



COMBINED IPA CONFERENCE

August 27, 2019

Hilton Columbus at Easton
3900 Chagrin Drive
Columbus, OH 43219

FLOORPLAN FOR CONFERENCE & EVENT ROOMS



Enter through the Regent Foyer

Hilton Columbus at Easton is located in the Northeast quadrant of the Columbus metro area, located off Hwy 270 at exit number 33. Hotel is on the corner of Easton Way and Chagrin Drive.

HILTON COLUMBUS AT EASTON
3900 Chagrin Drive | Columbus, OH 43219

T: +1 614 414 5000
E: cmhch-salesadm@hilton.com
columbuseaston.hilton.com





2019 Combined IPA Conference
Hilton Columbus at Easton – Regent Ballroom
Tuesday, August 27, 2019

7:00 - 7:55 am **Registration**

7:55 – 8:00 am **Opening Remarks**

8:00 - 8:50 am **Navigating the Compliance Audit Environment**

Reem Samra, Deloitte & Touche, LLP

Course Description: This session will provide information to CPAs to help plan for compliance audits. The session will include a high-level briefing on the activities of standard-setting bodies and regulators impacting compliance audits including recent changes to the yellow book and common quality issues including tips for avoiding them.

Learning Objectives: Attendees will leave with an expanded knowledge of compliance and yellow book topics.

Level: Beginner

Field of Study: Auditing (Governmental)

8:50 - 9:40 am **Professional Skepticism - An Important Component to a Quality Audit**

Eric Kline, Ohio Auditor of State

Course Description: Properly applying professional skepticism is important in completing quality audits. This session will provide some discussion on ways to apply professional skepticism in financial statement audits.

Learning Objectives: Attendees will learn the requirements to maintain a professional level of skepticism in the performance of audits and will be given examples of ways to apply skepticism in audits.

Level: Beginner

Field of Study: Auditing (Governmental)

9:40 - 9:55 am Break**9:55 - 10:45 am Single Audit Update**

Courtney Shalosky, Ohio Auditor of State

Course Description: This session will cover some of the key changes auditors should be aware of regarding the 2019 Compliance Supplement and Data Collection Form.

Learning Objectives: Attendees will learn about changes that are occurring in single audit and the impact the changes may have on their audit fieldwork along with changes that impact clients that they should be aware of.

Level: Intermediate

Field of Study: Auditing (Governmental)

10:45 - 11:35 am Component Units, Joint Ventures, and Jointly Governed Organizations

Tracie McCreary, Ohio Auditor of State

Course Description: This will provide a review of the requirements of GASB 14, The Financial Reporting Entity, as amended by GASB 39 and GASB 61.

Learning Objectives: This course will help in identifying component units, joint ventures and jointly governed organizations.

Level: Intermediate

Field of Study: Accounting (Governmental)

11:35 - 12:10 pm Lunch**12:10 - 1:50 pm Ohio Compliance Supplement Update**

Jesse Carroll, Ohio Auditor of State

Course Description: Brief description of what the OCS is, how to use it, and a review of the various changes made to the OCS for 2019.

Learning Objectives: Attendees will leave the session with expanded knowledge of compliance requirements.

Level: Beginner

Field of Study: Auditing (Governmental)

1:50 - 2:40 pm

Ohio Pooled Collateral System*Zach Prouty & Patrick Castleman, Ohio Treasurer of State*

Course Description: Quick update on OPCS, discussion of our (ToS) outreach in new Admin, description of new features, and explanation of the broader policy concepts.

Learning Objectives: Attendees will learn where OPCS came from, why it is beneficial to both banks and public units, and how auditors can make the best use of the functions within OPCS.

Level: Beginner

Field of Study: Auditing (Governmental)

2:40 - 3:30 pm

Special Audit of Shawnee Local School District - Allen County*Brandy Reed, Ohio Auditor of State*

Course Description: This case study will tell the story of multiple thefts from related organizations of the school by one individual and how the investigation led to the uncovering of another theft from the school itself by another individual.

Learning Objectives: To teach the importance of monitoring and segregation of duties in governments.

Level: Beginner

Field of Study: Auditing (Governmental)

3:30 – 4:00 pm

Discussion with Auditor Faber*Ohio Auditor of State*

Auditor Faber will participate in a discussion on the Auditor of State IPA contracting process from 3:30 to 4:00 PM with those firms in attendance.

Navigating the Compliance Audit Environment

Presented by: Reem Samra, Deloitte & Touche LLP



Compliance Update
Objectives

- Provide information to help plan and execute compliance audits
- Provide a high-level briefing on the activities of standard-setting bodies and regulators impacting compliance audits, including an update on changes to the 2018 revision of Government Auditing Standards (Yellow Book) and 2019 OMB Compliance Supplement
- Describe issues noted in the 2019 Compliance Supplement and methods to handle them*
- Discuss common quality issues and tips for avoiding them
- Increase awareness of the resources available to help maintain or improve compliance audit quality

*Note that a deep dive of the compliance supplement will be provided at a later session

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Current environment
Setting the stage

Single Audits

- Significant changes made to the 2019 Compliance Supplement
- Fewer federal resources and pressure to reduce regulation
- Government shutdown—some backlogs
- Federal Quality Control Reviews (QCRs) have been on the rise and continued potential for future quality study
- AICPA Enhancing Audit Quality (EAQ) initiative continues; increased peer review scrutiny
- President's [Management Agenda](#) continues to impact policy; in particular the [cross-agency priority goal on grants](#) along with a related [strategy document](#)

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Overview

AICPA

Resources and Upcoming Changes

2018 Revision Government Auditing Standards

Key Changes and Resources

2019 Compliance Supplement

Issues Identified

Single Audit Quality

Reminders, Tips, and Resources



AICPA Resources and Upcoming Changes

AICPA—Peer Reviews Governmental checklists

• Access the latest versions of AICPA peer review checklists at:
<https://www.aicpa.org/interestareas/peerreview/resources/teamandreviewcaptainchecklists/teacaptainchecklists.html>.

- Among the checklists of interest to governmental auditors:
 - Governmental and Not-For-Profit Audit Engagement Checklists
 - Single Audit (Parts A and B)
 - Government Auditing Standards (or "Yellow Book")
 - HUD

Note: Use these checklists as part of your quality control!

AICPA—Auditing Standards Board (ASB)—Auditor reporting
AU-C section 700 series

Opinion section presented first, followed by “Basis for Opinion”

“Basis for Opinion” section includes a statement that the auditor is required to be independent of the entity and to meet the auditor’s other ethical responsibilities, in accordance with the relevant ethical requirements relating to the audit

Key Audit Matters section

- **Optional:** only include if engaged to include (terms of engagement state report will include KAMs)
- If included, requirements apply
- “What keeps the auditor up at night”
- Selected from matters communicated with TCWG

Eventually illustrations in all related AICPA Audit and Accounting Guides will be updated

AICPA—Joint SLGEP-GFOA
Audit Contract Issues Document

- Joint effort of the AICPA State and Local Government Expert Panel and the Government Finance Officers Association
- Access [Contract Issues for Governmental Audits](#)
- Discusses problematic clauses in contracts and engagement letters that may cause independence concerns such as:
 - Indemnification
 - Intellectual Property & Ownership of Records
 - Approvals of Work Products or Staffing
 - Warranties
 - Insurance
- Also includes recommendations for governments and encourages collaboration



AICPA Audit Guide, *Government Auditing Standards and Single Audits*

- Key resource for auditors; you should be using this Guide!
- 2019 update issued in June
- Key changes:
 - Updates to areas needing additional emphasis or explanation to help clarify the Uniform Guidance audit requirements
 - Slight changes to certain auditor reports, primarily explanatory footnote additions
- Order now at: <http://www.aicpastore.com/>



2018 Revision Government Auditing Standards (Yellow Book) Key Changes and Resources

GAO 2018 Revision, Government Auditing Standards (Yellow Book)

- [Access 2018 Yellow Book](#)
- [Listen to two archived GAOC Web events](#) (4 hours worth of detail on this topic!)
 - *The 2018 Yellow Book: What You Need to Know*
 - *Understanding the Changes to Yellow Book Independence*
- Access April 2019 Journal of Accountancy article titled, [Yellow Book Revisions Update: Independence Guidance](#)



Still like paper? Paper editions are available for sale via the Government Publishing Office
[order information](#)

GAO (continued) 2018 Yellow Book effective dates

For financial audits, attestation engagements, and reviews of financial statements for periods ending on or after June 30, 2020	For performance audits beginning on or after July 1, 2019	2018 YB supersedes: <ul style="list-style-type: none">• 2011 YB• 2005 GAO CPE guidance• 2014 GAO peer review ratings guidance	Early implementation is not permitted!
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2018 Yellow Book
Summary of Key Changes from 2011 Revision

- New format and organization
- Independence requirements related to nonaudit services
- CPE
- Peer review requirements
- Finding guidance
- Waste and abuse
- Standards for reviews of financial statements
- Performance audits
- Other

Pay attention to changes
in independence rules!

GAO YB Technical
Assistance Hotline:
Call (202) 512-9535
yellowbook@gao.gov

2018 Yellow Book
Overview of Key Changes to Independence



2018 Yellow Book
Applying the Conceptual Framework



2018 Yellow Book
New: Skills, Knowledge & Experience ("SKE")

Application Guidance—Paragraph 3.79

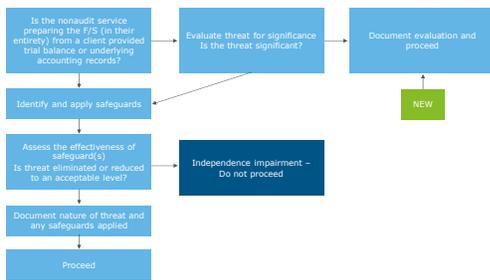
Management not required to possess expertise needed to perform or re-perform the nonaudit services

Indicators of management's ability to effectively oversee the nonaudit service include management's ability to:

- determine the reasonableness of the results of the nonaudit service provided
- recognize a material error, omission, or misstatement in the results of the nonaudit services provided

Requirement – Paragraph 3.73:
Auditors should determine that the audited entity has designated an individual who possesses suitable SKE and who understands the nonaudit services to be provided sufficiently to oversee them.

2018 Yellow Book Independence Evaluation of Nonaudit Services
Related to Preparing Accounting Records and Financial Statements (Figure 2)



2018 Yellow Book
Independence considerations for preparing accounting records and F/S—3 buckets

Independence impaired!	Significant threats	Create threats—evaluate and document
<ul style="list-style-type: none"> • Determining or changing accounting records • Authorizing or approving the entity's transactions; and • Preparing or making changes to source documents without management approval 	<p>Preparing F/S in their entirety</p>	<p>Other nonaudit services described in YB paragraph 3.89 related to preparing accounting records and F/S*</p>

*details provided on following slide

2018 Yellow Book (continued)
Required Documentation—Preparing Accounting Records and Financial Statements (F/S)

Any other nonaudit services related to preparing accounting records and F/S create a threat whose evaluation for significance should be documented

- Recording transactions for which management has determined or approved the appropriate account classification, or posting coded transactions to an audited entity's general ledger;
- Preparing certain line items or sections of the F/S based on information in the trial balance
- Posting entries that an audited entity's management has approved to the entity's trial balance; and
- Preparing account reconciliations that identify reconciling items for the audited entity management's evaluation

2018 Yellow Book
New Definition of Waste – Paragraph 6.21

Waste is the act of using or expending resources carelessly, extravagantly, or to no purpose.

Waste can include activities that do not include abuse and **does not necessarily involve a violation of law**. Rather, waste relates primarily to **mismanagement, inappropriate actions, and inadequate oversight**.

Examples of waste:

- Making travel choices that are contrary to existing travel policies or are unnecessarily extravagant or expensive
- Making procurement or vendor selections that are contrary to existing policies or are unnecessarily extravagant or expensive

2018 Yellow Book
New Definition of Abuse

Abuse is behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances, but excludes fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements. Abuse also includes misuse of authority or position for personal financial interests or those of an immediate or close family member or business associate.

Examples of Abuse:

- Creating unneeded overtime.
- Requesting staff to perform personal errands or work tasks for a supervisor or manager.
- Misusing the official's position for personal reasons

2018 Yellow Book
Waste and Abuse – Auditor Responsibility

- Evaluating internal control in a government environment **may** also include considering internal control deficiencies that result in waste or abuse
- Because the determination of waste and abuse is subjective, auditors are not required to perform specific procedures to detect waste or abuse in financial audits
- Auditors may consider whether and how to communicate such matters if they become aware of them
- Auditors may also discover that waste or abuse are indicative of fraud or noncompliance with provisions of laws, regulations, contracts, and grant agreements

GAO Video
Reporting Fraud, Waste, and Abuse and Mismanagement of Federal Funds



[CTRL Click to Launch](#)

2018 Yellow Book
Tips and Resources

Ensure all governmental audit staff receive 2018 Yellow Book specific training
Review your nonaudit services and identify potential issues with upcoming engagements

Practice Aids

- Coming Soon! Update to GAQC Practice Aid, *Yellow Book Independence—Nonaudit Services Documentation Practice Aid*
- Coming Soon! 2018 AICPA/GAO Independence Requirement Comparison Tool



2019 Compliance Supplement Identified Issues

2019 Compliance Supplement Summary and other reminders

2019 Compliance Supplement

- Issued July 1, 2019 – available on the [GAQC website](#)
- Significant changes from the 2018 compliance supplement that affect the audit
- Certain issues and discrepancies of which we have been made aware
 - Some are widespread
 - Some are program/(CFDA)-specific
 - Most significant issues are Student Financial Aid Cluster

Critical changes affecting
the Audit

2019 Data Collection Form

- Now available on the [Federal Audit Clearinghouse website](#)
- Certain changes from the 2018 version
- Deep dive of compliance supplement and data collection form – covered in subsequent session

2019 Compliance Supplement Identified Issues

- Inconsistencies between Part 2 (Matrix) and Part 4 (Agency Requirements)
- Issues related to programs identified as new
- Issues related to programs identified as deleted
- Other cluster issues
- Performance reporting and special reporting
- Part 6 (Internal Control) issues
- SFA Issues

2019 Compliance Supplement
Advice from AICPA Government Audit Quality Center (GAQC) on What To Do if You Identify Errors

1. Use your professional judgment, and include documentation supporting that judgment.
2. Contact the agency single audit coordinator for advice and documenting that consultation
3. If doable, wait for expected corrections to the Supplement to be issued by OMB (timing TBD).

Note that GAQC has been very diligent in reminding OMB to instruct federal agencies and pass-through entities to be judicious in their consideration of the quality of audits performed using the 2019 *Compliance Supplement* due to the errors identified, the potential for additional errors to be identified, and because some auditors may not become aware of any future corrections on a timely basis since they will be made after the original Supplement's issuance.

Single Audit Quality Reminders, Tips, and Resources

Single Audit—Audit Quality Assessments over time

2005 and earlier historical estimates

- All desk reviews and QCRs

2007 Federal National Single Audit Project

2017 AICPA single audit oversight reviews (part of EAQ project)

Currently

- Recent uptick in federal QCRs
- Continued focus of peer review

Upcoming federal quality study?

Single Audit—Audit Quality (continued)
Peer review and federal QCR findings on I/C

- Understanding
 - Level
- Planned Testing
 - Controls vs. Processes
 - Automated systems
- Testing
 - Controls vs. Compliance
 - Insufficient evidence of testing controls over D&M requirements

Documentation problems woven throughout all areas

Single Audit—Internal Control Tips
Follow this recipe!

- Step 1 Identify the control objective(s)
- Step 2 Understand the auditee's "business process of complying"
- Step 3 Evaluate the risks ... "the what could go wrongs"
- Step 4 Understand controls over "the what could go wrongs"
- Step 5 Evaluate whether controls are designed effectively and have been placed into operation
- Step 6 If controls are designed effectively and placed into operation, test key controls for operating effectiveness
- Step 7 Document entire sequence!

Single Audit—I/C tips (cont.)

Access AICPA GAQC Web event, [Tackling Internal Control Over Compliance in a Single Audit](#), for a deep dive on I/C in a single audit

Understand the difference between testing controls and testing compliance

Understand a process versus a control

Testing compliance gives indirect evidence on controls, but cannot serve as the basis for assessing controls as operating effectively

2-step testing process (designed/placed into operation and operating effectively)

Important to identify and document the key controls to be tested

Remember to consider IT controls

Single Audit—I/C tips (cont.)

- Make sure auditor reporting appropriately identifies I/C findings
- Do not report SDs or MWs in the management letter in lieu of putting them in your audit report
- Do not ignore reporting I/C findings that were "corrected" later in the year of audit
- Include all required finding elements in your I/C findings
- Be sure the summary of auditor's results in the Schedule of Findings and Questioned Costs and information in the Data Collection Form align with audit documentation and audit reports

Single Audit—Audit quality

Other peer review and federal observations

- Percentage of coverage (2 CFR 200.518(f))
- Auditee risk errors (2 CFR 200.520)
- Mathematical errors
- Missed Major Programs
- Documentation of risk analysis (2 CFR 200.518(g))
- Threshold errors (2 CFR 200.518(b))
- Type A programs (2 CFR 200.518(a and b), 2 CFR 200.519(c))
- Type B programs (2 CFR 200.518(d), 2 CFR 200.519)
- Clusters
- Missed identification of clusters
- Creating own clusters (or combining programs for testing that are not clusters)"

Tip:
Check out the AICPA GAS-SA Guide, chapter 8, *Determination of Major Programs*, for guidance on major program determination!

Single Audit—Audit quality (cont.)

Peer review and other federal observations (cont.)

- Independence issues
- CPE deficiencies
- Management representation issues
- Peer review issues
- Sampling issues
- Development of audit findings
- Reporting issues

Single Audit—Audit quality (cont.)
Other peer review and federal observations (cont.)

Documentation

- No support for not testing requirements in Supplement Part 2 matrix identified with a "Y"
- Fraud considerations
- Response to identified risk
- Communications with those charged with governance
- Supervisory review
- Actual audit steps
- Support outside of the official audit files

AICPA GAQC resources
Website (www.aicpa.org/GAQC)

Key areas to check out and/or bookmark:

- Access [archived GAQC Alerts](#) in chronological order
- Access [archived GAQC Web events](#) (see next slide)
- [Uniform Guidance auditor resources](#) Web page
- [Yellow Book tools and resources](#)
- [Other Compliance Audit Information](#) Web page

Other GAQC Resources

[Illustrative Auditors Reports](#) for Single Audit, Yellow Book, SLG, HUD

[SEFA Practice Aids](#) (for both auditors and auditees)

Quality Control Tools

[Tips for Getting Through a Quality Control Review](#)

[Peer Review Checklists](#)

[Practice Aid—Establishing and Maintaining a System of Quality Control](#)

Other AICPA resources

- [Audit and Attest Section](#) of AICPA Web site
- AICPA Accounting and Auditing Technical Hotline (877) 242-7212—techinquiry@aicpa.org
- [AICPA Professional Ethics Division Web Page](#) (includes link to AICPA Code)
- [FAQ: Nonattest Services](#), as of Feb 25, 2019
- AICPA Exam-Based Single Audit Certificates
 - Offered at [Intermediate](#) and [Advanced](#) levels

Other AICPA resources

- [AICPA Not-for-Profit Certificate Program](#)—On-demand learning program
- [AICPA Not-for-Profit Section](#)—For individuals interested in NFP accounting and auditing
- [AICPA Enhancing Audit Quality](#) Web site
- [Peer Review Section](#) of AICPA Web Site
- Ethics Hotline—ethics@aicpa.org or 888.777.7077

AICPA 2019 Conferences

- [AICPA National Governmental and Not-for-Profit Training Program](#)
October 28-30, 2019, Las Vegas, NV
- All conferences have extensive session offerings on governmental and auditing topics, some of which were developed with assistance from the GAQC
- All conferences have online options!
- GAQC members get a discount when using code "GAQC" at checkout

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Professional Skepticism: An Important Component to a Quality Audit

Presented by: Eric Kline, Ohio Auditor of State

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Professional Skepticism - An Important Component of a Quality Audit

Presented by: Eric Kline

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Professional Skepticism



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Agenda

- Professional Skepticism
- Understanding the Client
- Test Objectives
- Audit Evidence
- Inquiry
- Audit Procedures
- Case Example



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Professional Skepticism

An attitude that includes a questioning mind, being alert to conditions that may indicate possible misstatement due to fraud or error, and a critical assessment of audit evidence.

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Professional Skepticism

The auditor should plan and perform an audit with professional skepticism, recognizing that circumstances may exist that cause the financial statements to be materially misstated (AU-C 200.17)

Risk Assessment Audit Evidence Forming an Opinion

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Professional Skepticism

Be alert to

- Audit evidence that contradicts other audit evidence obtained
- Information that brings into question the reliability of documents and responses to inquiries to be used as audit evidence
- Conditions that may indicate possible fraud
- Circumstances that suggest the need for audit procedures in addition to those required by GAAS

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Professional Skepticism

Maintaining professional skepticism throughout the audit reduces the risk of

- Overlooking unusual circumstances
- Over-generalizing when drawing conclusions from audit observations
- Using inappropriate assumptions in determining the nature, timing, and extent of audit procedures
- Using inappropriate assumptions in evaluating the results of audit procedures

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Audit Evidence

Critical Assessment of Evidence

- Questioning Contradictory Evidence
- Reliability of documents, responses to inquiries, and other information
- Sufficiency and appropriateness of audit evidence

Reliability of information

- Inconsistent evidence from different sources
- Doubts about the reliability of information used as audit evidence

Audit Reaction

- Document how the auditor addressed inconsistencies or resolved doubts

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Threats to Professional Skepticism

- Time Pressures
- Loss of Focus
- Familiarity
- Complacency
- Experience

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Combating Threats to Professional Skepticism

- Involve others
- Encourage questions
- Prioritize audit procedures based on risk
- Play devil's advocate
- Emphasize Importance of Documentation
- Assign appropriate audit staff
- Fraud-focused training

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Understanding the Client

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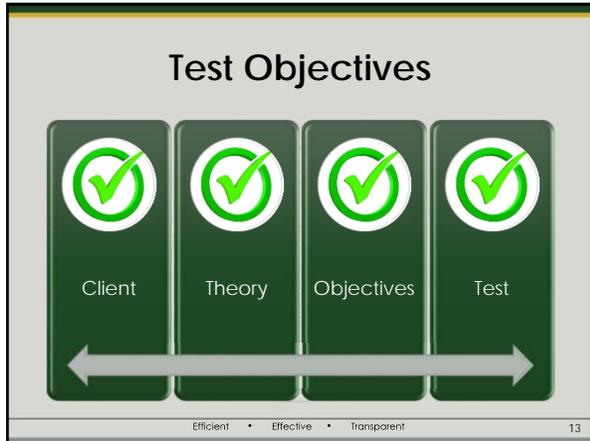
Understanding the Client

Fraud Risks

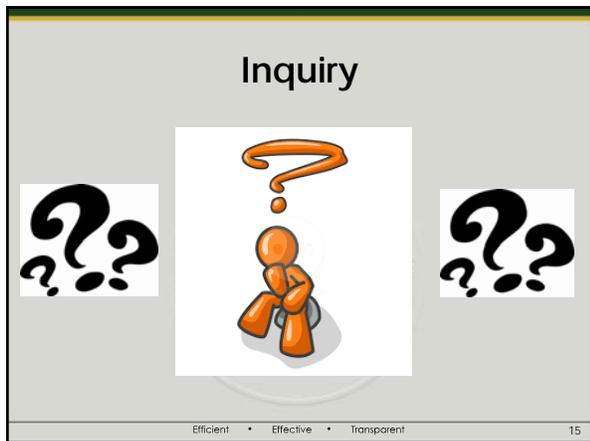
- Ask Questions in Person
- Assessing Fraud Risks
- Focus of Skepticism
- Continuous process

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Inquiry



*Who
*What



*When
*Where



*Why
*How

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Audit Procedures



Sampling



Scanning

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Audit Procedures



Planning Analytics



Payroll



Non-Payroll

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Audit Procedures

-  Bank Reconciliations
-  Charges for Services
-  Capital Assets
-  GAAP Work Papers

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Case Example



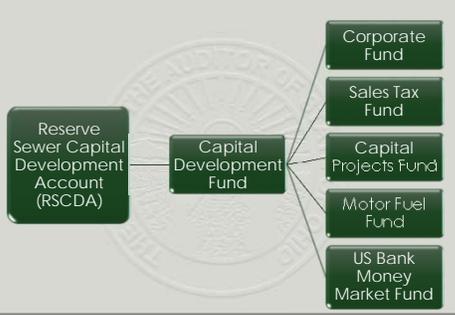
Dixon, Illinois

Largest case of municipal fraud in American history

\$53 million dollars stolen over 20 years

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Case Example



```

graph LR
    RSCDA[Reserve Sewer Capital Development Account (RSCDA)] --- CF[Capital Development Fund]
    CF --- CFund[Corporate Fund]
    CF --- STFund[Sales Tax Fund]
    CF --- CPFund[Capital Projects Fund]
    CF --- MFFund[Motor Fuel Fund]
    CF --- USBMF[US Bank Money Market Fund]
    
```

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Case Example

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Case Example

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Case Example

- Auditor Independence
- Segregation of Duties and Management Oversight
- Manual Checks
- Ignoring the Risk
- Ignoring the evidence
- Relying on inquiry
- Lack of Professional Skepticism

What went wrong?

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Questions?



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KEITH FABER

Center for Audit Excellence
88 E. Broad St.
Columbus, Ohio 43215
Eric Kline

Presenter phone: (740) 534-6420
Presenter email: ekline@ohioauditor.gov

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OHIO AUDITOR OF STATE
KEITH FABER



88 E. Broad St.
Columbus, Ohio 43215
Phone: (800) 282-0370

www.OhioAuditor.gov

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Single Audit Update

Presented by: Courtney Shalosky, Ohio Auditor of State

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2019 Single Audit Update

Presented by:
Ohio Auditor of State
Center for Audit Excellence

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Agenda

- 2019 Compliance Supplement
- 2019 Data Collection Form
- Procurement

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2019 Compliance Supplement

Final Version was issued on July 1, 2019

Full version is available at
<https://www.whitehouse.gov/omb/management/office-federal-financial-management/>

Effective for audits with fiscal years beginning after June 30, 2018

Supersedes the 2018 "Skinny" Compliance Supplement and the 2017 Supplement

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2019 Compliance Supplement

Pick 6.....or 7

- In an attempt to reduce burden federal agencies were directed to select 6 compliance requirements to be subject to audit.
- For purposes of counting Sections A "Activities Allowed and Unallowed" and B "Allowable Costs and Cost Principles" are counted as one requirement

2019 Compliance Supplement

Old

Y=Requirement applies to the program

N=Requirement normally does not apply to the program

New

Y=Requirement subject to audit for the program

N=Requirement not subject to audit for the program

2019 Compliance Supplement

Does
No
truly
mean
No?

- The Compliance Supplement states that auditors are not expected to test requirements that have been noted with a "N." However, the auditor is not prohibited from expanding audit procedures if the terms of the grant award specify additional compliance requirements material to the program, if the auditor is aware of additional information that would lead the auditor to believe there is an increased risk of fraud, waste, or abuse, or if the noncompliance could have a material impact on the financial statements.

2019 Compliance Supplement

Things the Pick 6 does NOT apply to:

- Programs that are not contained in Part 4 of the OMB Compliance Supplement
- Following up on prior audit findings in accordance with 2 CFR 200.514(e)
- The auditee's responsibility to comply with **ALL** the terms and conditions of the grant award

2019 Compliance Supplement

Audit Considerations

- Testing procedures that have been performed together in the past may not be applicable. For example—cash management and reporting were tested together and now only cash management is applicable.
- Some programs marked a requirement as a "N" and then added those procedures as a special test and procedure
- Cross-cutting procedures—programs where cross-cutting procedures had been performed the requirements may not be subject to testing all the programs.
- Reporting Impact—AICPA is looking at the wording in the Single Audit Letter for potential changes regarding the language on applicable requirements vs. requirements subject to audit.

2019 Compliance Supplement

Part 6 has been brought back into the Compliance Supplement and includes:

- Summary of requirements for internal control
- Background discussion on important internal control concepts
- Appendices that include examples of
 - Entity-wide internal controls over federal awards
 - Internal controls specific to each compliance type
- Based upon the Green Book

Edit Checking EIN Number

New feature that validates the auditee EIN number entered

- Will receive an error message if EIN is not found
- Then will be bring up the information for that EIN and give you the opportunity to verify or edit the information
- This option will **ONLY** be available for the auditee, will not work on the auditor EIN

Edit Checking EIN Number

[\[Link to Account Home\]](#)

This page will allow you to create a new single audit submission. Each Report ID corresponds to one single audit submission. You must start a new report for each fiscal period.

- Review the year. Once the submission is created it cannot be changed.
- Review the fiscal period start date. Submissions with a fiscal period start date on or after December 23, 2014 are subject to Uniform Guidance. Submissions with a fiscal period start date before December 23, 2014 are subject to OMB Circular A-133. Once the submission is created it cannot be changed.
- The correct EIN is mandatory. Please verify the EIN.
- Valid audit years 2011 - 2019
- A submission may be started at any time, but Form 9F-BAG cannot be finalized until the fiscal period has ended.

Auditee Employer Identification Number (EIN)

Confirm Auditee Employer Identification Number (EIN)

Validate EIN

Auditee Name

If this text is pre-filled and you need to edit the information entered, click "Edit EIN" above and re-validate the EIN.

Auditee Fiscal Period start date for this submission

Auditee Fiscal Period end date for this submission

Multiple DUNS numbers

Federal Audit Clearinghouse
 Internet Data Entry System

Submissions Form - General Info

[\[Link to Account Home\]](#)

This page will allow you to create a new single audit submission. Each Report ID corresponds to one single audit submission. You must start a new report for each fiscal period.

Validate EIN

Auditee Employer Identification Number (EIN)

Confirm Auditee Employer Identification Number (EIN)

Validate EIN

Auditee Name

If this text is pre-filled and you need to edit the information entered, click "Edit EIN" above and re-validate the EIN.

Auditee Fiscal Period start date for this submission

Auditee Fiscal Period end date for this submission

Other Clusters

DCF now has a new option of "Other Clusters" in the drop-down box

- Part 5 of the Compliance Supplement refers to all clusters other than SFA and R&D as Other Clusters
- Per the DCF instructions the Other Cluster option should only be used when the name of the cluster does not appear in the drop-down box

Notes to the SEFA

DCF will now collect the notes to the SEFA including

Some of the information will have prompts and be prepopulated but ALL notes to the SEFA need to be included in the DCF.

Significant Accounting Policies

Whether the DeMinimus cost rate was elected

Any Additional Notes

Notes to the SEFA

Federal Audit Clearinghouse
Internet Data Entry System
Notes to the SEFA

Notes to the SEFA

Significant Accounting Policies

Additional Notes

Notes to the SEFA

- Each note is limited to 4000 characters
- Enter text as it appears for notes except for any charts or tables. If there is any charts and tables within the note text then enter "See the notes to the SEFA for chart/table"
- No limit to the number of notes that can be entered
- A title should be given to each note
- Numbering of the notes in the DCF may differ from the reporting package—should identify that number within the title

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Notes to the SEFA

One important reminder is the Notes to the SEFA are an auditee responsibility. Therefore, the auditee should be completing this section of the DCF

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Text to Audit Findings

Will be required to enter the text of all **single audit** findings

Text limit is 30,000 characters

Formatting will not carry over

Tables and charts cannot be used and should refer to the Schedule of Findings and Questioned Costs

Audit Finding Numbers will auto generate based upon the information entered into Part III, Item 4(E)

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Text to Audit Findings

Include any header information (title, CFDA number, program name, etc) and the auditee's response

If you have a summarized finding with a reference to a related audit finding only the summarized text needs to be entered

Audit findings can be entered by individual entering the information or there is a worksheet that is available

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Corrective Action Plan

Text of the Correction Action Plan is now required to be entered

Limited to 10,000 characters

Auditee's responsibility complete

Can be completed individually or by completing a worksheet

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Auditor Certification



Auditor Certification

[Back to Report Home]

I acknowledge that:

Check the box next to each item to signify you agree. All boxes must be checked in order to proceed.

- the data elements and information included in this Form SF-SAC are limited to those prescribed by Office of Management and Budget;
- the information in Part II of this Form SF-SAC is the responsibility of the auditee and is based on information included in the reporting package required by the Uniform Guidance;
- the information included in Part III of this Form SF-SAC, except for Part III, Item 3(c), and Items 4(a)-(d) (when there are audit findings), was transferred by the auditor from the auditor's report(s) for the period described in Part I, Items 1 and 3, and is not a substitute for such reports;
- the auditor has not performed any auditing procedures since the date of the auditor's report(s) or any additional auditing procedures in connection with the completion of this Form SF-SAC; and
- a copy of the reporting package required by the Uniform Guidance, which includes the complete auditor's report(s), may be made available by the Federal Audit Clearinghouse (FAC) on the FAC website or from the auditee at the address listed in Part I of this Form SF-SAC.

[Agree to Auditor Statement]

If you need assistance, please [contact us](#).

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Procurement Policies

2 CFR 200.318 (a) states the non-federal entity MUST use its own document procurement procedures

- These procedures need to be specific to the entity
- Some items that should be included in these procedures the definition of aggregate, how many quotes, how they will determine if there are federal funds involved in the purchase, and if they are planning on taking advantage of the higher thresholds in NDAA 2018

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Procurement with ESCs

There has been much talk in this area over the past year on if ESC contracts are subject to the federal procurement laws

The only items exempt from procurement are payroll and indirect costs, since ESC contracts are for purchased services they would not be exempt

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Procurement with ESCs

House Bill 166 passed on July 18, 2019 and includes amending language to ORC 3313.843 which exempts a school district or political subdivision that has entered into an agreement with an ESC from competitive bidding requirements

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Procurement with ESCs

- Strong possibility that contracts with ESCs are not going to have been properly procured for FY 2019 audits
- Procurement is an applicable requirement for Food Service and Special Education
 - Potential to see a high error rate with the ESC contracts in Special Ed—these errors will need to be reported as Material noncompliance and evaluated for opinion modification

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Resources

- Uniform Guidance--2 CFR 200:
http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl
- Federal Audit Clearinghouse--
<https://harvester.census.gov/facweb/Default.aspx>
- Compliance Supplement--
<https://www.aicpa.org/interestareas/governmentauditquality/resources/singleaudit/2019-omb-compliance-supplement.html>

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KEITH FABER

2019 Single Audit Update
Center for Audit Excellence
88 E. Broad St.
Columbus, Ohio 43215
Courtney Shalosky
Presenter phone: (330) 471-0011
FACCR@ohioauditor.gov

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OHIO AUDITOR OF STATE
KEITH FABER



88 E. Broad St.
Columbus, Ohio 43215
Phone: (800) 282-0370
www.OhioAuditor.gov

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Component Units, Joint Ventures, and Jointly Governed Organizations

Presented by: Tracie McCreary, Ohio Auditor of State

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KEITH FABER



Component Units, Joint Ventures, and Jointly Governed Organizations

Presented by:
Local Government Services

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Reporting Entity

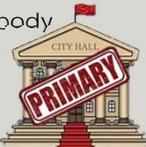
- Consists of the primary government and organizations for which the primary government is financially accountable.
- The primary government may determine, through exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading.

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Primary Government

- Any State Government
- General Purpose Local Government
 - Municipality or County
- Special Purpose Government that meets **all** of the following:
 - Separately elected governing body
 - Legally separate
 - Fiscally independent

(Q3)



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Legally Separate

- Created as a body corporate and politic or otherwise possessing similar corporate powers (Q1)
- Corporate Powers generally include
 - Capacity to have a name
 - Sue and be sued in its own name without recourse to a state or local government
 - Right to buy, sell, lease and mortgage property in its own name

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Legally Separate

• A special purpose government (or any other organization) that is not legally separate should be considered, for financial reporting purposes, part of the primary government that hold the corporate powers. (Q2)



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Fiscally Independent

- A special purpose government is fiscally independent if it has the authority to do **all** three of the following:
 - Determine its budget without another government having the authority to approve or modify that budget
 - Levy taxes or set rates without approval by another government
 - Issue bonded debt without approval by another government

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Fiscally Independent

- In determining whether a special-purpose government is fiscally independent, a distinction should be made between substantive approvals and ministerial approvals.
- For example, budgetary approval is substantive if a government has the authority to reduce or modify a special-purpose government's budget.



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Component Unit

- Component units are legally separate organizations for which the elected officials of the primary government are financially accountable.

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Financial Accountability

- Appoints a voting majority of the organization's governing body (Q4) **and**
 - Impose will (Q5)
- Or
- Potential for Financial Benefit/Burden (Q7)
- Or



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Financial Accountability

- Fiscally dependent (Q6) **and**
- Financial Benefit/Burden (Q7)
- Note: This treatment is regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government or a jointly appointed board.

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Imposition of Will

- The ability to significantly influence the programs, activities, or level of services performed or provided by an organization
 - ✓ remove members of governing board at will
 - ✓ modify or approve
 - ✓ budget
 - ✓ rates
 - ✓ veto/overturn/modify decisions of governing body
 - ✓ appoint/hire/reassign/dismiss persons responsible for day to day operations

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Financial Benefit/Burden

- Legally entitled to or can otherwise access the organization's resources
- Legally obligated or has otherwise assumed the obligation to finance the deficits of or provide financial support to the organization
 - Obligated in some manner for the debt of the organization

B

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Other Considerations

- Nature and significance of relationship with primary government (Q9)
 - Tax exempt organization
- Misleading to Exclude - Professional judgment (Q10)



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Other Stand Alone Governments

- Legally Separate
- Do not have a separately elected governing body
- Do not meet the definition of a component unit
- Include other stand alone governments, joint ventures, jointly governed organizations, and pools

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Related Organizations

Organizations for which a primary government is accountable because that government appoints a voting majority of the board, but is not financially accountable.



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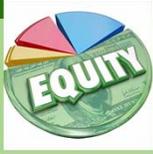
Joint Venture

- Legal entity or other organization that results from a contractual arrangements and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain:
 - ongoing financial interest **or**
 - ongoing financial responsibility

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Ongoing Financial Interest

- Equity interest manifest in the ownership of share of joint venture stock or by otherwise having an explicit, measureable right to the net resources
- Any other arrangement that causes a participating government to have access to the joint venture's resources
- Not intended to include a residual interest



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Ongoing Financial Responsibility

- If a participating government is obligated in some manner for the debt of the joint venture
- **Or**
- If the joint venture's continued existence depends on continued funding by the government

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Jointly Governed Organization

An organization that is jointly controlled, but there is no ongoing financial interest or ongoing financial responsibility.



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Example 1

- Three local governments create a legally separate, fiscally independent, council of governments.
- Each government appoints one member of the board.
- There is no financial benefit/burden; no financial interest/responsibility.
- There is no imposition of will and it would not be misleading to exclude.

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Example 2

- One local governments creates a legally separate, fiscally independent, council of governments.
- One government appoints all three members of the board.
- There is no financial benefit/burden; no financial interest/responsibility.
- There is no imposition of will and it would not be misleading to exclude.

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Example 3

- One local governments creates a legally separate, fiscally independent, council of governments.
- One government appoints all three members of the board.
- The government provides an annual contribution to the council of governments
- There is no imposition of will and it would not be misleading to exclude.

Example 4

- Three local governments create a legally separate, fiscally independent, council of governments.
- Each government appoints one member of the board.
- Each government provides an annual contribution to the council of governments
- There is no imposition of will and it would not be misleading to exclude.

Example 5

- Statutorily created, legally separate, fiscally independent organization
- 15 governments participate; each appoints one member of the board.
- Each government contributes annually to the council of governments
- If the largest contributor withdrew, the organization would fold. The other participants could withdraw and the organization would continue to exist
- There is no imposition of will and it would not be misleading to exclude.

Example 6

- One local government creates an organization that is not legally separate
- That local government holds the organization's corporate powers
- One government appoints all three members of the board.
- There is no financial benefit/burden; no financial interest/responsibility.
- There is no imposition of will and it would not be misleading to exclude.

Example 7

- Three local governments create a legally separate, fiscally independent, council of governments.
- Each government appoints one member of the board.
- Based on the agreement, each government has an explicit measurable right to the assets of the organization
- There is no imposition of will and it would not be misleading to exclude.

OHIO AUDITOR OF STATE
KEITH FABER

Local Government Services
88 E. Broad St.
Columbus, Ohio 43215

Tracie McCreary, Chief Project Manager, LGS
Presenter phone: (800) 345-2519

OHIO AUDITOR OF STATE
KEITH FABER



88 E. Broad St.
Columbus, Ohio 43215
Phone: (800) 282-0370
www.OhioAuditor.gov

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Ohio Compliance Supplement Update

Presented by: Jesse Carroll, Ohio Auditor of State

Ohio Auditor of State

Combined IPA Conference 2019 OCS Update

Presented by:
Jesse Carroll
Center for Audit Excellence

1

Agenda



- Chapter 1 Updates
- Chapter 2 Updates
- Chapter 3 Updates
 - NEW: Dropout Prevention and Recovery (DOPR) School Eligibility Requirements (3-6)
 - NEW: Submission of information for National Instant Criminal Background Check System (NICS) (3-19)
- Implementation Guide Updates
- Optional Procedures Manual Updates
 - HB 312

2

Chapter 1

1-1 Annual appropriation measures – classification

Updates for GASB 84

- Requires a Statement of Changes in Fiduciary Net Position which must present GASB 54 fund balance classifications.
- Eliminates “agency funds” and adds “custodial funds”
- Most agency funds are consistent with the new custodial funds and are not subject to budgetary requirements.
- However; there are others which fall under another fund type to which budgetary requirements apply.

4

1-11 Traditional and Community schools participating in classroom facilities assistance programs

CFAP Written Agreements – updated the requirements

AFAP – added guidance

Added links for list of schools approved for grants in round 1 and round 2.

Added testing for Community School Grants

5

1-15 Additional borrowing authority for boards of library trustees

Maximum annual debt service increased from 30% to 40% of the average LLGSF funding the library received for the two years preceding the year the notes were issued.

Maximum maturity for refunding notes increased from 25 to 40 years.

6

1-19 Health Care Self Insurance

Programs are required to report reserves and the aggregate disbursements made to pay self-insured claims, legal and consultant costs during the preceding fiscal year.

This requirement is satisfied through submission to the Hinkle system.

Not required to submit a separate report to the AOS.

7

1-23 Collection of Income Tax at Source on Wages

Added reference to court case which ruled public employees cannot be forced to pay "fair share" fees to labor unions.

8

1-26 School District Funding

New Name (previously School District Average Daily Membership)

Added the Innovative Education Program.

- Pilot program for some public, ESC, and chartered nonpublic schools.
- Authorizes the state superintendent to waive certain state statutes and rules and in turn implement an alternative innovative program.
- If you select students for testing that are part of this innovative program, request program policies and consult with CFAE, as needed.

9

1-27 Community School Funding – All Three Types

Minimum consecutive hours for withdrawing a student changed from 105 to 72 (Effective 11/2/18)

- Testing added to verify that less than 1 FTE was claimed for these students.

If “modified” ODE FTE review was performed follow guidance provided by CFAE.

Governing Board required to adopt:

- an enrollment and attendance policy requiring the student’s parent to notify the community school of changes in primary residence.
- a student residence and address verification policy.

10

1-27 Community School Funding – All Three Types

Special Education Funding requirements

- Schools receive weighted special education funding for the portion of the school year a child with a disability has an IEP and ETR.
- EMIS start date should be no earlier than the date the parent signed the initial IEP.
- IEP and ETR should provide an eligibility determination and explanation as to how the student will be served.
- Testing added

11

1-27 Community School Funding – E-Schools ONLY

Must adjust the % of time in EMIS for their student based on the documented learning opportunities.

- Recommended quarterly
- This includes part-time students participating in courses at joint vocational school districts or taking College Credit Plus courses.

12

1-27 Community School Funding – Blended ONLY

ODE's opening assurances are required to be completed by the sponsor each year and include whether the school will operate a blended learning model.

Attendance requirements, including a majority of time required in the school facility, should be detailed in each community school's education plan and student handbook.

Appropriate documentation of student learning activities should include a combination of attendance in the school facility and documentation of online learning activities.

13

1-27 Community School Funding – Blended ONLY

Blended learning models must require students spend the majority of their school year onsite at their school facility.

Schools should include all classroom-based learning opportunities that the students were expected to attend.

Provided the school requires the students to attend a majority of time on-site, the school may get credit for all classroom-based learning opportunities.

For funding, these days and hours are treated just like learning opportunities at a brick and mortar school.

14

Chapter 2

15

2-5 Accounting for Management Company Expenses

Added definition of "operator" which is synonymous with "management company"

- An ESC or School District who may or may not be a CS's sponsor, may also be "operating" the CS pursuant to an agreement; and therefore must comply with the footnote requirement.

GAAP opinion may be impacted if OPEB testing assurances are not obtained.

If the Management Company was audited by the AOS or an IPA, staff should review the audit results and determine whether the management company had sufficient internal controls over compliance.

16

2-6 Eligible Investments for Interim Monies/Inactive Deposits and Maturities

- Bonds or other obligations mature within 10 years from the date of settlement.

2-8 Other allowable investments for subdivisions other than counties

- Added clarity to the definition of Interim monies.
- Added testing for documentation that the aggregate value of the notes does not exceed 10% of the aggregate value of the outstanding commercial paper of the issuing corporation.

17

2-9 Security for repaying public deposits

Obligations of or fully guaranteed by the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Farm Credit Bank, or Student Loan Marketing Association may be used as a form of collateral, but are not permitted to be pooled, rather should have specific pledges.

OPCS is the only legal method for pooled collateral arrangements in Ohio. Any pool outside of OPCS should be considered non-compliance.

18

2-9 Security for repaying public deposits (con't)

Participation in OPCS is subject to operating policies maintained at the discretion of the TOS.

- Operating policies require public units (PU) to review OPCS reports related to their deposits of public funds and for verifying the accuracy of the daily reports of their itemized deposits.
- Any discrepancies must be reported to the PU's financial institution.
- PU's are also required to notify their financial institutions of a significant change in the amount or activity of its deposits before the change occurs.

19

2-9 Security for repaying public deposits (con't)

Specific Pledged Collateral Requirements

- The public depository and depositor should establish an agreement to meet federal requirements and authorize the depositor to obtain control of the collateral
- The public depository is to designate a qualified trustee to place securities for safekeeping.
 - The trustee is responsible for
 - holding the eligible securities in an account indicating the public depositor's security interest in the securities
 - Reporting to the public depository information relating to the securities pledged to secure the public deposits in the manner and frequency required by the public depository.

20

2-9 Security for repaying public deposits (con't)

FDIC Insurance Coverage for 2 Government Accounts:

- Demand Deposit Accounts – a deposit that is payable on demand and for which the depository institution does not reserve the right to require at least seven days' written notice of an intended withdrawal.
 - Applicable to interest and non-interest bearing checking accounts
- Time and Savings Accounts
 - NOW Account – deposits on which the depository institution has reserved the right to require at least 7 days written notice prior to withdrawal or transfer
 - Savings
 - Certificate of Deposit (CD)
 - Money Market Deposit Account (MMDA)

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2-9 Security for repaying public deposits (con't)

FDIC Insurance Coverage for 2 Government Accounts:

- Insured at each insured depository as follows:
 - In State
 - Up to \$250,000 for the combined amount of all time and savings accounts
 - Up to \$250,000 for all demand deposit accounts
 - Out of State
 - Up to \$250,000 for the combined total of all deposit accounts.

22

2-9 Security for repaying public deposits (con't)

Testing procedures

- Modified for access to OPCS
- Defined collateral sufficiency and what to do if it's insufficient
- Test added for an agreement for specific pledge agreements if FI not enrolled in OPCS

23

2-10 Eligible Investments for Inactive County Money

Maturity date extended to 10 years for investments in bonds or obligations of political subdivisions.

Municipal debt with > 10 years maturity periods may be purchased if specifically approved by the investment advisory committee.

Notes can now be rated in one of the 3 highest categories by at least two nationally recognized rating services

Notes maturity extended to 3 years after purchase.

Allowance for debt in foreign nations increased to 2%

24

2-13 Sponsor monitoring of community schools

Schools have no authority to pay unused funds to their sponsor

Opening assurances

- required annually in writing from the sponsor of each community school w/i 10 days of school starting
- attest to:
 - compliance with ORC
 - criminal records checks for gov authority members

AOS defers ODE's position that although "school district" includes ESCs, this does not apply if:

- to the sponsor of a community school is also the school district in which that community school is located, the sponsor may sell goods or services to that community school at no profit to the sponsor.

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2-13 Sponsor monitoring of community schools (cont'd)

Sponsors are required to monitor the community school's compliance with ORC and their contract

Closing assurances -

- A plan of action is required to be undertaken if the community school experiences financial difficulties prior to the end of the year.
- Sponsors must submit a Suspension and Closing Assurance Template for each school that closed.
- Submitted quarterly until all closing assurances are submitted.
- Attest that all necessary notifications are complete.

Community school sponsors are required to report expenditures made to provide oversight, monitoring and technical assistance

26

2-14 Operator oversight of community schools

Operator = Management Company

- An ESC or school district sponsor may also be an operator based on the agreement.

27

2-16,17,18 Force Accounts

- Updated force account limits for FY 2018-2019

2-19 Security controls over counties' electronic transactions

- Uniform Electronic Transactions Act definitions for Electronic record and signature added.

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2-21 Education Requirements

- Incorporated the Fiscal Integrity Act
- Investment training required for treasurers need only be completed once. Not required annually.

2-22 Fraud and Abuse, Conflict of Interest, Ethics

- Required to provide information about the Ohio fraud reporting system and the means of reporting fraud to ANY public official or employee

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2-23 Availability of public records

- An official may satisfy their public records training requirements prior to taking office
- Not permitted to send a designee

2-24 Anti-Bullying provisions

- Updated testing requirements

30

Chapter 3

3-3 Appointments, compensation, contracts etc.

Virtual participation (i.e. telephone or web conference) does not constitute attendance for compensation.

3-6 Dropout Prevention and Recovery School Eligibility Requirements (NEW)

DOPR Community Schools are eligible:

- To receive an alternative report card
- For the alternative NWEA MAP assessment testing of students
- To have flexibility with regards to certain ORC requirements (such as start date)

3-6 Dropout Prevention and Recovery School Eligibility Requirements (NEW)

DOPR schools meet any of the following:

- Any community school that operates a drug recovery program in cooperation with court
- Any community school in which more than 50% of students are enrolled in a DOPR program (requirements on next slide); or
- Any conversion community school whose sponsoring district received a waiver from having the school's academic data rolled up into the district's local report card.

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3-6 Dropout Prevention and Recovery School Eligibility Requirements (NEW)

The DOPR program meets the following criteria:

- Serves only students between 16 and 21 years old.
- Enrolls students who are a grade level behind or experience crises that significantly interfere with academic progress.
- Requires students to attain at least the applicable assessment scores or prescribed rule of the state BOE.
- Develops an individual career plan that specifies enrolling in a two-year degree program, acquiring a business and industry credential, OR entering an apprenticeship.
- Provides counseling and support for the student related to the plan developed under ORC 3301.0710(A)(4).
- The program's instructional plan demonstrates how the academic content standards adopted by the State BOE will be taught and assessed.

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3-6 Dropout Prevention and Recovery School Eligibility Requirements (NEW)

Eligible individuals 22 years of age may enroll for up to two consecutive school years in a dropout prevention and recovery program.

- A "majority" requirement is not applicable, so a program can consist of only a few individuals.
- Cannot enroll in a DOPR school, but can enroll in a DOPR community schools sponsored DOPR program.

Growth in student achievement in reading, mathematics or both is measured by separate national norm-referenced assessments

Schools ratings of attainment of performance levels and benchmarks are:

- Exceeds standards
- Meets standards
- Does not meet standards

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3-6 Dropout Prevention and Recovery School Eligibility Requirements (NEW)

Timeline for Form Submission/DOPR Report Card Designation

- July 1: Sponsor and school complete and submit application **OR** notify ODE in writing they not longer seek the DOPR report card designation.
- August 15: Sponsor and school will receive decision from ODE
- 10 days prior to 1st day of Instruction: Sponsor must submit opening assurances.

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3-7 Establishment and accounting treatment for Commissaries

A commissary fund must be established for commissaries.

Municipalities: profits must be used to either

- purchase supplies and equipment to benefit incarcerated persons in the workhouse, and
- pay salary and benefits for employees of the workhouse or those employed for the sole purpose of providing service to the commissary.

38

3-18 Law Enforcement Trust (LET) and Drug Law Enforcement Funds

Electronic payments for any mandatory drug fine imposed are made to the Ohio Treasurer of State through the Reparations Rotary.

- Report available on AOS Intranet.

Mandatory drug fines paid to the clerk of a court should be recorded in the LET fund.

For the sale of forfeited property, a report must be filed with the County Auditor/Municipal Corp/ Board of Township Trustees/Park Commissioner/Attorney General

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3-19 Submission of information for National Instant Criminal Background Check System (NICS) **(NEW)**

Executive Order 2018-03K signed on 4/23/18 requesting AOS's involvement in an effort to help ensure the NICS has accurate, timely and complete information.

A Working Group surveyed almost 1,000 public officials or offices to request a reporting history over the last four years.

40

3-19 Submission of information for National Instant Criminal Background Check System (NICS) **(NEW)**

AOS Responsibilities:

In annual/biennial audits of any local public office that has a responsibility to report or upload NICS data, include a procedure to test that office's compliance with its obligation to accurately and timely report that data.

Annually publish the results of the review of each such office on the Auditor's public web site.

Immediately initiate the NICS data reporting procedure for any public official or public office that fails to respond to any OCJS request for information in the survey described in previous slide.

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3-19 Submission of information for National Instant Criminal Background Check System (NICS) **(NEW)**

Federal law prohibits certain persons from possessing any firearm.

The state of Ohio has entered into a compact to remit some information to the NICS.

NICS Examiners match potential transferees/licenses to records by comparing name, date of birth, SSN (optional), address, height, weight, sex, race, and state of residence.

NICS uses three databases to make the potential matches:

- National Crime Information Center (NCIC)
- Interstate Identification Index (III)
- NICS Indices

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3-19 Submission of information for National Instant Criminal Background Check System (NICS) (NEW)

- Agencies are responsible for the accuracy, timeliness and completeness of data in these databases.
- The Law Enforcement Agencies Data System (LEADS) assumes a large degree of the administrative responsibility for the maintenance of records entered into NCIC.
- Agencies in Ohio are required to undergo a triennial audit.
- Public entities are required by ORC to report specific information to BCI for certain offenses.

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3-19 Submission of information for National Instant Criminal Background Check System (NICS) (NEW)

- ORC identifies four types of entities required to report to BCI:
- Courts – Clerk of Courts shall send a weekly report of certain offenses.
 - Law Enforcement – Immediately upon arrest take and forward fingerprints.
 - Probate Judge/Chief Clinical Officer/Mental Health Service Provider – Of mentally ill person subject to court order or becomes and involuntary patient within 7 days.
 - Correctional facilities* – photographs, pictures, descriptions, fingerprints, measurements and other info. (*These requirements are not subject to audit at this time.)

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3-19 Submission of information for National Instant Criminal Background Check System (NICS) (NEW)

- Courts (Common Pleas: General Division & Juvenile, Probate, Municipal, County)**
- Court dispositions are required to include certain elements (incident tracking number, date of arrest, etc) and for certain offenses.
 - Dispositions may be reported either:
 - Electronically via FTP. A summary confirmation report is generated and emailed back to the sender.
 - Electronically via the Ohio Court Network (OCN). Membership is not enough, submission requires an add-on program which must be requested. A summary report can be run showing a detailed listing of submissions to BCI. The same summary confirmation report are also available.
 - Manually via Form 2-71. No confirmation or receipt of information is provided.
 - Responsible for ensuring fingerprints have been submitted at the time of arraignment or first appearance before court.

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3-19 Submission of information for National Instant Criminal Background Check System (NICS) **(NEW)**

Courts (Common Pleas: Probate)

- An individual found by a court to be mentally ill or becomes an involuntary patient
- Report within 7 days of adjudication or commitment.
- Filing options include:
 - Electronic via Mental Illness Adjudication Reporting (MIAR) through OCN.
 - Manually via Notification Form for Records Checks mailed to BCI.

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3-19 Submission of information for National Instant Criminal Background Check System (NICS) **(NEW)**

Law Enforcement

- Filing options include:
 - Electronic via LiveScan, an electronic fingerprint submission system.
 - Manually via fingerprint card. Several are in use for different purposes.
- Immediate filing is required to BCI as well as the Clerk of Court with jurisdiction.

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3-19 Submission of information for National Instant Criminal Background Check System (NICS) **(NEW)**

Suggested Audit Procedures

- To be performed **EVERY** year
- Imperative to gain an understanding of the entity's process first.
- Procedures are general in nature to be applicable to as many entities as possible.
- Created a NICS Process form to help steer you in gaining the information needed to know how to test.
 - Used for testing all three entity types.
- Courts (All): from a list of cases within the audit period, select a sample of 10 to ensure they reported correctly to BCI.
- Law Enforcement: determine if there is an established method of fingerprint submission to BCI.

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Implementation Guide

Audit Findings

Updated to reference to the Summary of Identified Misstatements.

Example Attorney General agreement for FFR repayment should be provided to clients whenever possible and share the completed plan with the AOS attorney.

Modified the FFR process when the Special Investigations Unit (SIU formerly PIAT) is involved.

FFR procedures for IPA:

- Regional chief auditor will notify the Chief of Quality Assurance when Proposed and Final Notices of Finding were sent and provide copies of each.
- CFAE will verify the Proposed and Final Notices of Finding were appropriately sent and include a copy in the QA files.

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Referrals

Added SERS, OP&F Retirement System and ODE to the list of those which have requested notification when local government audits have comment or findings pertaining to their respective agencies.

AOS is required to provide written notice to sponsors of community schools regarding any action taken against the community schools as part of an audit.

- Therefore, our office will provide copies of community school audit reports to sponsors.

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Referrals

Executive Summary Portal

- When applicable, financial auditors and quality assurance reviewers in CFAE should tick the appropriate box in the Executive Summary Portal indicating a referral.
- CFAE will notify the agencies (or Legal as appropriate) via email
- For agencies that do not have an automated process (i.e. ODE).

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Appendix E-2 - GASB No. 40

- A county's permitted total average portfolio invested in commercial paper increased from 25% to 40%
- Investment in commercial paper notes of a single issuer shall not exceed 5 % of interim moneys available for investment at the time of purchase.
- A county's corporate debt investments must mature within 3 years of purchase.
- A county's corporate debt investments must be rated in 1 of the three highest categories by 2 rating organizations.

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Exhibit 2 – Public Officers' Bond

- Insurance is authorized to be used in lieu of surety bonds. Effective 3/20/19. More changes for this in the 2020 OCS.

Exhibit 4 – Elected Official's Compensation

- Updated compensation charts

Exhibit 5 – Legal Matrices/Exhibit 6 – Entities not Included

- Updated by Legal

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Optional Procedures Manual

O-5 School districts and community schools required to prepare five-year projections

ODE and AOS cannot require a BOE to submit its five-year projection of operational revenues and expenditures prior to 11/30.

- Testing for projections to be updated since the prior forecast.

O-13 Township's expenditures and competitive bidding

Added a link to the Attorney General's "Partnership for Competitive Purchasing" brochure. It includes tips for identifying bidding schemes.

O-17 Bidding required on improvement contracts

If a bidder is found not to be responsive and responsible and the state agency or political subdivision has an email address, notification should be given in writing by ordinary mail AND by email.

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O-22 Establishment of policies, restrictions on use, prohibitions for government credit cards and purchasing cards

House Bill 312

- Effective Date: November 2, 2018
- Not later than three months after the effective date of this section the legislative authority of a political subdivision that holds a credit card account on the effective date of this section shall adopt a written policy for the use of credit card accounts.
- Enacts baseline controls and procedures regarding credit cards for all government entities
- Eliminates the use of debit cards by most government entities
- Promotes enforcement of credit card policies and procedures

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O-22 Establishment of policies, restrictions on use, prohibitions for government credit cards and purchasing cards

Definitions

- Political Subdivision – a body corporate and politic that is responsible for government activities in a geographic area small than that of the state. **Counties are excluded from HB 312 except the portion that applies to debit cards**
- Credit card account – any bank issued credit card account, stored issued credit card account, financial institution – issued credit card account, financial depository issued credit card account, or any other card account or credit account allowing the holder to purchase foods or services on credit or to transact with the account and any debit or gift card account related to the receipt of grant money.

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O-22 Establishment of policies, restrictions on use, prohibitions for government credit cards and purchasing cards

Definitions

- Presentation Instruments – any card, check or account number which can be used to purchase goods or services including purchasing accounts
- Debit card account – a card account issued by a financial institution which allows the holder to transfer money electronically to another bank account when making a transaction. For the purposes of this legislation debit card accounts include the following:
 - Single-use cash gift cards
 - Prepaid gift card

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O-22 Establishment of policies, restrictions on use, prohibitions for government credit cards and purchasing cards

Credit Card Account does NOT include:

- Procurement card accounts
- Gasoline Card
- Telephone credit card accounts
- Any other card account similar to a gas or phone card where a merchant category code limiting the type of good that may be purchased is in place as a system of control for use of the card account

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O-22 Establishment of policies, restrictions on use, prohibitions for government credit cards and purchasing cards

Written Policy Requirements

- Not later than February 2, 2019 the legislative authority of a political subdivision that holds a credit card account must adopt a written policy for the use of credit card accounts. Otherwise, a legislative authority must adopt a written policy before the use of a card account.

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O-22 Establishment of policies, restrictions on use, prohibitions for government credit cards and purchasing cards

The written policy must include:

- Appointment of a compliance officer, where applicable
- Officers or positions authorized to use a credit card account
- Types of expenses for which a credit card account may be used
- Procedures for acquisition, use, and management of credit card accounts and presentation instruments related to the account including cards and checks.
- Procedures for submitting itemized receipts to the fiscal officer or the fiscal officer's designee

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O-22 Establishment of policies, restrictions on use, prohibitions for government credit cards and purchasing cards

The written policy must include (cont'd):

- The procedure for credit card issuance, credit card reissuance, credit card cancellation and the process for reporting lost or stolen credit cards
- Political subdivision's credit card account's maximum credit limit or limits
- The actions or omissions by an officer or employee that qualify as misuse of a credit card account

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O-22 Establishment of policies, restrictions on use, prohibitions for government credit cards and purchasing cards

The treasurer or fiscal officer or designee shall annually file a report with the board or authority detailing all rewards received based on the use of the credit card account.

A public employee found knowingly misusing a credit card account violates section 2913.21, a misdemeanor of the first degree

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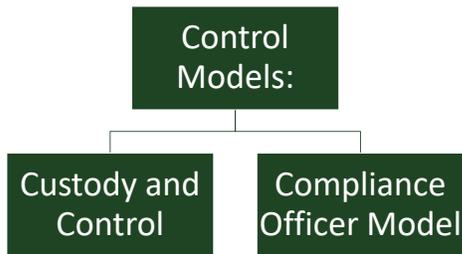
O-22 Establishment of policies, restrictions on use, prohibitions for government credit cards and purchasing cards

No political subdivision may hold or utilize a debit card account, except for law enforcement purposes. Possession or use of a debit card account by a political subdivision, except law enforcement, is a violation of section 2913.21 of the Revised Code.

- The requirements set forth in HB 312 do not apply to debit card accounts related to the receipt of grant moneys.

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O-22 Establishment of policies, restrictions on use, prohibitions for government credit cards and purchasing cards



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O-22 Establishment of policies, restrictions on use, prohibitions for government credit cards and purchasing cards

Custody and Control Model

- System in which the treasurer or fiscal officer maintains physical control over all credit cards of the entity and may use a system requiring the cards to be “signed out” by authorized, designated users.

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O-22 Establishment of policies, restrictions on use, prohibitions for government credit cards and purchasing cards

Custody and Control Model

- Entities using the custody model should specify the following items in their written policy:
 - Who the authorized designated users are
 - Reasonable length of time the card is allowed to be out of the control of the treasurer or fiscal officer
 - Procedures that should be followed to submit itemized receipts
 - An officer or employee is liable in person and upon any official bond the officer or employee has given to the political subdivision to reimburse the treasurer for the amount for which the officer or employee does not provide itemized receipts

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O-22 Establishment of policies, restrictions on use, prohibitions for government credit cards and purchasing cards

Compliance Officer Model

- System in which the treasurer or fiscal officer does not maintain physical control of credit cards
- Must appoint a compliance officer
 - CANNOT be the treasurer or fiscal officer
 - Should not be an authorized user of the credit card
 - Cannot authorize an officer or employee to use a credit card account.

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O-22 Establishment of policies, restrictions on use, prohibitions for government credit cards and purchasing cards

Compliance Officer Model

- The compliance officer, if applicable shall review the number of cards and accounts issued, the number of active cards and accounts issued, the cards' and accounts expiration dates and the cards' and accounts' credit limits.

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O-22 Establishment of policies, restrictions on use, prohibitions for government credit cards and purchasing cards

Entity Specific Requirements – Townships:

- Home Rule Township – If the township fiscal officer does not retain general possession and control of the credit card the board must appoint a compliance officer to perform the duties previously outlined. The compliance officer may not use a credit card account and may not authorize an officer, employee, or appointee to use a credit card account, with the exception of a board of township trustees serving in the role of compliance officer, then they may use a credit card if so authorized under the policy adopted by the township and may authorize an officer, employee, or appointee to use a credit card account as provided in the policy requirements. The fiscal Officer is not eligible for appointment as compliance officer.

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O-22 Establishment of policies, restrictions on use, prohibitions for government credit cards and purchasing cards

Entity Specific Requirements - Townships (continued)

- Not Home Rule – the fiscal officer must present credit card account transaction detail from the previous month to the board. The board must review the credit card transaction detail and the chairperson of the board must sign an attestation stating the board reviewed the credit card account transaction detail.

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O-22 Establishment of policies, restrictions on use, prohibitions for government credit cards and purchasing cards

Entity Specific Requirements - Municipal Corporations

- In a municipal corporation that has the authority to operate a mayors court pursuant to Chapter 1905 of the Revised Code, the chief executive office of the municipal corporation must appoint a compliance officer to perform the duties enumerated under the policy established. The compliance officer may not use a credit card account and may not authorize an officer or employee to use a credit card account. The Village clerk or City auditor is not eligible for appointment as compliance officer.

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O-22 Establishment of policies, restrictions on use, prohibitions for government credit cards and purchasing cards

Entity Specific Requirements - Municipal Corporation (continued)

- In a municipal corporation that does not have the authority to operate a mayor's court pursuant to Ch 1905 of the Revised Code, the village clerk or city auditor must present monthly to the legislative authority credit card account transactions detail from the previous month. The legislative authority must review the credit card account transaction detail and the presiding officer of the legislative authority must sign an attestation stating the legislative authority reviewed the credit card transaction detail.

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O-22 Establishment of policies, restrictions on use, prohibitions for government credit cards and purchasing cards

Entity Specific Requirements - School District, ESC, or ITC

- If a treasurer does not retain general possession and control of the credit card the governing authority must appoint a compliance officer.
- Unless the compliance officer is the superintendent or chief administrator of an ITC, the compliance officer may not use the credit card account. The compliance officer may not authorize an officer or employee to use a credit card account.

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O-22 Establishment of policies, restrictions on use, prohibitions for government credit cards and purchasing cards

Entity Specific Requirements - School District, ESC, or ITC (continued)

- If a school district superintendent acting as compliance officer has authority to use a credit card account, the treasurer or the treasurer's designee, who must not be the superintendent, must review monthly the credit card account transaction detail and must sign an attestation stating the treasurer or designee reviewed the credit card detail.
- If the chief administrator of an ITC acting as compliance officer has authority to use a credit card account, the governing authority must review monthly the credit card account transaction detail and must sign an attestation documenting their review.

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O-22 Establishment of policies, restrictions on use, prohibitions for government credit cards and purchasing cards

Entity Specific Requirements - School District, ESC, or ITC (continued)

- The treasurer of the board of education, treasurer of the ESC, and chief fiscal officer of the ITC are not eligible for appointment as compliance officer.
- The superintendent or chief administrator is eligible for appointment as compliance officer.

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O-22 Establishment of policies, restrictions on use, prohibitions for government credit cards and purchasing cards

Entity Specific Requirements - Community and STEM schools:

If the entity is required to appoint a compliance officer:

- Except for a chief administrator of a community or STEM school serving as compliance officer, the compliance officer may not use a credit card account. The compliance officer may not authorize an officer or employee to use a credit card account.
- If a chief administrator acting as a compliance officer has authority to use a credit card account the governing authority must review the credit card account transaction detail monthly and sign an attestation documenting that review.
- Treasurer is not eligible for compliance officer.

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O-22 Establishment of policies, restrictions on use, prohibitions for government credit cards and purchasing cards

Entity Specific Requirements - Library

If a library must appoint a compliance officer:

- The compliance officer may use a credit card account only upon authority from the fiscal officer except the director of a library serving in the role of compliance officer may use a credit card if so authorized under the policy.
- If the compliance officer has authority to use a credit card, the fiscal officer or fiscal officer's designee, who must not be the compliance officer, monthly must review the credit card account transaction detail and must sign an attestation documenting this review.
- The fiscal officer is not eligible for compliance officer, the director is.

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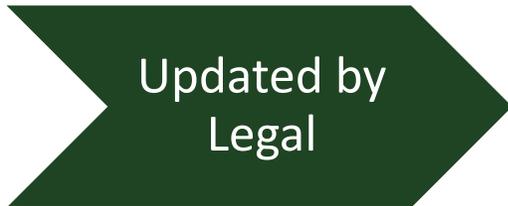
O-23 Issuing municipal securities

For EMMA and SID the following event notices were added:

- Incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, event of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material
- Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties.

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Legal Matrices



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Questions?



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Center For Audit Excellence
88 East Broad Street
Columbus, Ohio 43215

Phone: (800) 282-0370
Email: contactus@ohioauditor.gov

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OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370
Email: ContactUs@OhioAuditor.gov
www.ohioauditor.gov

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Ohio Pooled Collateral System

Presented by:

Zach Prouty & Patrick Castleman, Ohio Treasurer of State

O
P
C
S

Ohio Pooled Collateral System



opcs.ohio.gov 1

OPCS Overview

- The Ohio Pooled Collateral System (OPCS) authorizes banks to pool collateral for Ohio Public Unit's (PU) deposits through a program developed and administered through the Treasurer of State (TOS).
 - The Treasurer's Office maintains an online portal for use by Banks, Public Units, Collateral Trustees, and Auditors.
- Primary benefit of OPCS is enhanced oversight and transparency.
 - Every bank, every account, every day.
- OPCS was created in HB 64 of the 131st General Assembly, which was signed into law on June 30th, 2015. This program is governed by ORC section 135.182 and launched on July 1st, 2017.
- 56 participating banks, 6,000 public units, over \$12 billion in deposits, and over \$13 billion in collateral pledged.

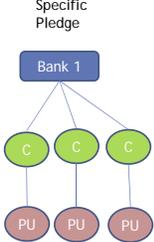
opcs.ohio.gov 2

OPCS Overview

Banks who hold public deposits have two options:

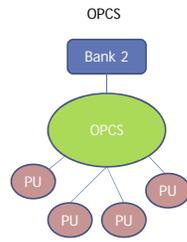
Option 1:
Individually collateralize all public deposits at a minimum of 105% via the specific pledge method.

Specific Pledge



Option 2:
Participate in OPCS to pool collateral at 102%, or at rate set by TOS in rule.

OPCS



opcs.ohio.gov 3

Mechanics of OPCS

- If bank applies, TOS has the ability to lower collateral floor.
 - TOS can also raise collateral floor back up.
- TOS has ability to raise or lower the collateral floor for a given collateral pool based on economic and bank monitoring, including a bank's "SCALE" score.
 - Sensitivity to Risk
 - Capital
 - Assets
 - Liquidity
 - Earnings
- TOS utilizes 50 different economic indicators:
 - i.e. operating assets, cash flows, deposits, balance sheets, leverage ratio, etc.

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Mechanics of OPCS

- Banks send TOS daily files.
- TOS Trust Department has 5 staff that monitor pledged collateral daily.

Bank	Original Institution	OPCS	PU Demographic File	File Type	Sequence	Processed	Received	File Type
WELLS FARGO	WELLS FARGO	3/12/2019 8:14 AM	3/12/2019 8:14 AM	1	3/12/2019 8:14 AM	3/12/2019 8:14 AM	3/12/2019 8:14 AM	1
WELLS FARGO	WELLS FARGO	3/12/2019 8:32 AM	3/12/2019 8:32 AM	1	3/12/2019 8:32 AM	3/12/2019 8:32 AM	3/12/2019 8:32 AM	1
WELLS FARGO	WELLS FARGO	3/12/2019 8:39 AM	3/12/2019 8:39 AM	1	3/12/2019 8:39 AM	3/12/2019 8:39 AM	3/12/2019 8:39 AM	1
WELLS FARGO	WELLS FARGO	3/12/2019 8:46 AM	3/12/2019 8:46 AM	1	3/12/2019 8:46 AM	3/12/2019 8:46 AM	3/12/2019 8:46 AM	1

- TOS Timeline
 - 9:00 am
 - TOS requires participating banks to submit daily public unit files.
 - TOS uploads priced collateral positions and compares bank file with collateral position.
 - 10:00 am
 - TOS does a collateral sufficiency analysis based on previous day's collateral.
 - If TOS has not received a bank's public unit files, TOS will open a case, alert the PU, and work with the bank to resolve any issues.

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Mechanics of OPCS

- **Under-Collateralization:**
 - If at any time a bank is under collateralized, TOS notifies the bank and PU of a deficiency.
 - If necessary, TOS will work with the bank to secure sufficient collateral.
 - PU will receive a follow-up notification when the bank resolves the deficiency.
 - If for some reason you do not, please call or email us immediately.

Collateral Compliance - Notify PU of Deficiency

Your deposit balance with The Bank of Williamsville has insufficient collateral as of 3/12/2019. For more information, please review the Deposit Information and Sufficiency dashboard available on the <http://opcs.ohio.gov>.

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Public Unit Roles

- PUs are encouraged to review and monitor OPCS reports posted, verifying the accuracy of their deposits.
 - TOS is responsible for reporting any discrepancies or under collateralization to the bank.
- PUs are required to do an annual attestation of their account details, including deposit balances and contact information.
- PUs may negotiate different collateral requirements for individual accounts with their bank, which may be higher than the statutory collateral requirement.
- PUs may be under collateralized for several reasons:
 - Large tax revenue deposits.
 - Receipt of state or federal funding.
 - Other unexpected revenues.

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Resources

FAQs/Training Manuals: (go to opcs.ohio.gov, FAQ/Help tab)

- <https://opcs.ohio.gov/login/#faqhelp>

Contact info:

- OPCS main line, 614-466-2160, support@opcs.ohio.gov
- Zach Prouty, 614-752-8479, zach.Prouty@tos.ohio.gov
- Patrick Castleman, 614-629-8374, Patrick.Castleman@tos.ohio.gov
- Jennifer Day, 614-387-2834, Jennifer.Day@tos.ohio.gov
- Eric Ochmanek, 614-728-8873, Eric.Ochmanek@tos.ohio.gov

ORC/OAC Section:

- ORC 135.18-135.182, <http://codes.ohio.gov/orc/135.18v1>
- OAC 113-40, <http://codes.ohio.gov/oac/113-40>

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Questions?

OPCS Portal - Overview
and Demo

opcs.ohio.gov 10



Thank
You!

opcs.ohio.gov

ROBERT SPRAGUE
OHIO TREASURER

11

Special Audit of Shawnee Local School District – Allen County

Presented by: Brandy Reed, Ohio Auditor of State

Ohio Auditor of State

Special Audit of Shawnee Local School
District – Allen County

Presented by:
Special Investigations Unit

1

Overview

Topics Covered for the Entities
Involved

- Background
- Investigation
- Audit Results
- Prosecution



2

Overview

Entities Involved:

- Shawnee Middle School PTC
- Shawnee Little Indians Volleyball
- Shawnee LSD
- Shawnee Baseball Booster Association

3

Shawnee Middle School PTC

- Middle school parent and teacher group of Shawnee LSD – Allen County
- Held meetings during the school year
- Heather O' Connor – Treasurer since 8/1/09
- Treasurer was to present a Treasurer report at every meeting



4

Background - Timeline

- March 1, 2016 – Shawnee LSD Treasurer contacts PIAT regarding an unpaid invoice for a magazine fundraiser ran by the Shawnee Middle School PTC



Great American Activities logo and contact information.

ACCOUNT NO. 02-796302
INVOICE NO. 912338510
AMOUNT DUE \$ 16,665.75

SHAWNEE MIDDLE SCHOOL
INVOICE 912338510
Payment Due Immediately

Category	Description	Reference	Amount
10100000	ADULT PROGRAMS	912338510	16,665.75
10100000	Other	912338510	0.00
99999999	Other	912338510	0.00
91700000	Other	912338510	0.00

Subtotal: \$ 16,665.75
Activity Group Last Statement: \$ 0.00
Total Amount Due: \$ 16,665.75

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Background - Timeline



Program Agreement form with fields for Customer Name/Group Name (SHAWNEE MIDDLE SCHOOL), Date (03/01/2016), and Signature of Program Director.

6

Background - Timeline

- March 4, 2016 – Shawnee Middle School PTC Treasurer, Heather O'Connor, meets with Shawnee LSD Treasurer and Middle School Principal and admits to stealing money.



03/08/2016 47417 \$20,000.00

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Background - Timeline

- March 15, 2016 – Shawnee LSD files a police report.
- April 18, 2016 – Shawnee Township police dept. requests Auditor of State assistance with the case.
- April 28, 2016 – Special Audit Task Force approves SA3



Background

Heather O'Connor

Shawnee Middle School PTC:
• Volunteer Treasurer



Shawnee Little Indians Volleyball:
• Volunteer Treasurer

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Investigation

Witness interviews:

- 2 signatories on bank account
- PTC bills paid late
- Heather hadn't produced a treasurer's report during FY16 school year and always had an excuse.
- Information on Treasurer's report was never verified and bank statements were never reviewed.

Subpoenaed Bank records:

- PTC bank account along with Heather's personal bank accounts are subpoenaed.

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Investigation

- On May 25, 2016 an interview with Heather was held.

- Employed in the banking industry for over 20 years
- Lost her job
- Admitted to stealing cash from deposits and writing unauthorized checks to herself
- Started out borrowing small amounts
- Falsified Treasurer's report



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Investigation

Deposits:

Magazine Sales \$23,156.21, SpiritWear \$3,809.00

Deposits\Other Credits

Date	Description	Amount
10-02	DEPOSIT TLR23006 BR 23	829.00
10-21	DEPOSIT TLR28006 BR 28	21,394.21

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**Shawnee Middle School PTC
Shawnee Little Indians Volleyball**

Special Audit 3
Audit Period:
8/1/09 – 3/14/2016

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Special Audit 3

Objectives/Procedures:

- Determine revenue sources; agree to support and subsequent deposit into bank account
- Review disbursements/withdrawals and agree to support

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Special Audit 3

Shawnee Middle School PTC:

- Revenue Sources:
 - Peelers Fundraiser
 - Magazine Fundraiser
 - Scholastic Book Fair Fundraiser
 - Spiritwear Fundraiser



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Special Audit 3 - Results

Peelers Fundraiser:

Total Unaccounted for from Peeler Fundraiser:

Year	Amount
2010	\$ (2,918.00)
2011	\$ (1,535.00)
2012	\$ (3,959.00)
2013	\$ 70.00
2014	\$ (4,677.00)
2015	\$ (2,000.00)
Total	\$ (15,019.00)



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Special Audit 3 - Results

Magazine Fundraiser:

Year	Amount
2009	\$ 344.86
2010	\$ (769.00)
2011	\$ (652.00)
2012	\$ (1,395.36)
2013	\$ (3,067.51)
2014	\$ (3,575.77)
2015	\$ (4,994.25)
Total	\$ (14,109.03)

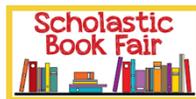


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Special Audit 3 - Results

Scholastic Book Fair Fundraiser:

Year	Amount
2009	\$ 439.42
2010	\$ (53.89)
2011	\$ (2,908.49)
2012	\$ (463.57)
2013	\$ (2,612.00)
2014	\$ (3,830.56)
2015	\$ (2,598.08)
Total	\$ (12,027.17)



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Special Audit 3 - Results

Spiritwear Fundraiser:

Year	Amount
2009	\$ 463.50
2010	\$ 563.00
2011	\$ (1,257.23)
2012	\$ -
2013	\$ (410.00)
2014	\$ (556.00)
2015	\$ (165.00)
	\$ (1,361.73)



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Special Audit 3 - Results



Total Unaccounted for from Fundraisers:

Peelers:	\$	15,019.00
Magazine:	\$	14,109.03
Scholastic Book Fair:	\$	12,027.17
Spiritwear:	\$	1,361.73
	\$	42,516.93

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Special Audit 3

Disbursements/Withdrawals:

- Checks made payable to Heather O'Connor
- Transfers to personal bank account of Heather O'Connor
- Checks made payable to Cash
- Withdrawals from bank account
- Checks made payable to Shawnee Little Indians Volleyball
- Transfers to Shawnee Little Indians Volleyball

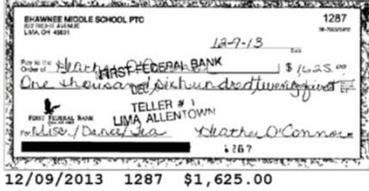


24

Special Audit 3 - Results

Checks made payable to Heather O'Connor:

- We identified 52 checks made payable to Heather O'Connor totaling \$13,181.10. These checks were not authorized or for the purpose of the PTC.



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Special Audit 3 - Results

Transfers to personal bank account of Heather O'Connor:

Bank Statement Date	Item	Description	Amount	Unaccounted for Amount
9/29/2009	transfer	to account [REDACTED]	\$250.00	\$250.00
4/2/2010	transfer	to account [REDACTED]	\$400.00	\$400.00
				<u>\$650.00</u>

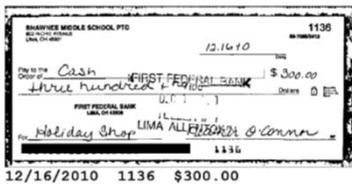


26

Special Audit 3 - Results

Checks made payable to Cash:

- We identified 17 checks made payable to Cash totaling \$6,025.04. These checks were not authorized or for the purpose of the PTC.



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Special Audit 3 - Results

Withdrawals from bank account:

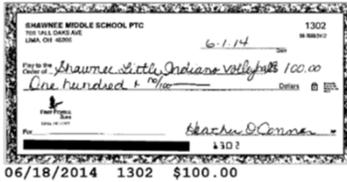
- We identified 36 cash withdrawals from the PTC bank account totaling \$13,780.51. These withdrawals were not authorized or for the purpose of the PTC.



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Special Audit 3 - Results

Checks made payable to Shawnee Little Indians Volleyball:



Transfers to Shawnee Little Indians Volleyball bank account:

- We identified one transfer in the amount of \$1,333.75 from the PTC bank account to the Little Indians Volleyball bank account

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Special Audit 3 - Results

Unaccounted for from Disbursements Testing:

Heather O'Connor:

Checks to	\$13,181.10
Bank transfer to	\$650.00

Cash:

Withdrawals	\$13,780.51
Checks to	\$6,025.04

Little Indians Volleyball:

Transfers to	\$1,333.75
Checks to	\$100.00

30

Special Audit 3 - Results

Grand Total Unaccounted for - PTC:

Misappropriated

Disbursements

Checks	\$19,306.14
Transfers	\$1,983.75
Cash	\$13,780.51

Fundraisers \$42,516.93

Grand Total: **\$77,587.33**

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Special Audit 3 - Results

Repayments prior to admitting to theft:

- \$15,445.34

Repayments after admitting to theft:

- \$20,000.00

Amount Remaining Owed to PTC:

- \$42,141.99

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Special Audit 3 - Results

Shawnee Little Indians Volleyball

Unauthorized Transactions



- 18 checks totaling \$3,479.57 made payable to Heather O'Conner
- 6 checks totaling \$1,463 made payable to cash
- 10 cash withdrawals totaling \$3,445.18
- 2 checks totaling \$890 made payable to Shawnee Middle School PTC

Grand Total: \$9,277.75

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Prosecution

Grand Jury - July 13, 2017

Indicted on four counts of Grand Theft (Felony 4) and one count of Tampering with Records (Misdemeanor 1)



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Prosecution



February 2, 2018

Negotiated plea was filed – Heather plead guilty to one count of Grand Theft with the remaining charges dismissed

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Sentencing March 22, 2018

Community Control – 5 years
Community Service – 40 hours

Restitution:

Shawnee Middle School PTC \$42,141.99

Shawnee Little Indians Volleyball of \$9,277.75



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OHIO AUDITOR OF STATE
KEITH FABER

Shawnee Local School District
Special Audit 2
Audit Period:
8/1/12 – 6/6/2016



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Background - Timeline

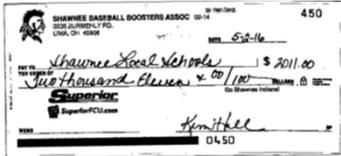
- May 2, 2016 – while performing the audit of the Shawnee Middle School PTC the following checks caused concern:



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Background - Timeline

- May 2, 2016 – Kim Hall writes a check from the Shawnee Baseball Booster Association to Shawnee LSD in the amount of \$2,011 for the checks "accidentally" deposited into the baseball booster bank account.



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Background - Timeline

- June 1, 2016 – the subpoenaed Shawnee Baseball Booster Association bank records were received for the time period October 21, 2014 through April 30, 2016 and a preliminary review performed. The following was noted:
 - Cash withdrawals totaling approximately \$40,000
 - Checks made payable to Shawnee Middle School totaling approximately \$18,000

40

Background - Timeline

- June 6, 2016 – surprise interview of Mrs. Hall was conducted at the school
- June 6, 2016 – Shawnee LSD places Mrs. Hall on administrative leave and files police report
- June 8, 2016 – search warrant performed of Mrs. Hall's office at the school
- June 9, 2016 – SATF approves special audit 2
- June 14, 2016 – Mrs. Hall submits resignation letter to school effective June 30, 2016

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Background

Kim Hall

Shawnee Middle School :

- Middle School Secretary from 8/1/12 to 3/14/16
- Facilities Administrative Assistant from 3/14/16 to 6/6/16

Shawnee Baseball Booster Association:

- Volunteer Treasurer from 10/21/14 to 6/6/16



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Investigation

- On June 6, 2016 an unannounced interview with Mrs. Hall was held.
 - Questioned about the 2 PTC checks
 - Questioned her about the large amount of withdrawals & checks for the middle school



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Investigation

Witness interviews:

- Mrs. Hall was responsible for the collection of middle school receipts and depositing with the treasurer's office
- Mrs. Hall volunteered to help yearbook advisor
- Mrs. Hall was very well liked

Subpoenaed Bank records:

- School bank account (middle school deposits only) along with Mrs. Hall's personal bank accounts are subpoenaed.

Search Warrant: Executed on June 8, 2016 at Mrs. Hall's school office

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Special Audit 2

Objective:

- Examine supporting documentation of the following revenue sources collected by Kim Hall and determine whether revenue was deposited:
 - Student Fees
 - Camp Wilson Field Trip
 - Yearbook
 - Miscellaneous (donations, staff funds)
 - Rental of school grounds/buildings



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Special Audit 2

Student Fees:

- Examined all student fee receipts recorded to Data Analysis for Student Learning (DASL) system and compared to student schedules, cashier receipt books and deposit with the School Treasurer's Office
 - 2,464 receipts totaling \$138,158 examined



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Special Audit 2 - Results

Student Fees:

- We noted 134 checks for student fees totaling \$8,346 were deposited into the baseball booster association bank account during FY16
- The remaining student fee receipts unaccounted for were all "cash" receipts.

Total Unaccounted for from Student Fees:

<u>Fiscal Year</u>	<u>Amount</u>
2016	\$ 13,956
2015	\$ 4,831
2014	\$ 599
2013	\$ 322
	<u>\$ 19,708</u>

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Special Audit 2

Camp Wilson Field Trip:

- Field trip taken each year by 6th grade students
- Fee varied from \$108 to \$121/student during the period
- Examined all Camp Wilson field trip receipts to cashier receipt books and deposit with School Treasurer's Office
 - 537 receipts totaling \$60,185 examined



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Special Audit 2 - Results

\$ 221.39 Date 3-10 20 15 20373
Cashier's Receipt — Shawnee Local School District
 Received of Parents/Students
 Exactly Two hundred twenty-one and 39/100 Dollars
 For Dr. Opt's sales - Hoops for Hearts, AEP T-shirt sales, Commission - Spring pictures

DESCRIPTION	CODE	TI	FUND	RCPT	SCC	SUBJECT	OU	AMOUNT
<u>Dr. Opt's sales</u>			<u>21010</u>	<u>1450</u>	<u>7335</u>			<u>157.8</u>
<u>AEP T-shirt sales</u>			<u>0118</u>	<u>1430</u>	<u>4008</u>			<u>1.00</u>
<u>M.S. donation (pictures)</u>			<u>0118</u>	<u>1430</u>	<u>4008</u>			<u>62.59</u>

K. Hall Cashier

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Special Audit 2 - Results

DEPOSIT TICKET
 SHAWNEE LOCAL SCHOOLS
 CHASE
 DATE: 3-10-15
 TO THE ORDER OF: Middle School
 AMOUNT: 221.39
 SIGNATURE: [Signature]

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Special Audit 2 - Results

ROSSANA K. ISBELL 10-11
 ANDRE ISBELL
 1817 PRO DR
 LIMA, OH 45805-4038
 DATE: March 9/2015
 PAY TO THE ORDER OF: Shawnee Middle School \$ 115.50
One hundred fifteen with fifty cents DOLLARS
 CHASE
 MEMO: School fees [Signature]

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Special Audit 2 - Results



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Special Audit 2 - Results



Cashier Receipt		Bank Deposit		Variance
Jr. Optimist "Hoops for Hearts" Sales	\$ 157.00	AEP T-shirt check	\$ 12.00	\$(157.00)
AEP T-shirt Sales	\$ 12.00	Lifetouch check	\$ 93.89	\$ -
Lifetouch picture commission	\$ 52.39	Student Fees check	\$ 115.50	\$ 41.50
	\$ 221.39		\$ 221.39	\$ -

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Special Audit 2 - Results

Rental of School Grounds/Buildings:

- Invoicing and receipting of these rentals was done on a "google document" that was used by other departments for invoicing and receipting of other types of receipts.
- We noted one out of nine rental receipts in the amount of \$720 was not deposited with the School Treasurer's Office. This check was instead deposited into the baseball booster bank account.

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Special Audit 2 - Results

Total Unaccounted for by revenue source:

Student Fees	\$	19,708
Camp Wilson	\$	8,312
Yearbook	\$	2,994
Miscellaneous	\$	2,666
Grounds Rental	\$	720
	\$	34,400

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Shawnee Baseball Boosters Association

Special Audit 3

Audit Period:

10/21/14 – 6/6/2016



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Special Audit 3

Shawnee Baseball Booster Association:

- Association created to help the school youth with the cost of playing summer ACME baseball.

Revenue Sources:

- Chicken dinner fundraisers
- Raffle fundraisers
- Baseball camp
- Sign advertisements
- Donations



- Expenses consisted of baseball equipment, t-shirts, umpires, meals for players and tournament fees.

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Special Audit 3

Objectives/Procedures:

- Determine revenue sources; agree to support and subsequent deposit into bank account
- Review disbursements/withdrawals and agree to support



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Special Audit 3 - Results

Cash Withdrawals:

- We identified 152 cash withdrawals totaling \$39,270 from the Association's bank accounts.
- We identified 39 deposits totaling \$18,249 which were deposits meant for Shawnee Middle School into the association bank accounts.
- This resulted in **\$21,021** in unauthorized cash withdrawals.



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Special Audit 3 - Results

Checks cashed:

We identified a total of \$777 in checks meant for deposit but were instead cashed by Ms. Hall.



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Special Audit 3 - Results

Unexplained Deposits (potential repayments):

- We identified \$8,347 in unexplained cash deposits.
- On 5/9/2016 a \$6,000 check made payable to Kim Hall was deposited into the Association's bank account.



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Special Audit 3 - Results

Total Unaccounted for:

cash withdrawals	\$	21,021
checks cashed	\$	777

Grand Total Unaccounted for:

\$ 21,798

Repayments:

cash	\$	8,347
check	\$	6,000

Total Repayments:

\$ 14,347

Amount Remaining:

\$ 7,451

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Prosecution

Grand Jury - July 12, 2018 – indicted on one count of Grand Theft (Felony 4), one count of Theft in Office (Felony 3) and one count of Money Laundering (Felony 3)



69

Prosecution

September 27, 2018 – negotiated plea was filed – plead guilty to one count of Grand Theft and one count of Theft in Office with the Money Laundering charge dismissed



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Prosecution

Sentencing - October 29, 2018 – sentenced to community control for 2 years; 80 hrs. of community service and restitution to the Shawnee Local Schools of \$34,400 & Shawnee Baseball Booster Association of \$7,451



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Special Investigations Unit

88 East Broad Street
Columbus, Ohio 43215

Phone: (800) 282-0370
Email: contactus@ohioauditor.gov

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OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370
Email: ContactUs@OhioAuditor.gov
www.ohioauditor.gov

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IPA Contracting Process Discussion

Auditor Keith Faber

