

OHIO AUDITOR OF STATE
KEITH FABER

2025 LGOC

Ohio Compliance Supplement 2025 Updates

Kelly Berger-Davis, Center for Audit Excellence

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Agenda

- What is the Ohio Compliance Supplement?
- 2025 Updates – Ch. 1-3, OPM & IG
- Implementation Guide – Topics Covered

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What is the OCS?

- OCS = Ohio Compliance Supplement
- Contains certain laws and regulations which are:
 - of the type auditors generally consider direct and material
 - or of considerable public interest
- Is not a comprehensive listing of applicable laws and regulations
- Is designed to help auditors and public offices identify and familiarize themselves with certain laws and regulations

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Updates - When/How Often? How to Identify Changes?

- Updated annually
- Main OCS normally issued by December
- Ch. 4 (school chapter) normally issued by June
- Changes marked with ~~strike-out~~, double underline or wavy-underline

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What is the effective date?

2025
OCS

Engagements of FYE
12/31/24 – 11/30/25

2024
OCS

Engagements of FYE
12/31/23 – 11/30/24

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Where is the OCS?

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AUDITS LOCAL GOVERNMENTS OPEN GOVERNMENT TRAINING RESOURCES CONTACTS ABOUT NEWSROOM

Reference Materials

Clients & IPA Firms

Frequently Asked Questions
GASB FAQs
Library FAQs and Program Codes
Other Accounting FAQs
Financial Statement Shells & Notes
• GAAP
• DCBOA
• Regulatory

Ohio Compliance Supplement Manuals

2025

- Ohio Compliance Supplement Implementation Guide (pdf)
- The Compliance ACE is available in Exhibit 3
- Legal Matrix (xlsx)

Ohio Compliance Supplement Manual (pdf)

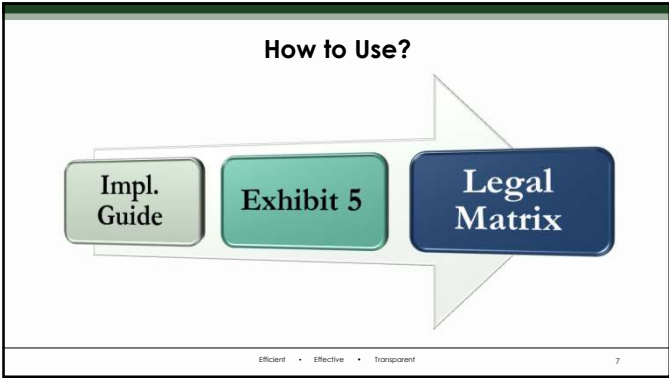
- Chapter 1 – Direct Laws (pdf) (docx)
- Chapter 2 – Indirect Laws and Statutorily Mandated Tests (pdf) (docx)
- Chapter 3 – Stewardship (pdf) (docx)

Optional Procedures Manual (docx)

<http://www.ohioauditor.gov/references/compliancemanuals.html>

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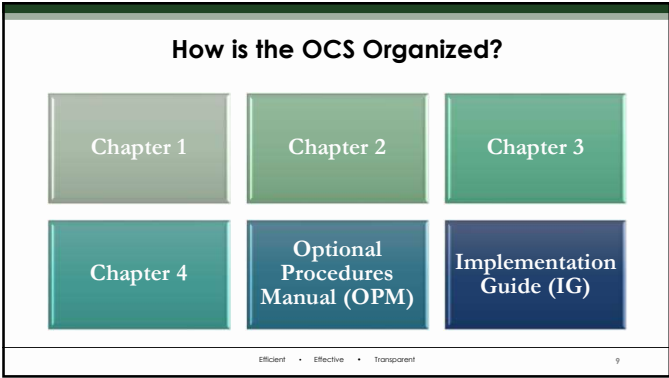
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Legal Matrix

Step No.	Requirement	Township	Tribal School	Union Cemetery Bureau	Village
General Budgetary Requirements (1-1 through 1-3)					
1-1	ORC 1705.18: Annual appropriation measures - classification	✓	✓	✓	✓
1-2	ORC 1705.40(2), and 1705.42: Restriction upon appropriating revolving money - certificate of fiscal officer	✓	✓	✓	✓
1-3	ORC 1705.40: Anticipating or supplementing appropriations, contingencies	✓	✓	✓	✓
1-4	ORC 1705.09: Establishing Bonds and 1705.12: Permission to establish special Bonds	✓	✓	✓	✓
1-5	ORC 133.01, 1343.23, 1313.20, 1313.33, <u>1449.22</u> : Various 1705 Sections, 1705.28: Distribution of levy revenue	✓	✓	✓	✓
1-6	ORC 1705.09 and 1705.14-16: Transfer of Bonds	✓	✓	✓	✓

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2023 Ohio Compliance Supplement **Direct Laws**
Section 1-2

1-2 Compliance Requirements: Ohio Rev. Code §§ 5705.41 (D) and 5705.42 - Restriction upon appropriation and expenditure of money – certificate of fiscal officer.

Summary of Requirements:
The authorization of a bond issue is *deemed an appropriation* of the proceeds of the bond issue for the purpose for which such bonds were issued. No expenditure shall be made from any bond fund until first authorized by the taxing authority. [Ohio Rev. Code § 5705.41(A)]

Similarly, Federal and State grants or loans are “*deemed appropriated*”⁷ for such purpose by the taxing authority” as provided by law and shall be recorded as such by the fiscal officer of the subdivision, and is deemed in process of collection [Ohio Rev. Code § 5705.42].

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In determining how the government ensures compliance, consider the following:	What control procedures address the compliance requirement?	W/P Ref.
<ul style="list-style-type: none"> • Policies and Procedures Manuals • Knowledge and Training of personnel • Checklists • Review/Comparison/Recomputations of Purchase Documents • Budgetary/Purchasing Accounting/Monitoring System • Legislative and Management Monitoring • Management’s identification of changes in laws and regulations • Management’s communication of changes in laws and regulations to employees – Policies and Procedures Manuals 		

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Suggested Audit Procedures - Compliance (Substantive) Tests:

1. Search for material unrecorded liabilities and/or encumbrances at year end. Refer to minutes and records immediately following the fiscal year cutoff date.
2. During the search for material unrecorded liabilities and/or encumbrances at year end, compare the date of the fiscal certificates with invoice dates, noting whether or not the certificate date precedes the invoice/obligation date and was recorded as an encumbrance in the proper year.

Note:

 - The obligation date may precede the invoice date. If separately identified, use the obligation date when determining compliance.
 - If the government does not expect to complete the project in the current year, the remainder of the project must be appropriated immediately in the subsequent year(s).⁷

5 **Audit implications** adequacy of the system and controls, and the direct and material effects of non-compliance, effects on the audit opinions and/or footnote disclosures, significant deficiencies/material weaknesses, and management letter comments:

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Legislative Bills With OCS Impact

HB1	HB2	HB8	HB34	HB47
HB50	HB52	HB56	HB61	HB68
HB70	HB101	HB147	HB158	HB161

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Legislative Bills With OCS Impact

HB179	HB195	HB202	HB206	HB214
HB226	HB250	HB251	HB253	HB269
	HB301	HB432	HB466	

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Legislative Bills With OCS Impact			
SB10	SB16	SB17	SB28
SB29	SB40	SB43	SB56
SB81	SB90	SB91	SB94

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Legislative Bills With OCS Impact			
SB98	SB104	SB106	SB112
SB144	SB156	SB168	SB175
SB208	SB214	SB225	

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Throughout OCS	
Red COVID Language <ul style="list-style-type: none"> Removed where no longer relevant to the period covered by this OCS. Changed some red language to black font, where it now applies in general (not COVID specific). Noted that red font is related to both COVID & the Infrastructure Investment & Jobs Act (IIJA). 	
State & Local Government Guide (SLG) <ul style="list-style-type: none"> References to the SLG updated, where appropriate, to agree to 2024 edition. 	

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Throughout OCS

GASB, AU-C, etc.

- Updated language, where needed, to sync to GASB, AU-C, etc.

Hyperlinks

- Added hyperlinks to several prior references to Bulletins, outside documents, etc.

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Throughout OCS

DEW

- Changed references from ODE to DEW.

Old Effective Dates

- Removed old effective dates that are irrelevant to the periods covered by this OCS.

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Implementation Guide

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Implementation Guide

★ Findings for Recovery

- Changed AOS policy to issue FFR's for exact dollar/cents (no more rounding down).
- Added footnote that insurance policies that are purchased in place of a bond are treated the same as a bond for FFR purposes.
- Added footnote that for any FFR repayments related to a criminal case, the client should be reminded to notify the clerk of courts as well, so it can be properly updated in the court record;
- if connected to a restitution order, they should inform both the Clerk of Courts & the Attorney General Collections section

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Implementation Guide

Findings for Waste or Abuse

- Explained that there are times when conduct may meet the GAGAS standard of abuse, but not constitute gross neglect of duty or malfeasance under the ORC.
- Removed section titled 'Abuse in Federal Programs' due to language removed from updated Uniform Guidance.

Appendix A – Budgetary and Certain Related Requirements

- Various edits made throughout.

Appendix A-1 Transfers & Advances

- Updated as a result of HB 101, for dissolved villages.
- Added that GASB requires disclosures for amounts transferred from other funds by individual major fund, nonmajor governmental funds in the aggregate, nonmajor enterprise funds in the aggregate, and internal service funds in the aggregate.

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Implementation Guide

Appendix B – Contracts & Expenditures

- Updated as a result of HB 101, for competitive bidding thresholds, and added increase in thresholds by 3% for calendar year 2025.

Appendix E – Deposits & Investments

- Updates made to Federal Agencies table, as needed.

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**Implementation Guide
Legal Matrix**

Throughout

- Updated to sync to edits made in corresponding OCS sections (ORC's, etc.)

Exhibit 5

- FN 40 – Added clarification for STEAM/STEM schools related to section 4A-5 (school funding).
- ★ FN 46 – Related to section 2B-8 (StaRS), added note that AOS/IPA auditors should review the 'customer information' section in GP/IPA Portal for the AOS legal divisions determination of whether the public records act testing requirements, and the open meetings act testing requirements are applicable to the specific entity.
- FN 66 & 68 – Updated as a result of HB 101.

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**Chapter 1
Direct Laws**

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Chapter 1

1-1: Annual appropriation measures – classification

- Removed references to Agency funds.

1-2: Restriction upon appropriation and expenditure of money

- Updated some language to agree to ORC.

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Chapter 1

1-4: Establishing funds and permission to establish special funds

- Added reference to additional OneOhio Opioid Settlement guidance on AOS website.

1-6: Transfer of funds

- Updated as a result of HB 101 (ORC 5705.14(j)).
- Updated some language to agree to ORC.
- Added guidance for transfers to certain reserve accounts.

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Chapter 1

1-10: Issuing or retiring bonds and notes

- Added guidance from Bulletin 2024-002 on debt in the form of standard installment loans from private financial institutions.

1-14: Annual financial reporting

- Added Library requirement, effective for 12/31/24 financial statements, to be prepared using the more detailed program codes.
- Added OAC 117-6-01 requirement that schools follow USAS.
- Clarified step 2
- Added testing steps for library & school requirements.

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Chapter 1

1-18: Vacation and sick leave

- Various edits made throughout.

1-19: Collection of Income Tax at Source on Wages

- Clarified W-2 footnote to include independent contractors.
- Added guidance on referrals from OCS Implementation Guide related to Employee vs. Independent Contractor Status issues noted.

1-20: Definitions, rates of contributions etc.

- Added footnote on membership requirements for EMT's and other public safety officers.

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Chapter 1

Appendix A: Agricultural Societies

- Section numbers removed. ~~34~~ Debt Compliance Requirement:
- Filing Financial Reports section - removed step 4 to agree to requirements in section.
- Ohio Fairs Fund section - removed information on the Ohio Expositions Commission, as it does not relate to County or Independent Ag. Societies.

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Chapter 2A Indirect Laws

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Chapter 2A

2A-2: Restrictions on appropriating and expending money

- Updated as a result of SB 91 (ORC 5705.41(B)).

2A-3: Municipal contracts

- Updated as a result of HB 101 (ORC 731.14).
- Updated thresholds, where appropriate.

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Chapter 2A

2A-5: County notice and other bid procedures &
2A-6: Township expenditures and competitive bidding

- Updated thresholds, where appropriate.

2A-9: Bidding required on improvement contracts
(Colleges & Universities)

- Updated Board of Regents name to Department of Higher Education.
- Updated thresholds, where appropriate.

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Chapter 2A

2A-11: Separate bids and contracts required for each
class of work on buildings and other structures



- Added guidance & testing steps related to significant projects undertaken through a construction manager at risk or design-build firm.

2A-12: Prevailing wage rates in public works
contracts

- Updated thresholds, where appropriate.

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Chapter 2A

2A-19: Other County and County Hospital
Investment Requirements

- Updated footnote that any investment policies received prior to 1/2021 were retained on the S drive and not migrated to eServices/GP; any received after that date are saved only in GP.
- Updated step 6c from 'quarterly investment report' to 'monthly portfolio report', to agree to ORC.

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Chapter 2B

Statutorily Mandated Tests

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Chapter 2B

2B-1: Force accounts for certain municipal corp's

2B-2: Force accounts for Counties

2B-3: Force accounts for Townships

- Updated thresholds, where appropriate.

2B-5: Landfill financial assurance responsibility and certifications;
Solid waste transfer facility financial assurance responsibility and
certifications

- Hyperlinked to State Support Document for the Local Government Financial Test.
- Added other edits, as requested by Ohio EPA.

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Chapter 2B

2B-6: Education Requirements

- Various edits made throughout.
- Added TOS e-mail address to confirm CPIM certifications & exemptions, as currently the TOS does not have a searchable database.
- Clarified testing steps for consistency with the requirements.

2B-7: Fraud and abuse; conflict of interest; ethics

- Updated certain items to agree to ORC.
- Updated for AOS Bulletin 2024-005 on the new Fraud Reporting System & Training
- Added additional clarifications.



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Chapter 2B

2B-7: Fraud and abuse; conflict of interest; ethics

- AOS Bulletin 2024-005 - new Fraud Reporting System.

Entity Type	Start Date	End Date (90 days from start date)
County, City, Village, Township	July 1, 2024	September 28, 2024
State Agency	August 1, 2024	October 29, 2024
Traditional School (including Joint Vocational School Districts, Educational Service Centers, & STEM/STEAM Schools)	September 1, 2024	November 29, 2024
Community School	September 1, 2024	November 29, 2024
All other entities	October 1, 2024	December 29, 2024

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Chapter 2B

2B-8: Ohio Sunshine Laws

- Updated Sunshine Laws and StaRS FAQs document.
- Continued p/y guidance related to AOS Bulletin 2021-007 for community schools.
- Added guidance from AG's Ohio Sunshine Law Manual (ie. AG Yellowbook).
- Added reference to ORC's regarding virtual participation at meetings for Port Authorities & Soil and Water Conservation Districts.
- Added reference to AG Opinion on definition of "special taxing district".

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Chapter 3

Stewardship

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Chapter 3

3-15: Twp Reimbursement of ins. Premiums

3-16: Cafeteria Plans

- Updated thresholds, where appropriate.

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Optional Procedures Manual (OPM)

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Optional Procedures Manual

Introduction

- Added note that auditors should evaluate the requirements in the OPM for possible testing in the current audit based upon both quantitative and qualitative materiality factors.

O-5: County credit and procurement cards

- Added reference to CCAO's Bulletin 2023-5 on credit card use for Counties.
- Added a footnote on CCAO partnering with Amazon to offer free Amazon Business Prime memberships for one year, and how auditors should treat such purchases.

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Optional Procedures Manual

O-7: Government credit cards & purchasing cards

- Added footnote on PEX cards.

O-12: Allocating Audit Costs

- Updated to agree to AOS Bulletin 2024-004.
- Updated de minimis % as a result of the Uniform Guidance updates.

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Optional Procedures Manual

O-13: Continuing Professional Training (CPT) pilot program funding for law enforcement agencies

- Removed Component 1 as it is n/a to periods covered by this OCS.

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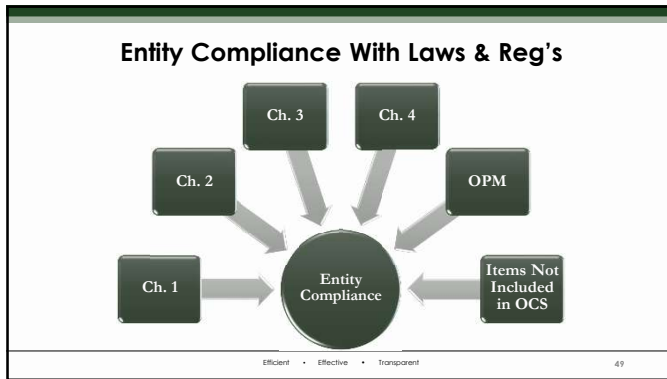
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Implementation Guide

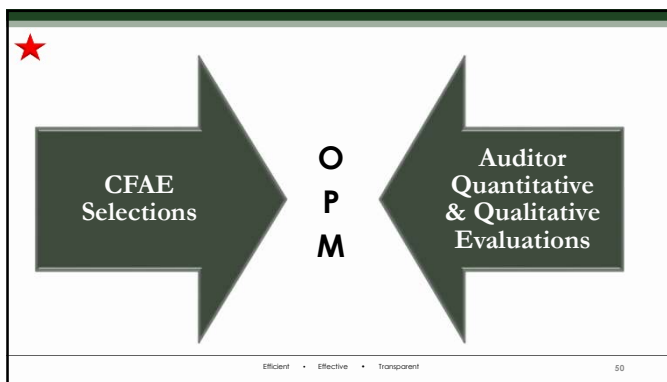
Topics Covered

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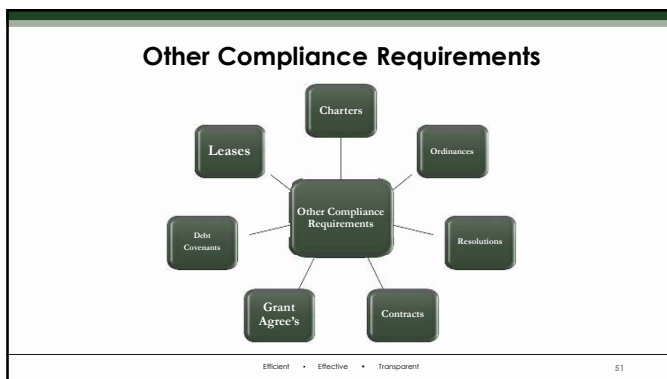
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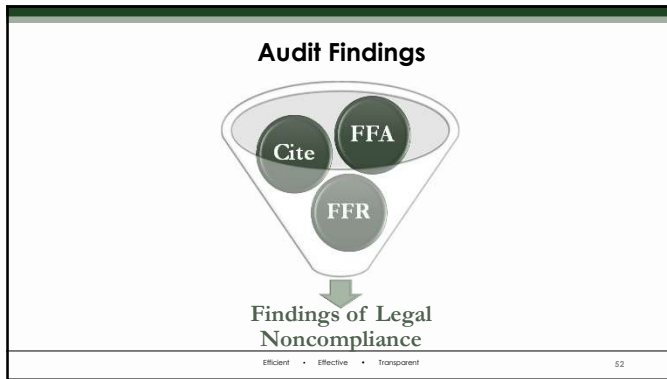
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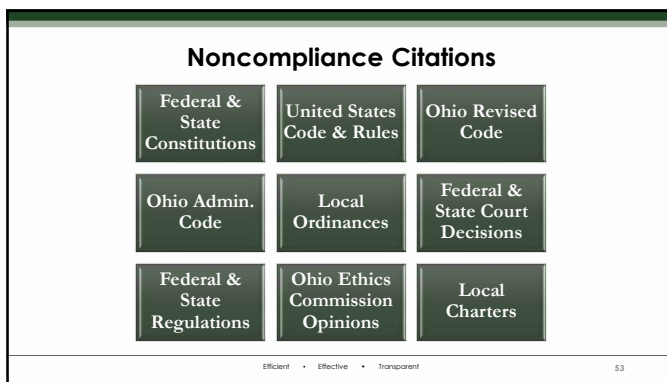
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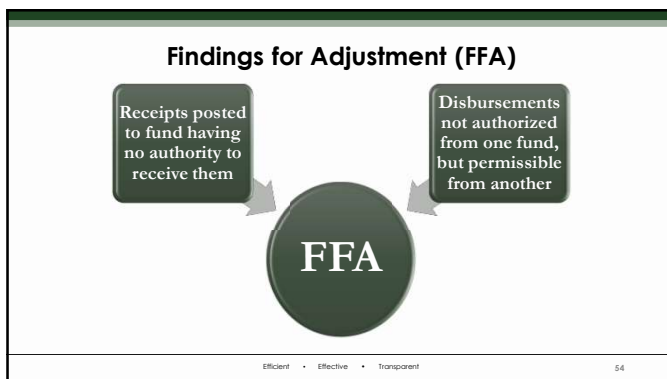
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Findings for Adjustment (FFA)

IMPORTANT NOTES:

- Auditors may detect a *finding for adjustment* affecting two funds reported in the same opinion unit. This adjustment would have no effect on the financial statements (and the auditor's opinion), but may still represent reportable noncompliance if it is material to either of the two funds.
- If the client agrees and posts certain adjustment to the financial statements but refuses to post the adjustment to the accounting records auditors can still issue a finding for adjustment to correct the accounting records.
- Certain FFA's *could* result in an opinion modification.

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Findings for Adjustment (FFA)

IMPORTANT NOTES:

- Auditors must document evidence that the agreed-to adjustments have been properly **posted** to the auditee's accounting records.
- AU-C 450.11(b) requires auditors to consider the effect of uncorrected prior audit adjustments on the current audit.

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ORC 9.24(1)(5) Finding for Recovery (FFR) ORC 117.28

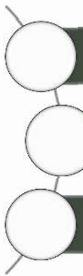
Public money has been illegally expended;	Public money that has been collected has not been accounted for;
FFR may exist when:	
Public money that is due has not been collected;	Public property has been converted or misappropriated.

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Finding for Recovery (FFR) – Misc.



- A FFR should be issued even if a criminal restitution order is already in place for the same conduct
- If the entity identifies a FFR *before* the auditors do and the entity or individual repays before the audit report is issued, the auditor should not report the matter as a FFR, unless the finding relates to a criminal case, in which case the finding should always be reported.
- If FFR is only partially repaid, a FFR is reported for the **full amount** and the amount that was repaid is listed

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Appendix A – Budgetary (Applies to Ch. 1, Section A)

- Budgetary & Certain Related Requirements**
 - Legal level of budgetary control (applies to section 1-1)
- Transfers & Advances** (referenced in 1-6 & 1-7 & 1-13)
 - Some transactions that might not be 'transfers'
 - Transfers clarification
- Direct Charges** (referenced in 1-2 & 2A-2)
 - Payments not requiring fiscal officer certification/encumbering

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Other Topics Covered in IG

Direct & Material Laws & Reg's	Compliance Risk & Controls	Home Rule Powers	Substantive Local Self-Gov. Powers
Proper Public Purpose	Referring Audit Reports	Debt	Public Officers' Bond

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★ Key Take Aways ★

- All Changed some red language to black font, where it now applies in general (not COVID specific).
- All Noted that red font is related to both COVID & the Infrastructure Investment & Jobs Act (IIJA).
- IG FFR Guidance

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★ Key Take Aways ★

- 1-10 Bonds/Notes - Added guidance from Bulletin 2024-002 on debt in the form of standard installment loans from private financial institutions.
- 1-14 Annual Financial Reporting – 1. Added Library requirement, effective for 12/31/24 financial statements, to be prepared using the more detailed program codes. 2. Added OAC 117-6-01 requirement that schools follow USAS.
- 2A-11 Added guidance & testing steps related to significant projects undertaken through a construction manager at risk or design-build firm.

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★ Key Take Aways ★


- 2B-7 Fraud Reporting System - updated for AOS Bulletin 2024-005.
- Matrix 2B-8 StaRS - AOS/IPA auditors should review the 'customer information' section in GP/IPA Portal for the AOS legal divisions determination of whether the public records act testing requirements, and the open meetings act testing requirements are applicable to the specific entity.
- IG OCS Implementation Guide contains a lot of helpful information!

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