

2024 Ohio GFOA Conference

Ohio Compliance Supplement 2024 Updates

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Ohio Auditor of State's Office
Center for Audit Excellence*

Agenda



What is the Ohio Compliance Supplement?

2024 OCS Updates

Implementation Guide – Topics Covered

What is the OCS?

OCS = Ohio Compliance Supplement

- Contains certain laws and regulations which are:
 - of the type auditors generally consider direct and material
 - or of considerable public interest

Is not a comprehensive listing of applicable laws and regulations

Is designed to help auditors and public offices identify and familiarize themselves with certain laws and regulations

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

Updated annually

- Main OCS normally issued by December

Ch. 4 (school chapter) normally issued by June

Changes marked with ~~strike-out~~, double underline or wavy-underline

Revised: HB 33, 135 GA
Effective: October 3, 2023

4A-2 Compliance Requirement: Ohio Rev. Code Chapter 3318 (Traditional School Districts & STEM Schools); section 501.10 Am. Sub. House Bill 64, 131st GA, section 237.40 Am. Sub. House Bill 481, 133rd GA, section 237.17 Am. Sub. House Bill 597, 134th GA (Community Schools); section 237.10 Am. Sub. House Bill 33, 135th GA (School Security/Safety Program); section 287.20 Am. Sub. House Bill 33, 135th GA (Career Technical Construction Program) – Permissible expenditures for school districts participating in classroom facilities assistance programs; interest accounting and allocation and maintenance plan funding and expenditures.

Summary of the Program

Background:

Several programs provide financial assistance to construct or repair classroom facilities. The Ohio Facilities Construction Commission (OFCC) administers these programs. The most common programs are the Classroom Facilities Assistance Program (CFAP), Community School Classroom Facilities Grant Project, Expedited Local Partnership Program (ELPP), STEM Public Schools, and Urban Initiative Program (i.e., applies to the following six city school districts: Akron, Cincinnati, Cleveland, Columbus, Dayton, and Toledo). Certain classroom assistance programs established by Ohio Rev. Code Chapter 3318 follow the basic guidelines of the CFAP. Guidance about these programs can be found on OFCC's website: <https://ofcc.ohio.gov/our-programs/k-12-schools> Maintenance Plan Guidelines and K-12 Schools.

What is the effective date?

2024
OCS

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

2023
OCS

Engagements of FYE
12/31/22 – 11/30/23

Where is the OCS?



The screenshot shows the Ohio Auditor of State's website. The top navigation bar includes links for AUDITS, LOCAL GOVERNMENT, OPEN GOVERNMENT, TRAININGS, RESOURCES, and CONTACT US. Below this, a secondary bar lists LOCAL GOVERNMENT, Reference Materials, Financial Health Indicators, Fiscal Distress, UAN, and Hinkle Sy. The main content area is titled "Ohio Compliance Supplement Manuals" and features a sidebar with links to Reference Materials, Clients & IPA Firms, GASB 84, GASB FAQs, Library FAQs and Program Codes, Other Accounting FAQs, Ohio Compliance Manuals, and Financial Statement. The main text area displays the "2024" supplement, including links to the Implementation Guide (pdf), a list of bullet points (The Compliance ACE is available in Exhibit 3, Legal Matrix), the Ohio Compliance Supplement Manual (pdf) (Updated May 2024), a list of chapters (Chapter 1 – Direct Laws (pdf) (docx), Chapter 2 – Indirect Laws and Statutorily Mandated Tests (pdf) (docx), Chapter 3 – Stewardship (pdf) (docx), Chapter 4 – School Compliance Testing (pdf) (docx) (New May 2024)), and the Optional Procedures Manual (docx).

OHIO AUDITOR OF STATE
KEITH FABER

AUDITS LOCAL GOVERNMENT OPEN GOVERNMENT TRAININGS RESOURCES CONTACT US

LOCAL GOVERNMENT Reference Materials Financial Health Indicators Fiscal Distress UAN Hinkle Sy

Reference Materials
[Reference Materials](#)

Clients & IPA Firms
[GASB 84](#)
[GASB FAQs](#)
[Library FAQs and Program Codes](#)
[Other Accounting FAQs](#)
[Ohio Compliance Manuals](#)
[Financial Statement](#)

Ohio Compliance Supplement Manuals

2024

[Ohio Compliance Supplement Implementation Guide \(pdf\)](#)

- The Compliance ACE is available in Exhibit 3
- [Legal Matrix](#)

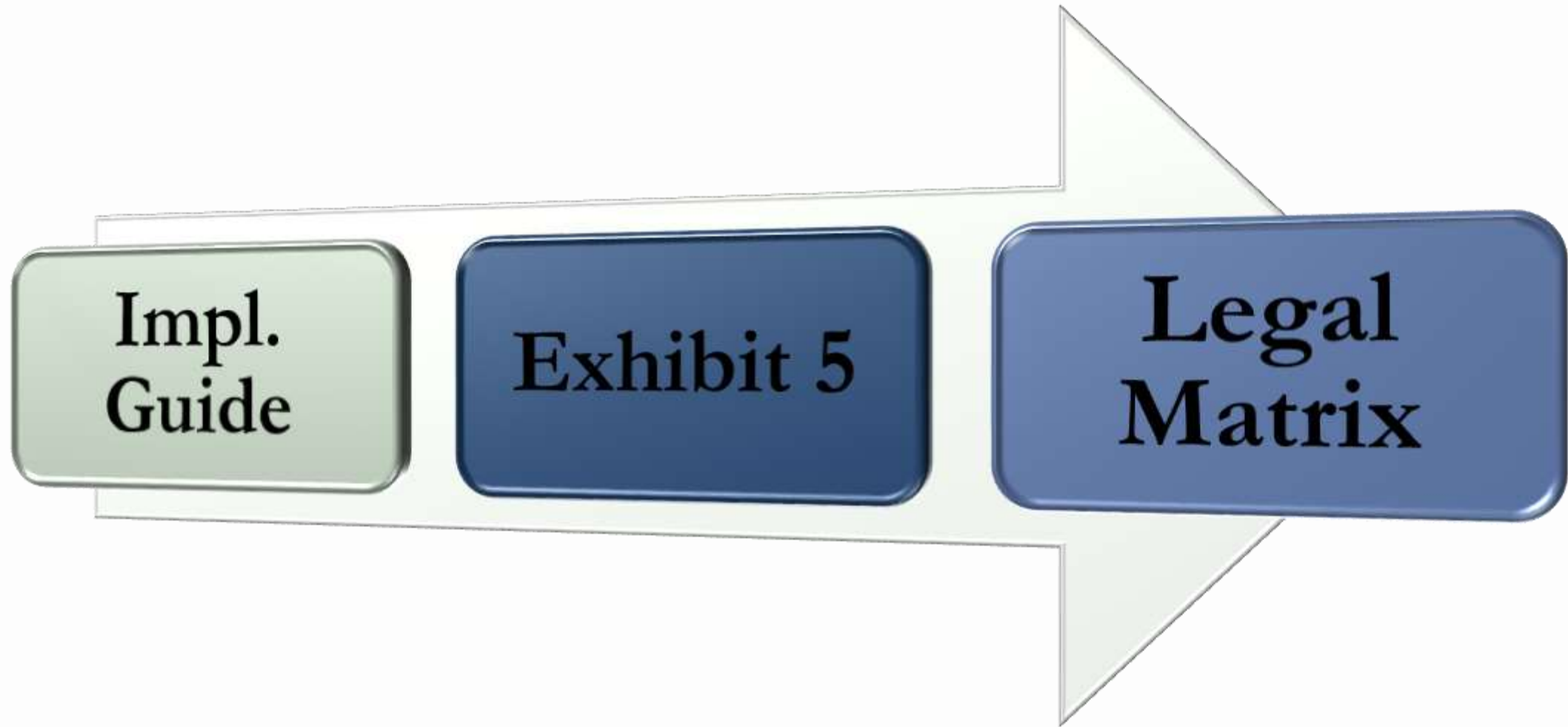
[Ohio Compliance Supplement Manual \(pdf\)](#) (Updated May 2024)

- Chapter 1 – Direct Laws [\(pdf\)](#) [\(docx\)](#)
- Chapter 2 – Indirect Laws and Statutorily Mandated Tests [\(pdf\)](#) [\(docx\)](#)
- Chapter 3 – Stewardship [\(pdf\)](#) [\(docx\)](#)
- Chapter 4 – School Compliance Testing [\(pdf\)](#) [\(docx\)](#) (New May 2024)

[Optional Procedures Manual \(docx\)](#)

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

How to Use?





Legal Matrix – Exhibit 5

Step No.	Requirement	Township	Traditional Schools ⁴⁹	Union Cemetery District	Village
	General Budgetary Requirements (1-1 through 1-3)			✓ ² ✓ ³	
1-1	ORC 5705.38: Annual appropriation measures - classification	✓	✓	✓	✓
1-2	ORC 5705.41(D); and 5705.42: Restriction upon appropriating/expending money - certificate of fiscal officer	✓	✓	✓	✓
1-3	ORC 5705.40: Amending or supplementing appropriations; contingencies	✓	✓	✓	✓
1-4	ORC 5705.09: Establishing funds and 5705.12 Permission to establish special funds	✓	✓	✓	✓
1-5	ORC 131.01 <u>133.01</u> , 1545.23, 3315.20, 5155.33, Various 5705 Sections, 5735.28: Distribution of levy revenue	✓	✓	✓	✓
1-6	ORC 5705.05-.06 and 5705.14-.16: Transfer of funds ⁴⁷	✓	✓	✓	✓

Legal Matrix – Exhibit 6

Entities NOT Considered for OCS Steps (November 2023)				
Notes: 1) Entities are in alphabetical order. 2) Excel is limited to only one hyperlink for each cell. If more than one footnote is applicable, you will have to find it manually below this table. 3) Ohio Rev. Code § 117.10 (E) should be cited in the initial audit year when evidence indicates any entity was created without notifying the AOS. 4) <u>Ohio Rev. Code § 149.43 is the Public Records Act, and Ohio Rev. Code § 121.22 is the Open Meetings Act - as tested in section 2B-8.</u> 5) <u>See Exhibit 2, Tables 1-3 in the OCS Implementation Guide for certain bonding requirements related to OCS 3-5.</u>				
Entity type	Establishing Code Section	Notes	Public Records Act (PRA) Applicability ¹	Open Meetings Act (OMA) Applicability ²
<u>Career-Technical Cooperative Education District⁶</u>	<u>§ 3313.831</u>		<u>✓</u>	<u>✓</u>
City Health Districts	§ 3709.01		✓	✓
Community Based Correctional Facility (CBCF)	§ 2301.51	Specific audit procedures are located: AOS: in TeamMate IPA: at http://www.ohioauditor.gov/references/guidance.html	Consult Legal	Consult Legal
Computer Association/Consortium	§ 3301.075/3313.92		✓	✓
Consolidated Department of JFS	§ 329.40		✓	✓
Convention and Visitor's Bureau	§ 1702		Not testing	Not testing
Convention Facility Authority	§ 351		✓	✓

How is the OCS Organized?

Chapter 1

Chapter 2

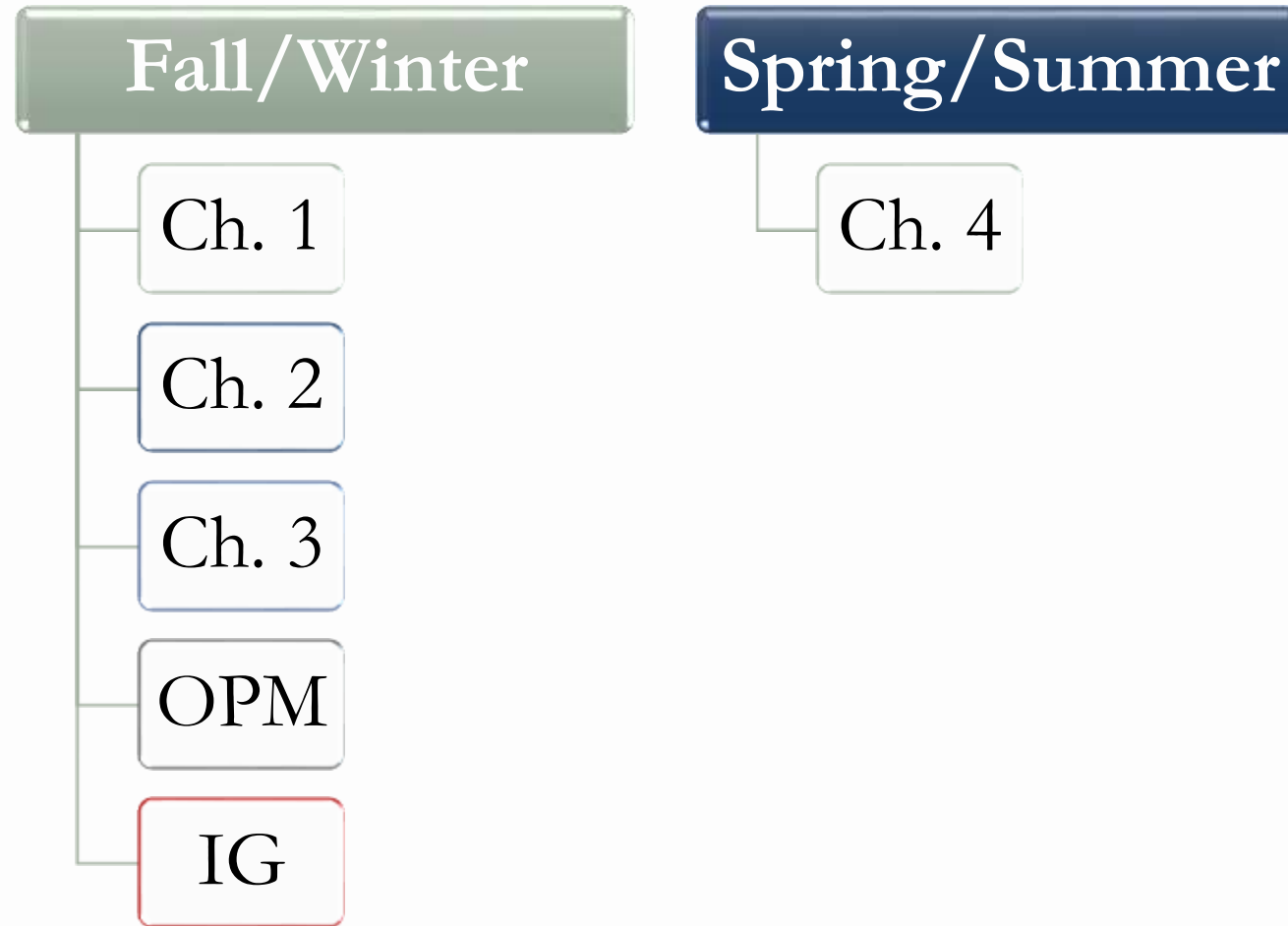
Chapter 3

Chapter 4

Optional
Procedures
Manual (OPM)

Implementation
Guide (IG)

Issuances



1 4A-1 Compliance Requirement: Ohio Rev. Code § 3313.33 - Board of Education (schools) conveyances and contracts.

2 Summary of Requirement: The board president and treasurer shall execute any “Conveyances.” No contract is binding unless authorized at a regular or special board meeting. A “conveyance” is not a donation; it is a transfer *between two entities* with adequate consideration other than money.

3

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

4

Suggested Audit Procedures - Compliance (Substantive) Tests:

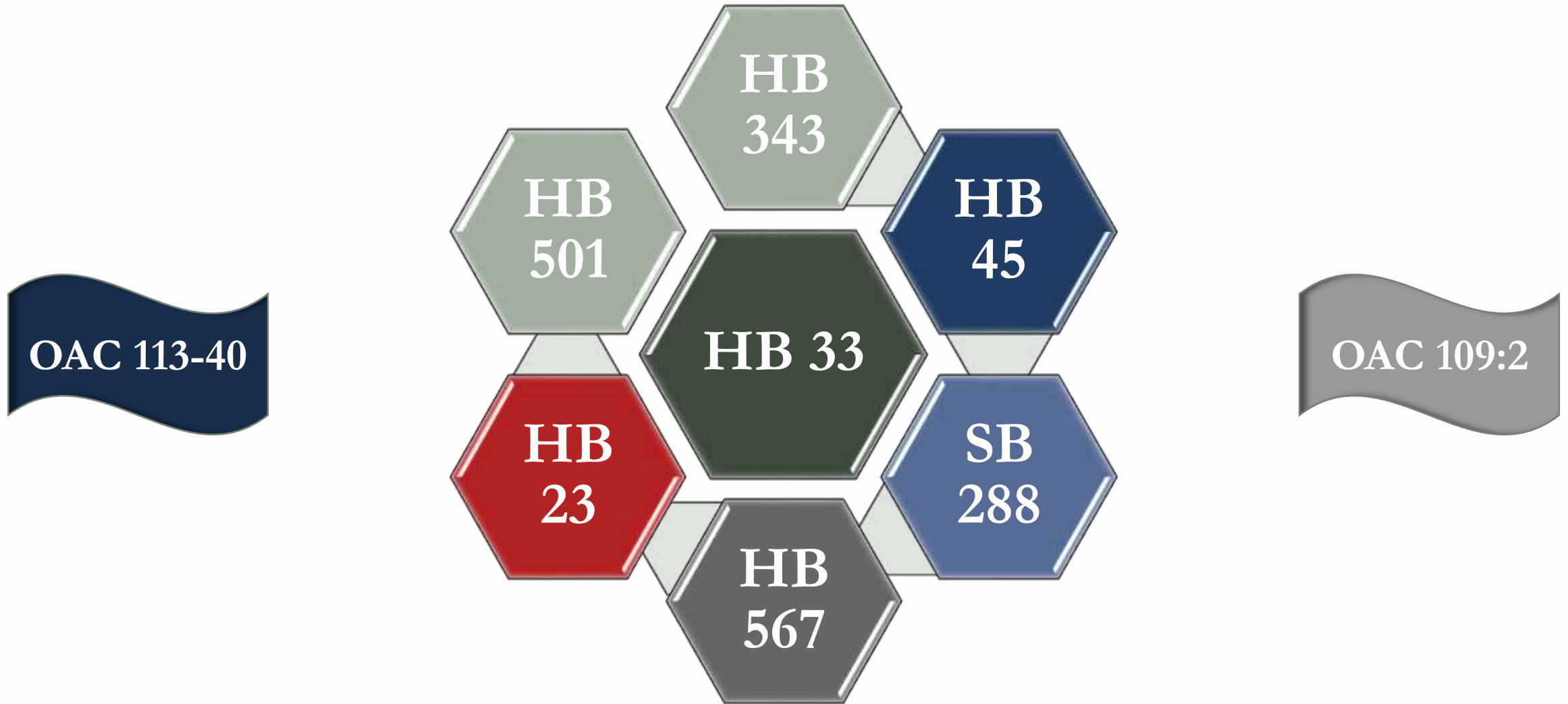
1. Trace board approval from the minutes to the contracts or from the contracts to the minutes.
2. Inspect “conveyances” for board president and treasurer signatures.

5

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

2024 OCS Updates

Legislative Bills With OCS Impact



Throughout OCS

Red COVID Guidance

- Same as last 3 years, COVID related guidance is in red font
- Removed where no longer relevant to the period covered by this OCS

CFDA → Assistance Listing

- Changed references from CFDA to Assistance Listing & removed related footnotes about name change

AICPA - 2023 State & Local Gov. Audit & Accounting Guide

- Updated references/guidance to 2023 SLG



Throughout OCS

Updated *Certain* References to ‘Ohio Department of Education’



- ORC 3301.13 (new section enacted by HB 33) changed the Ohio Department of Education’s name to the Department of Education and Workforce.
- Updates to the name and acronym (ODE to DEW) were made

Cross References To/From Implementation Guide

- Added cross references to/from IG appendices, exhibits, etc., where applicable

Multi-Level Bullet Points



- ⑩ Changed multi-level bullet points to numbers/letters for smoother build into TeamMate
- ⑩ These do not necessarily correspond to the ORC sections; they are simply numbering for the OCS purposes

Throughout OCS

Multi-Level Bullet Points

2023 OCS

3. Inspect a representative number of “regular blanket” certificates outstanding near year end and determine that:

- The amount is established by an ordinance or resolution passed by a majority of the legislative body. (If the legislative authority passed this in the prior years, agree to permanent file documentation.)
- They are not dated after the fiscal year end.
- They do not exceed the amount the legislative body established.
- Only one certificate is outstanding per line item appropriation.

2024 OCS

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- b. They are not dated after the fiscal year end.
- c. They do not exceed the amount the legislative body established.
- d. Only one certificate is outstanding per line item appropriation.

Throughout OCS Multi-Level Bullet Points

2023 OCS

Summary of Requirements:

All revenue derived from the following must be paid into the general fund [Ohio Rev. Code § 5705.10, unless otherwise indicated below]:

- the general levy for current expense within the ten mill limitation; Current expenses, as defined in Ohio Rev. Code § 5705.01(F), are “lawful expenditures of a subdivision, except those for permanent improvements, and except payments for interest, sinking fund, and retirement of bonds, notes, and certificates of indebtedness of the subdivision.”
- any general levy for current expense authorized by vote in excess of the ten mill limitation, and from sources other than the general property tax, unless its use for a particular purpose is prescribed by law (see the circumstances requiring a separate fund in the preceding OCS Step);
 - Counties are precluded from using general levy revenue for current expenses for the construction, reconstruction, resurfacing, and repair of roads and bridges. [Ohio Rev. Code §§

2024 OCS

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- B. any general levy for current expense authorized by vote in excess of the ten mill limitation, and from sources other than the general property tax, unless its use for a particular purpose is prescribed by law (see the circumstances requiring a separate fund in the preceding OCS Step);
 - 1. Counties are precluded from using general levy revenue for current expenses for the construction, reconstruction, resurfacing, and repair of roads and bridges. [Ohio Rev. Code §§

Section 5705.10 | Use of revenues.

Ohio Revised Code / Title 57 Taxation / Chapter 5705 Tax Levy Law

Previous

Next

Effective: April 6, 2017 · Latest Legislation: House Bill 438 - 131st General Assembly · PDF: Download Authenticated PDF

(A) All revenue derived from the general levy for current expense within the ten-mill limitation, from any general levy for current expense authorized by vote in excess of the ten-mill limitation, and from sources other than the general property tax, unless its use for a particular purpose is prescribed by law, shall be paid into the general fund.

(B) All revenue derived from general or special levies for debt charges, whether within or in excess of the ten-mill limitation, which is levied for the debt charges on serial bonds, notes, or certificates of indebtedness having a life less than five years, shall be paid into the bond retirement fund; and all such revenue which is levied for the debt charges on all other bonds, notes, or certificates of indebtedness shall be paid into the sinking fund.

Throughout OCS

Multi-Level Bullet Points

2023 OCS

4. Ohio Rev. Code § 5705.132 permits *townships* to establish by resolution reserve balance accounts in addition to those described above to accumulate currently available resources for any purpose for which the board of township trustees may lawfully expend township money.³⁰ The resolution must state the:
- Specific purpose for which a reserve balance account is established,
 - Fund within which it is established,
 - Fund or account from which money will be transferred to it,
 - Number of years it will exist [there is a five year cap on how long the account may be in existence]
 - Maximum total amount of money that may be credited to it during its existence; and
 - Maximum amount of money to be credited to it each fiscal year it exists

2024 OCS

4. Ohio Rev. Code § 5705.132 permits *townships* to establish by resolution reserve balance accounts in addition to those described above to accumulate currently available resources for any purpose for which the board of township trustees may lawfully expend township money.³³ The resolution must state the:
- a. Specific purpose for which a reserve balance account is established,
 - b. Fund within which it is established,
 - c. Fund or account from which money will be transferred to it,
 - d. Number of years it will exist [there is a five year cap on how long the account may be in existence]
 - e. Maximum total amount of money that may be credited to it during its existence; and
 - f. Maximum amount of money to be credited to it each fiscal year it exists

Section 5705.132 | Reserve balance account for other purposes.

[Ohio Revised Code](#) / [Title 57 Taxation](#) / [Chapter 5705 Tax Levy Law](#)

[Previous](#)

[Next](#)

Effective: September 21, 2006 **Latest Legislation:** House Bill 385 - 126th General Assembly **PDF:** [Download Authenticated PDF](#)

In addition to any reserve balance account established under section [5705.13](#) of the Revised Code, a board of township trustees, by resolution, may establish a reserve balance account to accumulate currently available resources for any purpose for which the board may lawfully expend money of the township other than for the purposes for which a reserve balance account may be established under section [5705.13](#) of the Revised Code. Money may be transferred to the reserve balance account from another fund or account of the township only if money in that fund or account may lawfully be expended for the purpose for which the reserve balance account is created. A reserve balance account created under this section may exist for not more than five fiscal years beginning with the first fiscal year in which money is credited to the account. The total amount of money to the credit of all reserve balance accounts established under this section at any time in any fiscal year shall not exceed five per cent of the total of the township's revenue from all sources for the preceding fiscal year and any unencumbered balances carried over to the current fiscal year from the preceding fiscal year. Money in a reserve balance account shall be expended only for the purpose for which the account is established. More than one reserve balance account may be established under this section.

Chapter 1

Direct Laws

Chapter 1

1-1: Annual appropriation measures – classification

- Modified the considerations for COVID-19

1-2: Restriction upon appropriation and expenditure of money

- Added clarification/table explaining difference between regular blanket & super blanket certificates



Chapter 1

Blanket vs. Super Blanket Certificates

<u>Characteristics</u>	<u>“Blanket” Certificate</u>	<u>“Super Blanket” Certificate</u>
<u>Maximum Amount</u>	<u>A sum not exceeding an amount established by resolution or ordinance adopted by members of the legislative authority</u>	<u>A sum that is lawfully appropriated, authorized, or directed for a permitted purpose. This amount can be different from the amount set for regular blanket certificates.</u>
<u>Time Period</u>	<u>May not extend beyond year-end of the current fiscal year</u>	<u>May not extend beyond the fiscal year (For counties, may not extend beyond the quarterly spending plan established by the county commissioners)</u>
<u>May be used for...</u>	<u>Any expenses requiring certification</u>	<u>Recurring and reasonably predictable operating expenses (for example, professional services, fuel, oil and food items)</u>
<u>Must be limited to a specific line-item appropriation account?</u>	<u>Yes</u>	<u>Yes</u>
<u>Allowable number outstanding at one particular time from a particular line-item appropriation account</u>	<u>One</u>	<u>Unlimited</u>

Chapter 1

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

- Updated as a result of HB 501
- Added LATCF from Bulletin 2022-011 to the COVID-19 guidance
- Added guidance from Bulletin 2022-003 related to the OneOhio Opioid Settlement funds

1-5: Distributing revenue

- Updated as a result of HB 33
- Clarified guidance related to transfers to a Township Road Fund

Chapter 1

1-6: Transfer of funds

- Clarification added that an entity may use a ‘resolution’ or a ‘motion’ for transfers from the general fund to other funds
- All other transfers must be by ‘resolution’ passed by two-thirds vote (‘motions’ are not an option)

1-7: Advances

- Added relevant guidance from section 1-5 regarding certain school deficits, which was updated as a result of HB 33

Chapter 1

1-10: Issuing or retiring bonds and notes

- Added clarifying guidance related to township's leasing equipment, from section 2A-6 (Twp. Exp & Competitive Bidding)

1-11: Bond, tax and revenue anticipation notes (BAN, TAN and RAN)

- Clarified one of the tests for Lake Erie shoreline Improvements

Chapter 1

1-13: Governments investing in their own securities

- Updated as a result of HB 33

1-16: Health care self-insurance

- Updated guidance & tests related to allowable funds used for self-insurance moneys

Chapter 1

1-20: Definitions, rates of contributions etc.

- Added to COVID guidance explaining that recipients may not use SLFRF funds to provide premium pay to essential workers for work conducted *after* April 10, 2023;
 - *However*, recipients *may* continue to use SLFRF funds to support workers through the public health and negative economic impact and revenue loss eligible use categories.
- Added guidance regarding membership requirements for SERS;
- Added an additional step to test 1099 NECs.

Chapter 1

1-22: Electric kilowatt-hour tax

- Updated as a result of HB 33

Appendix A, step 3c: Co. Ag. Society Debt

- Added additional, relevant ORC guidance & related test

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Chapter 2A

Indirect Laws

Chapter 2A



Contract/bidding sections

- Added to COVID considerations that AOS auditors should consult with CFAE if noncompliance with Federal procurement requirements is identified for a non-major program, or a major program for which procurement is not tested in the FACCR
- Updated as a result of HB's 23 & 33, which includes updated thresholds
- Other clarifications made throughout

2A-3: Municipal contracts

- Added guidance on contracts for streets or other public way

Chapter 2A

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

- Added guidance from ORC related to design-build & general contracting.
- Made other clarifications throughout, and removed duplicative language.
- Added note that auditors should consult with CFAE OCS Specialty if auditing an entity with a project undertaken through a construction manager at risk or a design-build firm.

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

- Periodic update to new thresholds

Chapter 2A

2A-14: Eligible investments

- Updated as a result of HB 33.
- Updated footnote regarding LIBOR.

2A-15: Other requirements

- Clarified test regarding name on CD's.

Chapter 2A

2A-16: Other allowable investments for subdivisions other than counties

- Updated as a result of HB 33.
- Updated definition of ‘entity’ to be from ORC 1706.01(K), rather than 1705.01(D).

2A-17: Security for repayment of public deposits

- Updated as a result of OAC 113-40 edits.
- Clarified that a public depositor is responsible for periodically confirming the accuracy of its account balances with the TOS.
- Made edits to agree to FDIC website, and added guidance that due to the complexity of the FDIC requirements, AOS auditors should request their AOS attorney to review & approve FDIC determinations.



Chapter 2A

2A-18: Eligible investments

- Updated as a result of HB 33
- Updated definition of ‘entity’ to be from ORC 1706.01(K), rather than 1705.01(D)

Chapter 2B

Statutorily Mandated Tests

Chapter 2B

2B-1: Force accounts for certain Municipal Corp's

2B-2: Force accounts for Counties

2B-3: Force accounts for Townships

- Updated thresholds as a result of HB 23
- Updated limits
- Made other clarifications throughout

Chapter 2B

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

- Clarified that the tests in this section need tested if applicable to the entity – the AUP does not satisfy all of the compliance requirements tested in this section.
- Added test regarding the local government establishing the restricted LGFT fund.
- Other clarifications made throughout.

2B-6: Education Requirements

- Added relevant OAC & ORC sections, and clarified biennial cycles.

Chapter 2B

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

- Updated as a result of HB 33, and added corresponding tests
 - **ORC 117.103(B)(1)** – The auditor of state shall create training material detailing Ohio’s fraud-reporting system and the means of reporting fraud, waste, and abuse.....
 - *The Auditor of State is currently developing the HB 33 fraud training material and will issue a bulletin to all public officials enumerating the process and specified timeframe within which all public employees and elected officials must complete the training.*
 - *Until this bulletin is published and in effect, auditors should continue to audit compliance with the existing Fraud Reporting System Model Form and pre-HB 33 requirements.*





Chapter 2B

OHIO AUDITOR OF STATE KEITH FABER



Auditor of State
Bulletin 2024-005

DATE ISSUED: June 27, 2024

TO: All Public Offices
Community Schools
Independent Public Accountants

FROM: Keith Faber
Ohio Auditor of State

SUBJECT: Required Fraud Reporting and Training

Chapter 2B

Elected officials and employees are required to complete the initial training within the timeline listed below. The training may be viewed earlier than the start date listed; however, must be completed no later than the end date listed by entity type unless good cause exists for completion at a later date.

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

<http://www.ohioauditor.gov/trainings/fraud.html>

Chapter 2B

2B-8: Ohio Sunshine Laws

- Updated as a result of HB 33.
- Implementation of AOS Bulletin 2021-007 regarding change in interpretation of Public Records & Open Meetings laws applicability to community schools, is delayed until further notice.
- Clarified that note at top of test's is applicable to all test's
- Added clarification on applicability to STEM school officials.
- Other clarifications made throughout.

2B-9: CARES Act, Coronavirus Relief Fund



- Section removed, as it is no longer applicable

Chapter 3

Stewardship

Chapter 3

3-3: Appointments, compensation, contracts

- Updated as a result of HB 33
- Added relevant guidance from ORC
- Added note explaining that much of the guidance included in this section will be utilized in payroll disbursement testing
- Clarified test 1

3-7: Establishment and accounting treatment for commissaries

- Updated as a result of HB 33

Chapter 3

3-8: Disposition of unclaimed fees and costs

- Updated as a result of HB 343.

3-9: Records required of county courts

3-10: Municipal court records

- Updated as a result of HB 343.

Chapter 3

3-12: Collection, custody & disbursement of fee, fines, costs & deposits

- Updated as a result of SB 288.
- Added relevant guidance from ORC.

3-13: Additional costs in criminal cases

- Updated as a result of HB 343.

Chapter 3

3-14: Counties FOJ

3-17: Law Enforcement Trust and Drug Law Enforcement Funds

- Added clarification to test regarding travel expenses & per diem.

3-15: Twp Reimbursement of Ins. Premiums



- Added guidance regarding rotating section when a Twp is cycling back from an AUP to a GAGAS audit.
- Added reference to Bulletin 2017-002.
- Clarified a test regarding sufficient documentation.
- Added a new test regarding fund paid from.

Chapter 3

3-16: Cafeteria Plans

- ★ • Added guidance regarding rotating section when a Twp is cycling back from an AUP to a GAGAS audit.
- Added a new test regarding fund paid from.

Optional Procedures Manual (OPM)

Optional Procedures Manual

O-5: County credit and procurement cards

- Edits throughout as a result of HB 33
- Clarifying guidance & tests added regarding difference between credit card & procurement cards

O-9: Books to be kept by clerk of the court of common pleas

- Updated as a result of HB 567

Optional Procedures Manual

O-12: Allocating Audit Costs

- Updated to agree to AOS Bulletin 2023-003
- Updated link to AOS infographic →

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

- Updated as a result of HB's 45 & 33, OAC 109:2-18-04 & 05, and Attorney General Bulletin.

Can Audit Costs Be Paid Using Federal Grants?
(What makes them allowable or unallowable?)

Uniform Guidance says YES!
Costs of audits are allowable if the audits were performed in accordance with the federal Single Audit Act and Uniform Guidance (UG), per 2 CFR 200.425. HOWEVER, there are exceptions - the cost of performance audits and audits not provided in accordance with the Single Audit Act and UG are PRECLUDED from being charged to federal programs and are unallowable.

But they must be *necessary and reasonable* to the award
While necessary is not specifically defined in UG, a cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost, per 2 CFR 200.404.

...and allocable to the Federal program.
A cost is allocable to a particular Federal award if the goods or services involved are chargeable or assignable to that Federal award in accordance with relative benefits received. Costs must be incurred specifically for the federal program, benefit both the Federal program and the non-Federal entity, and be necessary to the overall operation of the non-Federal entity & assignable to the Federal program, per 2 CFR 200.405.

They also must conform to *program limitations* and be *treated consistently*.
Consistency includes consistent treatment between Federal and non-Federal funds activities, as well as if the cost is treated as a direct or indirect cost related to the program.

Costs can't be included in *more than one* Federal program.
This includes as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period.

Documentation and spending within the award period is *required*.
Adequate documentation is required to be maintained and expenditures must be made during the approved budget period.

For more information, see the annual *Hourly Billing Rates and Allocations of Audit Costs Bulletin as Federal Bulletin (fbi.bulletin.gov)*

Chapter 4

Schools

Chapter 4

HB 33 added new Classroom Facilities programs (OCS 4A-2)

HB 33 codified temporary e-school pilot program into ORC (OCS 4A-4)

Testing suspended for Dropout Prevention and Recovery School Eligibility Requirements until new Council created by HB 33 updates OAC

Chapter 4

Various clarifying edits made throughout the Chapter including, but not limited to:

- Community School Debt (OCS 4A-3)
- School District Funding (OCS 4A-4)
- Community School Funding (OCS 4A-5)
- Accounting for Mgmt Company Expenses (OCS 4B-2)
- School bidding requirements (OCS 4B-6)
- Transportation T1 and T2 Forms (OCS 4D-2)
- College Credit Plus Program (OCS 4D-3)

Implementation Guide

Implementation Guide

Throughout

- Updated for SAS 145, AU-C's, etc.

Referrals

- Added Ohio Office of Unemployment Compensation, and BWC to list of agencies.
- Noted that AOS will also refer any Employee vs. Independent Contractor Status issues to the IRS, Ohio Dept. of Taxation, Ohio Office of Unemployment Compensation, and Bureau of Workers Comp.

Implementation Guide

Findings for Recovery & FFR Procedures for IPA's

- Clarifications made throughout

Additional Policies for Findings for Recovery for AOS Audits

- FFR Repayment Plan Template updated
- Added guidance from bulletin 2014-003 regarding alcohol purchases
- Added guidance regarding folder structure on W drive to save FFR supporting documentation in
- Other clarifications made throughout section

Implementation Guide

Appendix A-1 Transfers & Advances

- Scaled back COVID guidance in summarized format.

Appendix B – Contracts & Expenditures

- Added COVID language from 2A-3 – 2A-11 here as well.
- Added guidance on 1.) P.O.'s as contracts, 2.) competitive bidding thresholds (from HB 33), and 3.) Bid Evaluation Standards.



Implementation Guide

Appendix B – Contracts & Exp's Purchase Orders as Contracts

“Note that a purchase order can constitute a contract but only if certain elements/characteristics are present:

(1) offer; (2) acceptance; (3) mutual assent; and (4) consideration.

When federal dollars are used to make a purchase, “acceptance” is present either by the buyer signing the purchase order or by the vendor and the buyer performing under the terms of the purchase order. Performance would be the vendor supplying the service or goods and the buyer paying for them.

When AOS auditors encounter a purchase order and would like to know whether it can be viewed as a contract, we recommend that they reach out to the attorneys in Legal for an evaluation.”

Implementation Guide

Appendix B – Contracts & Exp’s

Competitive Bidding Thresholds

“Effective October 3, 2023, certain competitive bidding thresholds are established by ORC 9.17 which states the amount for purposes of a provision of the Revised Code that references this section shall be

- (1) beginning on the effective date of this section through calendar year 2024, \$75,000; and
- (2) for each calendar year thereafter, the amount for the previous calendar year *increased by three percent* as determined and published by the director of commerce.

Where the OCS references ORC 9.17, the thresholds were as follows for the following time periods:

Before Oct. 3, 2023	Oct. 3, 2023 – December 31, 2024
\$50,000	\$75,000

Implementation Guide

Appendix B – Contracts & Exp's

Bid Evaluation Standards

“Certain statutes outline different standards regarding the evaluation of bids such as:

- “lowest and best bidder”
- “lowest responsible bidder”
- *“lowest responsive and responsible bidder” (ORC 9.312)*

ORC 9.312 applies when either:

- 1) another law requires the standard to apply or
- 2) a political subdivision required by law to award contracts by competitive bidding adopts an ordinance or resolution to adopt a policy requiring its contracts to be awarded to the lowest responsive and responsible bidder in accordance with ORC 9.312.”

Implementation Guide

Appendix E

- Updates made to Federal Agencies & GASB 40 tables.

Exhibit 2 – Public Officers' Bond

- Updates made, including those to sync to Exhibit 5 legal matrix.

Implementation Guide

Legal Matrix

Throughout:

- Made footnotes more user friendly
- Updated to sync to edits made in corresponding OCS sections
- Posted unlocked file (no password required)

Metropolitan Housing Authorities:

- Added new MHA column to Exhibit 5/legal matrix & OPM (moved from Exhibit 6)



<u>Metropolitan Housing Authority</u> ⁷⁹
✓
✓
✓ ⁷⁶

Implementation Guide

Legal Matrix

Exhibit 5:

- 3-5 (bonding) - Added reference to related Exhibit in Implementation Guide, & marked as applicable to several additional entity types, to sync up with Exhibit 2 of the IG.
- 2B-8 (Ohio Sunshine Laws), FN46 – Added clarification that CPRT training does not apply to STEM school officials.
- Updated & added several footnotes

Exhibit 6:

- Added Career-Technical Cooperative Edu. District – new entity type created in HB 33
- Added a couple FN's, as a result of HB 33

Legislation with Potential Future OCS Impact

Legislation with Potential Future OCS Impact

HB 101

- Village Dissolution (including a provision regarding 5705.14 transfers)
- Increases the competitive bidding threshold for Villages (ORC 731.14) and Park Districts (ORC 1545.07)

SB 91

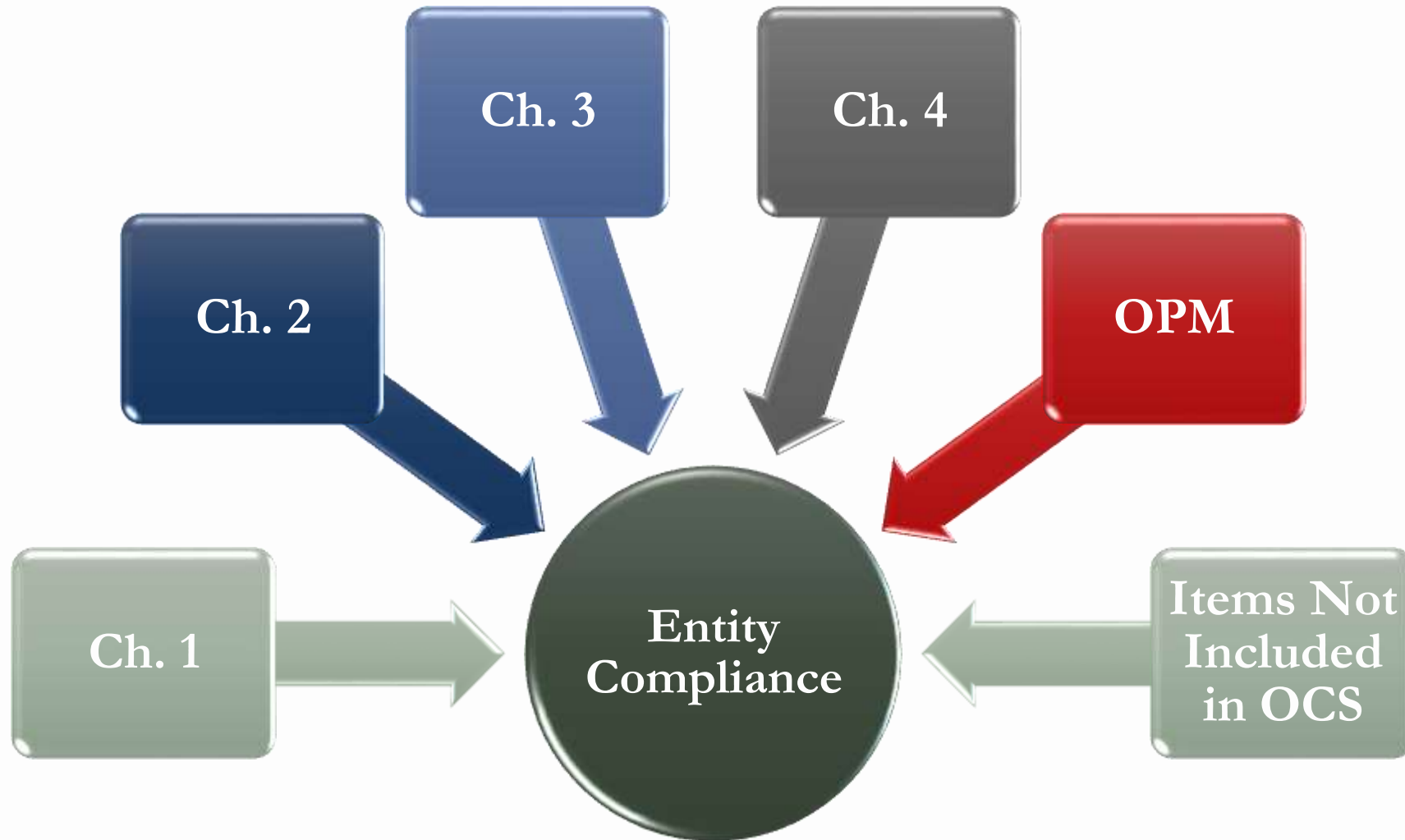
- Modifies expenditure certification requirements under ORC 5705.41(D)

See previous slides regarding AOS Bulletin 2024-005 Fraud Training

Implementation Guide

Topics Covered

Entity Compliance With Laws & Reg's



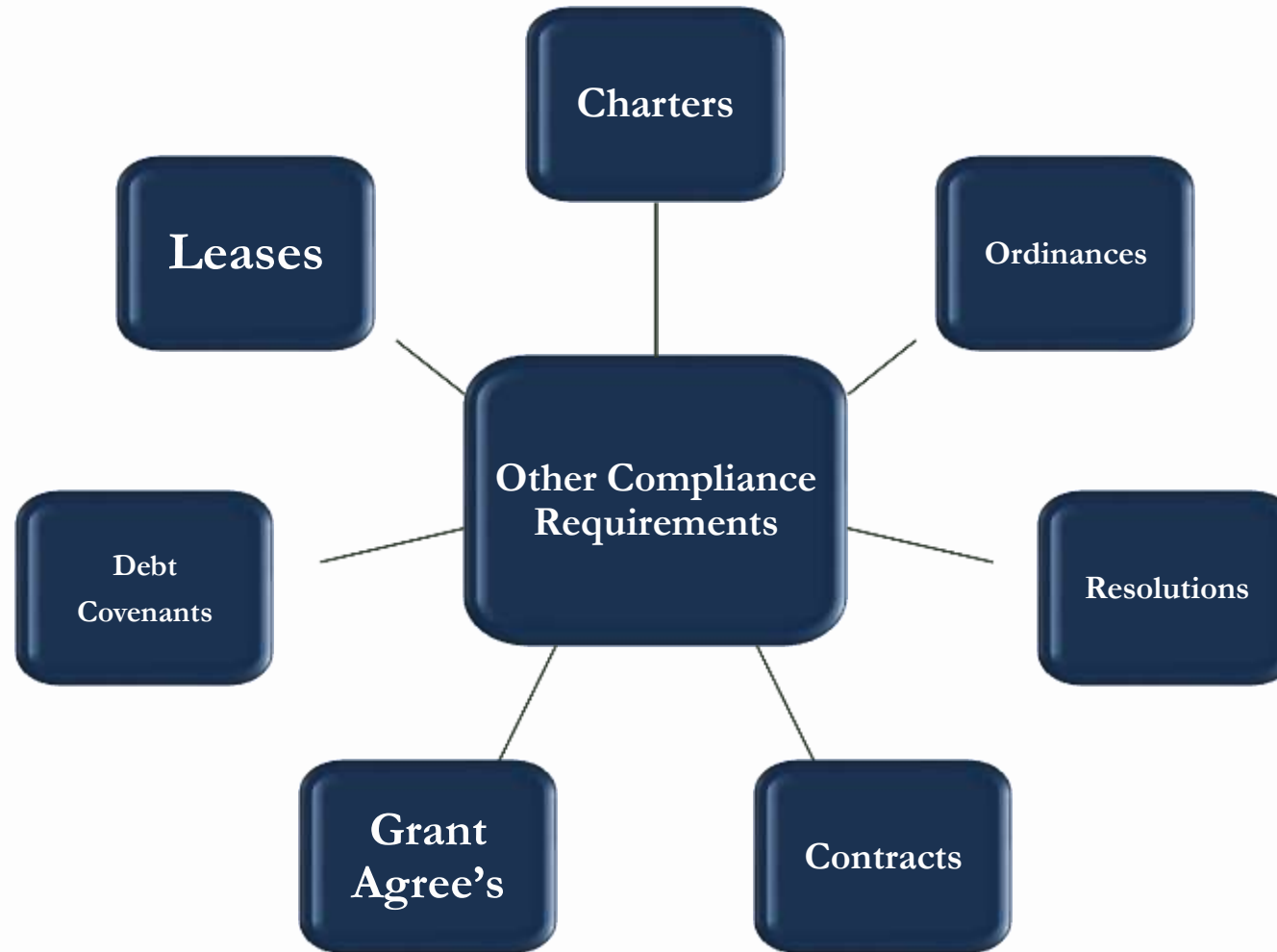
The diagram consists of three main elements arranged horizontally. On the left is a large, light green arrow pointing to the right, containing the text 'CFAE Selections'. In the center are the letters 'O', 'P', and 'M' stacked vertically. On the right is a large, dark blue arrow pointing to the left, containing the text 'Auditor Quantitative & Qualitative Evaluations'. The arrows are positioned such that they appear to point towards each other, meeting at the central 'OPM' text.

CFAE
Selections

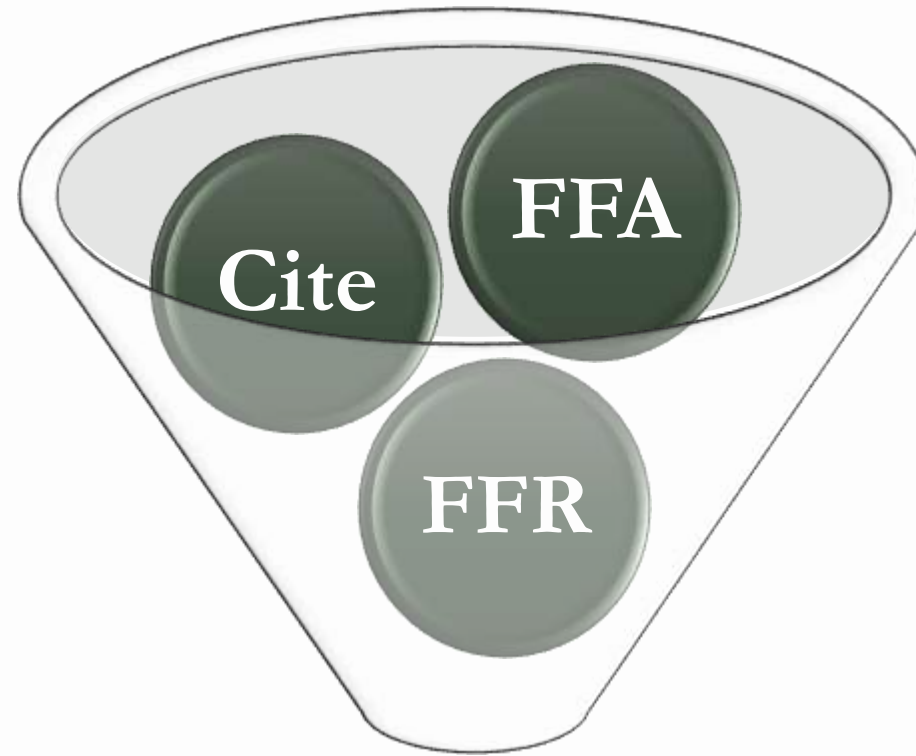
O
P
M

Auditor
Quantitative
& Qualitative
Evaluations

Other Compliance Requirements



Audit Findings



**Findings of Legal
Noncompliance**

Noncompliance Citations

Federal &
State
Constitutions

United States
Code & Rules

Ohio Revised
Code

Ohio Admin.
Code

Local
Ordinances

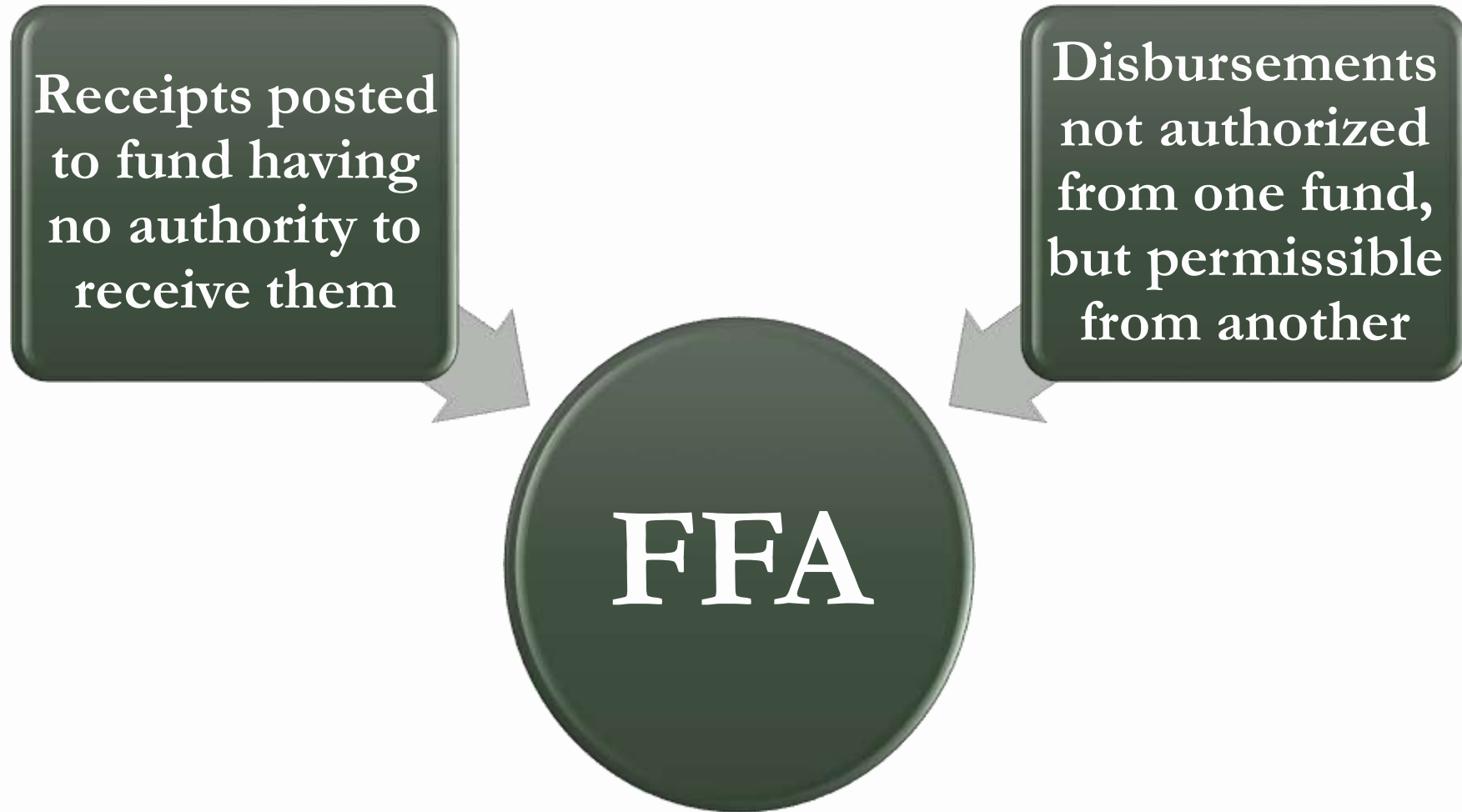
Federal &
State Court
Decisions

Federal &
State
Regulations

Ohio Ethics
Commission
Opinions

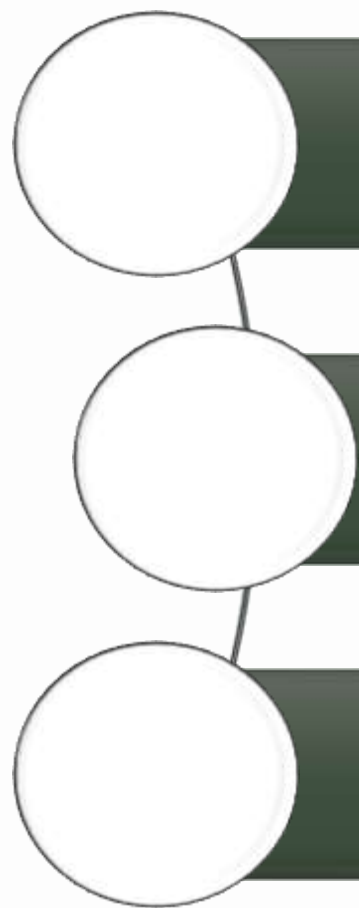
Local
Charters

Findings for Adjustment (FFA)



Findings for Adjustment (FFA)

IMPORTANT NOTES:



Auditors may detect a *finding for adjustment* affecting two funds reported in the same opinion unit. This adjustment would have no effect on the financial statements (and the auditor's opinion), but may still represent reportable noncompliance if it is material to either of the two funds.

If the client agrees and posts certain adjustment to the financial statements but refuses to post the adjustment to the accounting records auditors can still issue a finding for adjustment to correct the accounting records.

Certain FFA's *could* result in an opinion modification.

Findings for Adjustment (FFA)

IMPORTANT NOTES:



Auditors must document evidence that the agreed-to adjustments have been properly posted to the auditee's accounting records.



AU-C 450.11(b) requires auditors to consider the effect of uncorrected prior audit adjustments on the current audit.

ORC
9.24(H)(3)

Finding for Recovery (FFR)

ORC
117.28

Public money has been
illegally expended;

Public money that has
been collected has not
been accounted for;

**FFR may
exist when:**

Public money that is
due has not been
collected;

Public property has
been converted or
misappropriated.

Finding for Recovery (FFR) – Misc.



A FFR should be issued even if a criminal restitution order is already in place for the same conduct

If the entity identifies a FFR *before* the auditors do and the entity or individual repays before the audit report is issued, the auditor should not report the matter as a FFR, unless the finding relates to a criminal case, in which case the finding should always be reported.

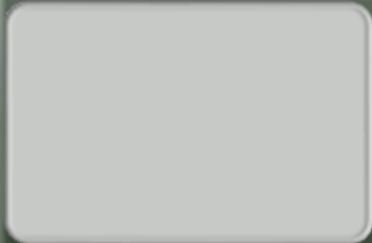
If FFR is only partially repaid, a FFR is reported for the full amount and the amount that was repaid is listed

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



Budgetary & Certain Related Requirements

- Legal level of budgetary control (applies to section 1-1)



Transfers & Advances (referenced in 1-6 & 1-7 & 1-13)

- Some transactions that might not be ‘transfers’
- Transfers clarification



Direct Charges (referenced in 1-2 & 2A-2)

- Payments not requiring fiscal officer certification/encumbering

Other Topics Covered in IG

Direct &
Material Laws
& Reg's

Compliance
Risk &
Controls

Home Rule
Powers

Substantive
Local Self-
Gov. Powers

Proper Public
Purpose

Referring
Audit Reports

Debt

Public
Officers'
Bond

A dark blue banner with a wavy, organic shape, centered on the slide. The word "Questions?" is written in white serif font in the center of the banner.

Questions?

Center for Audit Excellence

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