@ohioauditor.gov.

Ohio Compliance Supplement 2026

Summary of Changes

NOTE: Red text throughout the 2026 Ohio Compliance Supplement is related to COVID-19 and/or the Infrastructure Investment & Jobs Act (IIJA)

Throughout	<ul style="list-style-type: none">• Red COVID language – removed where no longer relevant to the period covered by this OCS and modified where appropriate.• Updated language, where needed, to sync to GASB, AU-C, etc. (Note: references in the 2026 OCS related to the AICPA State and Local Government Guide (SLG) are to the version effective March 1, 2024 of the guide as a 2025 guide had not yet been issued by the AICPA prior to publication of the OCS.)• Removed/updated references to dates that are irrelevant to the periods covered by this OCS.• Added section headers to each section to better identify the general subject content of each section.
Chapter 1	<p>Introduction – Added important note regarding the implementation of GASB 103 and its impact on government’s presentation of budgetary comparisons when reporting GAAP.</p> <p>1-1: <u>Budgetary</u> - Annual appropriation measures – classification – Updated language related to amounts/funds subject to budgeting consistent with changes in HB 96 and clarified AOS policy regarding nonexpendable principal including an example.</p> <p>1-2: <u>Budgetary</u> - Restriction upon appropriation and expenditure of money – Added guidance related to the implementation of GASB 103.</p> <p>1-4: <u>Budgetary</u> - Establishing funds and permission to establish special funds – Reorganized funds into lists of funds which “must” be established and “may” be established. In addition, the section was revised with updates for HB 96 and guidance related to cannabis funding. Furthermore, this section includes extensive updates consistent with the updated May 2025 USAS Manual.</p> <p>1-5: <u>Budgetary</u>: Distributing revenue derived from tax levies, proceeds from sale of bond issue, proceeds from sale of permanent improvement – Removed language regarding the prohibition of a Township paying certain expenses from general levies. Changes made to HB 315 rendered this guidance irrelevant. In addition, added guidance that, for schools, a fund’s special cost centers are considered in aggregate for evaluating compliance with Ohio Rev. Code § 5705.10 (negative fund balances).</p> <p>1-6: <u>Budgetary</u> - Transfer of funds – Modified based upon change to HB 96 which changed the numbering of the requirement for a county’s establishment of the children services fund from Ohio Rev. Code § 5101.144 to 5180.411.</p> <p>1-8: <u>Budgetary</u> – Reserve balance accounts and funds – Updated language related to certain reserve balance accounts and funds treatment for unencumbered balances based upon changes included in HB 96. In addition, added suggested audit procedure for testing disbursement transactions from a county board of developmental disabilities reserve balance account established under Ohio Rev. Code § 5705.222 and made pertinent edits related to this section included in HB 96.</p> <p>1-9: <u>Other Laws and Regulations</u> – County Children Services Fund – Similar to OCS 1-8, updated references for the children services fund resulting from changes in HB 96.</p> <p>1-10: <u>Debt</u> - Issuing or retiring bonds and notes – Added information regarding townships borrowing money under Ohio Rev. Code § 505.86 and Ohio Atty General Opinion 2025-001 which opined that county land reutilization corporations are not financial institutions for purposes of Ohio Rev. Code 505.86(F).</p> <p>1-13: <u>Debt</u> – Governments investing in their own securities – Added Ohio Rev. Code § 731.59 regarding custody of securities belonging to the treasury of any municipal corporation.</p> <p>1-14: <u>Accounting and Reporting</u> - Annual financial reporting – Updated language in Ohio Rev. Code § 117.38 regarding budgetary comparison information reporting as included in HB 96. Included guidance related to this change in a footnote for the different bases of accounting.</p>

	<p>1-16: <u>Other Laws and Regulations</u> - Health care self-insurance – Added footnote to clarify actuarial certifications.</p> <p>1-21: <u>Other Laws and Regulations</u> – Permanent endowment funds – Added requirements related to conservancy districts and Ohio Rev. Code § 6101.47 regarding charitable trusts and social welfare trusts as enacted under HB 315.</p> <p>1-24: <u>Other Laws and Regulations</u> – Expenditures by solid waste management districts– Added footnote regarding how a county can withdraw from a joint solid waste management district under Ohio Rev. Code § 3734.522 (SB 147).</p> <p>Appendix A: <u>Agricultural Societies</u> – Updated reporting language regarding a legally adopted budget.</p>
Chapter 2	<p>2A-1: <u>Budgetary</u> = Appropriations limited by estimated revenue – Updated to add previously omitted language from Ohio Rev. Code § 5705.39.</p> <p>2A-2: <u>Budgetary</u> - Restrictions on appropriating and expending money – Add red COVID language regarding “deemed appropriated consistent with language included in OCS 1-2. In addition, added information regarding the budgetary guidance being prior to GASB 103 implementation.</p> <p>2A-3: <u>Contracts and Expenditures</u> - Municipal contracts – Updated thresholds, where appropriate. Additionally, clarified ORC sections related to certain exclusions from requirements. Furthermore, added requirements for Ohio Rev. Code § 9.24 (AOS FFR Database).</p> <p>2A-5: <u>Contracts and Expenditures</u> - County notice and other bid procedures – Updated thresholds, where appropriate. Added requirement regarding Ohio Rev. Code § 153.44 for the submission of plans to be submitted to certain officials within the County. Also, added exemption from bidding of minor repairs under Ohio Rev. Code §153.31. Additionally, added exemption under Ohio Rev. Code §153.36 for courthouse and jail projects. Further, updated advertisement requirements as enacted in HB 497. Furthermore, added requirements for Ohio Rev. Code § 9.24 (AOS FFR Database).</p> <p>2A-6: <u>Contracts and Expenditures</u> – Township’s expenditures and competitive bidding – Updated thresholds, where appropriate. Also, updated Town hall requirements as updated in HB 315. Modified requirement under Ohio Rev. Code § 5549.21 which previously required payments on account of machinery, tools, material and labor to be made from the Township Road Fund. These payments may now also be made from the Township’s General Fund under modifications from HB 315. In addition, updated the advertising requirements for contracts under various sections of the ORC. Furthermore, added requirements for Ohio Rev. Code § 9.24 (AOS FFR Database).</p> <p>2A-9: <u>Contracts and Expenditures</u> - Bidding required on improvement contracts (Colleges & Universities) – Updated information regarding thresholds and added information regarding where to find applicable thresholds, where appropriate. Also, updated wording changes to Ohio Rev. Code § 9.312 consistent with changes from HB 96.</p> <p>2A-12: <u>Contracts and Expenditures</u> - Prevailing wage rates in public works contracts – Updated to include language and references from Ohio Rev. Code § 4115.05. In addition, removed footnote regarding 2008 Op. Att’y Gen. No. 2008-007 as the result of a court ruling.</p> <p>2A-13: <u>Accounting and Reporting</u> – Required accounting records – Updated to provide additional language as included in the Ohio Administrative Code. Reorganized the section slightly to be clear to differentiate between OAC and GASB requirements. In addition, updated for the addition of Ohio Rev. Code § 4113.51 from HB 106 (Pay Stub Protection Act).</p> <p>2A-13: <u>Accounting and Reporting</u> – Required accounting records – Updated to provide additional language as included in the Ohio Administrative Code. Reorganized the section slightly to be clear to differentiate between OAC and GASB requirements. In addition, updated for the addition of Ohio Rev. Code § 4113.51 from HB 106 (Pay Stub Protection Act).</p> <p>2A-14: <u>Deposits and Investments</u> – Eligible investments for interim monies – Removed Ohio Rev. Code § 135.144 which was repealed by HB 96. (Please note that Ohio Rev. Code § 135.145 is still in effect and contains similar requirements.) Additionally, there is an added footnote regarding the enactment of Ohio Rev.</p>

Code § 135.032 in HB 301 regarding institutions that are party to a prompt corrective action. Furthermore, Ohio Rev. Code § 135.03 was modified under HB 96 to clarify that eligible institutions under this section must have a banking office located in Ohio for an entity to be compliant.

2A-15: Deposits and Investments – Other requirements – Added link to certification of exemption form.

2A-17: Deposits and Investments - Security for repaying county (and county hospital) public deposits – Updated FDIC language to match FDIC guides.

2A-18: Deposits and Investments – Eligible investments for inactive county money – Added footnote regarding the enactment of Ohio Rev. Code § 135.032 regarding institutions that are party to a prompt corrective action. Also, removed footnote related to commercial paper which was no longer necessary as a result of changes in HB 96. In addition, updated list of nations the US does not diplomatically recognize.

2A-19: Deposits and Investments - Other County and County Hospital Investment Requirements – Updated because of the repeal of Ohio Rev. Code 135.144 under HB 96.

2A-21: Other Laws and Regulations – Political subdivision cybersecurity and adoption of a cybersecurity program (NEW SECTION) – Added section to test the requirements of Ohio Rev. Code § 9.64 and AOS Bulletin 2025-007 regarding cybersecurity and cybersecurity programs. **Important:** Auditors should pay special attention to the “Important Testing and Reporting Considerations” guidance included within this section.

2B-1: Contracts and Expenditures - Force accounts for certain municipal corporations – Updated thresholds, where appropriate. Added safe harbor percentages from ODOT’s website. In addition, this section was modified throughout related to 2008 Op. Att’y Gen. No. 2008-007 and the outcome of *State ex rel. Renwand v. Bd. of Huron Cnty. Comm’rs, 2010-Ohio-1477 ¶ 32 (6th Dist.)*. Although the decision in *State ex rel. Renwand v. Bd. of Huron Cnty. Comm’rs, 2010-Ohio-1477* addresses a county force account project, the Auditor of State will apply the principles of *Renwand* to municipal corporations and townships undertaking force account projects. In addition, information from Ohio Rev. Code § 5517.02 was added regarding projects undertaken by ODOT and subcontracted work.

2B-2: Contracts and Expenditures - Force accounts for Counties – Updated thresholds, where appropriate. In addition, updates similar to *State ex rel. Renwand v. Bd. of Huron Cnty. Comm’rs, 2010-Ohio-1477 ¶ 32 (6th Dist.)* changes mentioned in 2B-1 above were made to this section as well. Also, added safe harbor percentages form ODOT’s website.

2B-3: Contracts and Expenditures - Force accounts for Townships – Updated thresholds, where appropriate. In addition, updates similar to *State ex rel. Renwand v. Bd. of Huron Cnty. Comm’rs, 2010-Ohio-1477 ¶ 32 (6th Dist.)* changes mentioned in 2B-1 above were made to this section as well. Also, added safe harbor percentages form ODOT’s website.

2B-5: Other Laws and Regulations - Landfill financial assurance responsibility and certifications; Solid waste transfer facility financial assurance responsibility and certifications – Various clarifications made throughout section to clarify the requirements including guidance from the Ohio EPA related to when the post-closure care period ends for solid waste landfills.

2B-6: Other Laws and Regulations - Education Requirements – Various edits made throughout related to changes from HB 96 including requirement for fiscal officers to maintain supporting documentation for trainings attended. In addition, added Ohio Admin Code Section 117-14-02 which is the rule requiring fiscal officers to enter hours into the Fiscal Integrity Act portal. Also, updated guidance on obtaining CPIM confirmations from the Treasurer of State’s office, including instructions, as these hours can now be obtained from the TOS Touchpoint system.

2B-7: Other Laws and Regulations - Fraud and abuse; conflict of interest; ethics – Updated to include Ohio Ethics Commission Advisory Opinion No. 2025-01 and AOS Bulletin 2025-012 regarding the use of frequent flyer miles and other rewards points accrued during official business by public officials and employees. Also added a footnote containing guidance regarding the applicability of fraud training under Ohio Rev. Code § 117.103 to employees of the state retirement systems.

2B-8: Other Laws and Regulations - Ohio Sunshine Laws – Added Ohio Rev. Code § 121.221 regarding virtual meetings as enacted in HB 257. Also added a footnote related to video records and whether they

	<p>represent public records. Removed references to AOS Bulletin 2021-007 which was superseded by AOS Bulletin 2025-014 and added footnote regarding this matter. Details of the requirements will be included for testing in the 2027 OCS.</p>
Chapter 3	<p>3-3: <u>General</u> - Appointments, compensation, contracts, etc. – Updated virtual meeting footnote applicable to entities for virtual participation for the enactment of Ohio Rev. Code § 121.221 in HB 257. Also added information related to Ohio Rev. Code § 325.25 regarding programs to recognize outstanding employee performance by counties. In addition, footnote was added related to Ohio Rev. Code § 305.021, as enacted by HB 96, related to county engineer supplemental compensation when serving as another county’s engineer.</p> <p>3-4: <u>General</u> – Prohibited political activities – Added guidance regarding Ohio Rev. Code § 9.03 related to levy and bond issuance campaigns and reference to AOS Bulletin 2025-010 and AOS FAQs related to these issues.</p> <p>3-9: <u>Courts</u> – Records required of county courts – Added information regarding the differences between a county court and other courts at a county and included a hyperlink to the Ohio Supreme Court website which contains a listing Ohio trial courts by County.</p> <p>3-12: <u>Courts</u> – Court collection, custody and disbursement of fees, fines, costs, and deposits – Added references to the section which were amended by legislation (HB 338 and 96) since the previous issuance of the Ohio Compliance Supplement. In addition, removed Ohio Rev. Code § 5310.05-.06 were removed as these sections were repealed. Also, added clarification and a footnote related to penalties for late filing of monies collected under Ohio Rev. Code § 3109.14.</p> <p>3-14: <u>Other Laws and Regulations</u> – Counties FOJ – Removed reference to testing disbursements only if significant unusual items are noted by auditors through scanning procedures within the Sample Questions and Procedures section. Testing of disbursements is required annually as noted in Step 8 in the FOJ Audit Program Steps portion of this OCS section.</p> <p>3-15: <u>Other Laws and Regulations</u> – Twp Reimbursement of ins. Premiums – Updated thresholds, where appropriate. In addition, clarifications were made to the Sample Questions and Procedures when reimbursements are identified.</p> <p>3-16: <u>Other Laws and Regulations</u> - Cafeteria Plans – Updated thresholds, where appropriate.</p>
Implementation Guide	<p>Introduction:</p> <ul style="list-style-type: none"> Added clarification about the requirements of AU-C 250 and GASB 103. <p>Findings for Recovery – Clarifications made throughout, including, but not limited to:</p> <ul style="list-style-type: none"> Auditors should contact their assigned legal counsel if a pattern of paying later fees, penalties and/or interest charge exists to determine if gross negligence occurred. Added footnote regarding AOS Bulletin 2025-013 in relation to the reimbursement of sales tax by tax-exempt public offices. Added footnote for AOS auditors regarding the location of documentation gathered by SIU in a preliminary investigation and available to AOS regions. Clarified that AOS auditors should consult with CFAE regarding potential FFRs whether disapproved or denied by AOS Legal. Added clarification that proposed FFR notices must state an individual against whom the FFR is proposed may review the working papers. Added guidance in footnotes regarding naming bonding companies and employee dishonesty and faithful performance of duty policies in findings and clarified general liability insurance should not be named in findings. Clarifies the issuance (or lack thereof) of an FFR when the government identifies the FFR before the auditors do and the finding is repaid or resolved. Added footnotes requiring auditors to review repayment plans in subsequent audits to very terms were or are being met. Updated FFR examples to follow current AOS policy and guidance regarding the issuance of FFRs including the wording of findings referring to Ohio Rev. Code Chapter 117 rather than Ohio Rev. Code § 117.24 or 117.28.

	<p>Findings for Waste or Abuse – Added definitions regarding waste and abuse based upon GAO’s Yellow Book and AOS Bulletin 2024-005.</p> <p>Appendix A – Budgetary and Certain Related Requirements – Clarified that guidance applies prior to implementation of GASB 103. Upon implementation of GASB 103 budgetary information will need to be reported following as RSI when reporting following GAAP.</p> <p>Appendix B – Contracts & Expenditures – Updated bidding thresholds and certain language which was modified by HB 96.</p> <p>Appendix C – Tax and Revenue Anticipation Notes –Added addition language related to Ohio Rev. Code § 5705.2112 and 5795.233.</p> <p>Appendix E – Updates made to Federal Agencies table, as needed.</p> <p>Exhibit 4 – Changes to compensation – Added information regarding compensation tables updated by HB 96 for county and township officials. In addition, added a footnote regarding the timing of these changes to elected official’s pay.</p>
Matrix	<p>Throughout:</p> <ul style="list-style-type: none"> Updated to agree to edits made in corresponding OCS sections (ORC’s, etc.) <p>Exhibit 5:</p> <ul style="list-style-type: none"> Step 1-1 – Updated applicability to certain governments (Joint Township and Union Cemeteries). FN 81 – Added footnote related to Ohio Rev. Code § 6101.44 and conservancy district funds. Step 2-21 – Added section related to new cybersecurity requirements and marked subdivisions applicable. Step 2B-7 – Added Agricultural Societies to the list of applicable entities. FN 2 and 16 – Clarified language regarding the applicability of budgetary requirements. FN 4 and 63– Updated footnotes regarding changes made to Ohio Rev. Code § 121.37 in HB 96. FN 68 – Added clarification that Ohio Rev. Code § 9.24 applies to Park Districts. FN 74 – Clarified that Ohio Rev. Code § 4115.05 regarding prevailing wages do not apply to school districts or educational service centers. <p>Exhibit 6:</p> <ul style="list-style-type: none"> JEDD and JEDZ – Added references to footnote 7 to which this footnote now applies because of HB 257. FN 5- Removed previously included language regarding this footnote being new guidance. FN 8 – Added footnote clarifying that, notwithstanding ORC 121.22(C), OPERS, OPFPF, SERS, and OHPRS may adopt a policy to allow board members to attend meetings via video conference because of HB 257. FN 9 = Added clarification that employees of the state retirement systems are not state employees for the purposes of Ohio Rev. Code § 117.103. <p>OPM Legal Matrix:</p> <ul style="list-style-type: none"> Step O-3– Removed County from being listed as applicable for this section as O-4 is included to test counties.
OPM	<p>O-1: <u>Budgetary</u> – Certification of available revenue – Similar to updates made in OCS 1-1 and 1-8, updated language related to the certification of unencumbered balances for certain funds consistent with changes in HB 96 and clarified AOS policy regarding nonexpendable principal including an example.</p> <p>O-3: <u>Deposits and Investments</u> – Allocating interest among funds for subdivisions other than counties – Clarified the definition of revenue under 7 CFR § 210.2 includes state revenues and Federal cash reimbursements.</p> <p>O-5: <u>Contracts and Expenditures</u> - County credit and procurement cards – Updated footnote regarding Amazon Business Prime (and other similar) memberships.</p> <p>O-7: <u>Contracts and Expenditures</u> - Government credit cards & purchasing cards – Added similar footnote as contained in O-5 related to Amazon Business Prime (and other similar) memberships. Also, added</p>

	<p>a footnote regarding SB 138 requiring ADAMH boards to adopt a credit card policy if they have not already done so in accordance with Ohio Rev. Code § 9.21.</p> <p>O-9: <u>Accounting and Reporting</u> – Books to be kept by the clerk of court of common pleas – Added requirement enacted by HB 96 requiring clerk of courts to make available online the general docket of the court for remote access and printing including all individual documents in each case file pertaining to criminal cases filed.</p> <p>O-12: <u>Other Laws and Regulations</u> - Allocating Audit Costs – Updated to agree to AOS Bulletin 2025-006.</p> <p>O-13: <u>Other Laws and Regulations</u> - Continuing Professional Training (CPT) for law enforcement agencies – Revised step due to the expiration of the previously tested pilot program to incorporate the current training and associated requirements.</p>
FFR Letters & Standardized Comment	<p>Notice of Proposed & Approved FFR Letters and Standardized FFR Comment –Changed references in actual FFR language from Ohio Rev. Code § 117.24 or 117.28 to Ohio Rev. Code Chapter 117. In addition, edits were made regarding naming bonding companies and employee dishonesty and faithful performance of duty policies in findings. <i>Will be posted soon.</i></p>

Important Note: The above listing is to assist in locating updates within the 2026 Ohio Compliance Supplement. For the complete wording and official guidance for any changes made in the 2026 Ohio Compliance Supplement, please refer to the official 2026 Ohio Compliance Supplement Publication on the [AOS website](#).