

2023 Ohio GFOA Conference

Ohio Compliance Supplement 2023 Updates

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Agenda



What is the Ohio Compliance Supplement?

2023 Updates – Ch. 1-3, OPM & IG

2023 Updates - New Ch. 4!

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

New school chapter issued late spring/early summer

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

What is the effective date?

2023
OCS

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

2022
OCS

Engagements of FYE
12/31/21 – 11/30/22

Where is the OCS?

OHIO AUDITOR OF STATE
KEITH FABER

AUDITS LOCAL GOVERNMENT OPEN GOVERNMENT TRAINING RESOURCES CONTACT US ABOUT NEWSROOM [Search Audits](#)

LOCAL GOVERNMENT Reference Materials Financial Health Indicators Fiscal Distress UAN Hinkle System Financial Reporting Trainings & Confer

Reference Materials

- Clients & IPA Firms
- GASB 84
- GASB FAQs
- Library FAQs and Program Codes
- Other Accounting FAQs
- Ohio Compliance Manuals
- Financial Statement Shells & Footnotes
 - GAAP
 - GASB 44 – Tables
 - OCBOA
 - Regulatory

Ohio Compliance Supplement Manuals

2023

- [Ohio Compliance Supplement Implementation Guide \(pdf\)](#)
 - The Compliance ACE is available in Exhibit 3
 - [Legal Matrix](#)
- [Ohio Compliance Supplement Manual \(pdf\)](#) (Updated May 2023)
 - 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 2023)
- [Optional Procedures Manual \(docx\)](#)
- 2022 [2023 Crosswalk \(xlsx\)](#) (Updated May 2023)

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

How to Use?



Legal Matrix

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, 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	✓	✓	✓	✓

How is the OCS Organized?

Chapter 1

Chapter 2

Chapter 3

Chapter 4

Optional
Procedures
Manual (OPM)

Implementation
Guide (IG)

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

2 **Summary of Requirements:**

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

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

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• Tickler Files/Checklists• Review/Comparison/Recomputations of Purchase Documents• Budgetary/Purchasing Accounting/Monitoring System• Legislative and Management Monitoring• Management's identification of changes in laws and regulations• Management's communication of changes in laws and regulations to employees – Policies and Procedures Manuals		

Suggested Audit Procedures - Compliance (Substantive) Tests:

4

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

Note:

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

5

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

2023 OCS Updates

Legislative Bills With OCS Impact – Ch. 1-3, OPM & IG

SB 287

HB 110

SB 15

HB 397

HB 687

HB 177

Throughout OCS

Red COVID Guidance

- Same as last 2 years, COVID related guidance is in red font



New Ch. 4

- Sections that only relate to schools have been moved to a newly created Ch. 4



Sections Renumbered

- Many sections have been renumbered

Throughout OCS - Renumbering

2022 - 2023 OCS Crosswalk		
2022 Step #	2022 Requirement	2023 Step #
1-18	ORC 1702.57, 1724.05-06 and 1726.11-12: Annual Financial Reporting for CICs and DCs	1-15
1-19	ORC 9.833 and 305.172: Health Care Self Insurance	1-16
1-20	ORC 2744.081: Liability Self-Insurance	1-17

1-15 (Previously 1-18) Compliance Requirements: Ohio Rev. Code §§ 1702.57, 1724.05, 1724.06, 1726.11, and 1726.12 - GAAP and annual financial reporting for community improvement corporations (CICs) and development corporations (DCs). 67

2023 Ohio Compliance Supplement *Direct Laws*
Section 1-15

1-15 (Previously 1-18) Compliance Requirements: Ohio Rev. Code §§ 1702.57, 1724.05, 1724.06, 1726.11, and 1726.12 - GAAP and annual financial reporting for community improvement corporations (CICs)⁵³ and development corporations (DCs).⁵⁴

Implementation Guide

Throughout

- updated references

Audit Findings

- updated language to coincide with the Yellow Book
- modified opinion example to match current AOS opinion shells

Findings for Recovery and Responsibility for Paying Findings for Recovery: Strict Liability Laws

- modified footnotes and footnote references related to strict liability due to the passage of SB 15



Implementation Guide



Strict Liability

ORC 3313.25 &
3313.31

- School Treasurer

ORC 3319.36

- School District or ESC Treasurer & Superintendent

Other

- County Auditors, County Treasurers, Twp. Fiscal Officers/Deputy Fiscal Officers, Treasurer of Municipal Corp's, City Auditors, etc.

Implementation Guide

Additional Policies for Findings for Recovery for Auditor of State Audits

- added clarified guidance

Referrals to the Ethics Commission, Other State Agencies and the IRS

- clarified guidance regarding referrals to ODE
- clarified guidance regarding CIC/DC filings

Appendix A-1: Transfers and Advances

- modified considerations for COVID-19

Implementation Guide

Appendix A-2: Direct Charges

- removed considerations for COVID-19

Appendix E-1: Federal Agencies

- removed Financing Corporation (FICO) as the securities were beyond the listed maturity range

Exhibits 5&6: Legal Matrix

- clarified applicable OCS sections and footnotes

Chapter 1

1-1: Annual appropriation measures – classification

- modified the considerations for COVID-19

1-2: Restriction upon appropriation and expenditure of money

- added to the considerations for COVID-19
- modified certain footnotes including adding clarification relating to blanket and super blanket certificates.

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

- modified the considerations for COVID-19

Chapter 1

1-6: Transfer of funds

- modified the considerations for COVID 19

1-7: Advances

- modified the considerations for COVID 19

★ Section B: Contracts and Expenditures

- modified and moved considerations for COVID 19 related to contracts, to Sections 2A-3 – 2A-12 (contract testing sections which were previously part of the OPM and are now included in Chapter 2)

Chapter 1



1-10 (Previously 1-13): Issuing or retiring bonds and notes


- added clarification regarding debt issuance for qualifying partnerships (career-technical education compact)
- also added clarification to section regarding which steps apply for testing and for the testing of material debt covenants and the filing requirements of the Municipal Securities Rulemaking Board (MSRB)



1-11 (Previously 1-14): Bond, tax and revenue anticipation notes (BAN, TAN and RAN)

- added suggested audit procedure for the testing of material debt covenants

Chapter 1



1-12 (Previously 1-15):
Additional borrowing
authority for boards of
library trustees

- added suggested audit procedure for the testing of material debt covenants

1-14 (Previously 1-17):
Annual financial reporting

- added guidance for auditors to perform a GASB Cod. 2600 analysis for entities not mentioned in AOS Bulletin 2015-007
- certain modifications were made to footnotes

1-15 (Previously 1-18):
GAAP and annual financial
reporting for CICs/DCs

- modified guidance regarding late filing notifications to the Secretary of State and unauditable declarations related to CICs/DCs

Chapter 1



1-16 (Previously 1-19): Health care self-insurance

- clarified the guidance related to self-insurance and establishing a “special” fund



1-17 (Previously 1-20): Liability self-insurance

- clarified the guidance related to self-insurance and establishing a “special” fund

Chapter 1

1-19 (Previously 1-23): Collection of income tax at source on wages

- modified the considerations for COVID-19

1-20 (Previously 1-24): Definitions, rates of contributions etc.

- modified the considerations for COVID-19

Chapter 2



Tests of contracts and expenditures moved from OPM into Chapter 2

2A-3 (Previously O-9):
Municipal contracts

2A-4 (Previously O-10):
Altering or modifying
municipal contracts

2A-5 (Previously O-11):
County competitive
bidding and other
requirements

2A-6 (Previously O-13):
Township's
expenditures and
competitive bidding

2A-7 (Previously O-15):
Bidding procedures and
purchasing policies for
supplies and equipment
(County Hospitals)

2A-8 (Previously O-16):
Contract procedures,
bids, bonds, bid
openings (Municipal
Hospitals)

Chapter 2



Tests of contracts and expenditures moved from OPM into Chapter 2

2A-9 (Previously O-17):
Colleges and universities
– bidding required on
improvement contracts

2A-10 (Previously O-18):
Library procedure for
bidding and letting
contracts over \$50,000

2A-11 (Previously O-19):
Separate bids and
contracts required for
each class of work on
buildings and other
structures

2A-12 (Previously O-20):
Prevailing wage rates in
public work contracts

Chapter 2

2A-1 (Previously 2-1):
Appropriations limited by
estimated revenue

- modified the considerations for COVID 19

2A-2 (Previously 2-2):
Restrictions on
appropriating and
expending money

- modified the considerations for COVID 19

2A-3 (Previously O-9):
Municipal contracts

- modified considerations for COVID 19
- added guidance related to professional design services

Chapter 2

**2A-4 (Previously O-10):
Altering or modifying
municipal contracts**

- modified considerations for COVID 19

**2A-5 (Previously O-11):
County notice and other
bid procedures**

- modified considerations for COVID 19 and added guidance related to professional design services

**2A-6 (Previously O-13):
Township expenditures
and competitive bidding**

- modified considerations for COVID 19
- added guidance related to professional design services

Chapter 2

2A-7 (Previously O-15): Bidding procedures and purchasing policies for supplies and equipment (County Hospitals)

- modified considerations for COVID 19
- added guidance related to professional design services

2A-8 (Previously O-16): Contract procedures; bids; bonds; bid openings (Municipal Hospitals)

- modified considerations for COVID 19

2A-9 (Previously O-17): Colleges and universities – bidding required on improvement contracts

- modified considerations for COVID 19
- added guidance related to professional design services
- updated college bidding threshold for improvements

Chapter 2

2A-10 (Previously O-18): Library procedure for bidding and letting contracts over \$50,000

- modified considerations for COVID 19
- added guidance related to professional design services

2A-11 (Previously O-19): Separate bids and contracts required for each class of work on buildings and other structures

- modified considerations for COVID 19

2A-12 (Previously O-20): Prevailing wage rates in public work contracts

- added considerations for COVID 19

Chapter 2

2A-13 (Previously 2-4): Required accounting records

- added footnote related to new legislation that allows for a governmental entity to utilize distributed revenue technology, including blockchain technology, in the exercise of its authority

2A-14 (Previously 2-6): Eligible investments

- updated guidance related to the names of certain programs such as IntraFi Network Deposits (formerly CDARS) and Government Insured Deposit Program (GIDP) and added applicable section of ORC

2A-15 (Previously 2-7): Other requirements

- clarified that the GIDP would be considered a deposit which would not require a signed investment policy
- added guidance related to the location of investment policies filed with AOS

Chapter 2

2A-17 (Previously 2-9): Security for repayment of public deposits

- Updated guidance from the TOS OPCS operating policies

2A-18 (Previously 2-10): Eligible investments

- updated guidance related to the names of certain programs such as IntraFi Network Deposits (formerly CDARS) and Government Insured Deposit Program (GIDP) and added applicable section of ORC

2A-19 (Previously 2-11): Other county and county hospital requirements

- clarified that the GIDP would be considered a deposit which would not require a signed investment policy

Chapter 2



2B-5 (Previously 2-20):
Landfill financial
responsibility and
certifications; Solid waste
transfer facility responsibility
and certifications

- updated guidance throughout section




2B-6 (Previously 2-21):
Education requirements

- updated guidance throughout section
- added a link to guidance for adding new term to the fiscal integrity portal

Chapter 2

2B-8 & Exhibit A (Previously 2-23): Ohio Sunshine Laws

- clarified guidance related to trainings which qualify to meet public record training requirements and guidance to qualifications for StaRS rating
- updated guidance for testing of requirements for community schools.



2B-9 (Previously 2-24): CARES Act, Coronavirus Relief Fund

- updated guidance throughout section

Chapter 3

Throughout

- added clarification regarding the testing frequency of sections



3-2: Contracts and competitive bidding

- this section was removed when testing of contracts and expenditures moved to Chapter 2, Sections 2A-3 – 2A-12 and Chapter 4, Section 4B-6 (schools)

3-3: Appointments, compensation, contracts etc.

- modified footnote related to compensation for school treasurers

Chapter 3

3-14: Counties – Furtherance of Justice (FOJ)

- added clarification regarding the calculation of monies to be redeposited into the county treasury

3-16: Cafeteria plans

- updated threshold for including amounts in gross income of a participant from \$130,000 to \$135,000

Optional Procedures Manual

Tests of contracts and expenditures moved from OPM into Chapter 2

- See list of sections on Ch. 2 slides

O-5 (Previously O-12): County credit and procurement cards

- modified considerations for COVID-19
- updated eligible expenses

Optional Procedures Manual

O-7 (Previously O-22):
Establishment of
policies, restrictions on
use, prohibitions for
government credit cards
and purchasing cards

- modified considerations for COVID-19


O-8 (Previously O-23):
Issuing municipal
securities

- updated list of material events.

Optional Procedures Manual

O-12 (Previously O-27):
Allocating audit costs

- updated section to agree with guidance in AOS Bulletin 2022-006

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

- new section to test requirements for the attorney general's CPT program outlined in AOS Bulletin 2022-004

New Chapter 4 & Updates to Guidance

Why a Separate School Chapter?



AOS releases the annual OCS update in the fall/winter each year

Schools operate on a June 30 fiscal year basis and legislative changes impacting school audits are often still occurring in the fall/winter months

Beginning with this 2023 OCS, steps that are *only* applicable to schools are self-contained in the new Chapter 4

OCS sections which apply to schools *and* other entity types, were retained in Ch. 1-3 or the OPM

Chapter 4 was released in late spring

Legislative Bills / OAC Updates With OCS Impact to Ch. 4

HB 140

(eff. 9/13/22)

HB 45

(eff. 4/7/23)

HB 110

(eff. 6/30/21)

HB 687

(eff. 9/13/22)

HB 583

(eff. 9/23/22)

SB 229

(eff. 12/14/21)

OAC

3301-35-01

(eff. 10/28/22)

OAC

3301-102-10

(eff. 5/19/22)

OAC

3301-69-02

(eff. 3/23/23)

OAC

3301-92-04

(eff. 12/1/22)

OAC

3301-92-02

(eff. 12/1/22)

OAC

3301-35-16

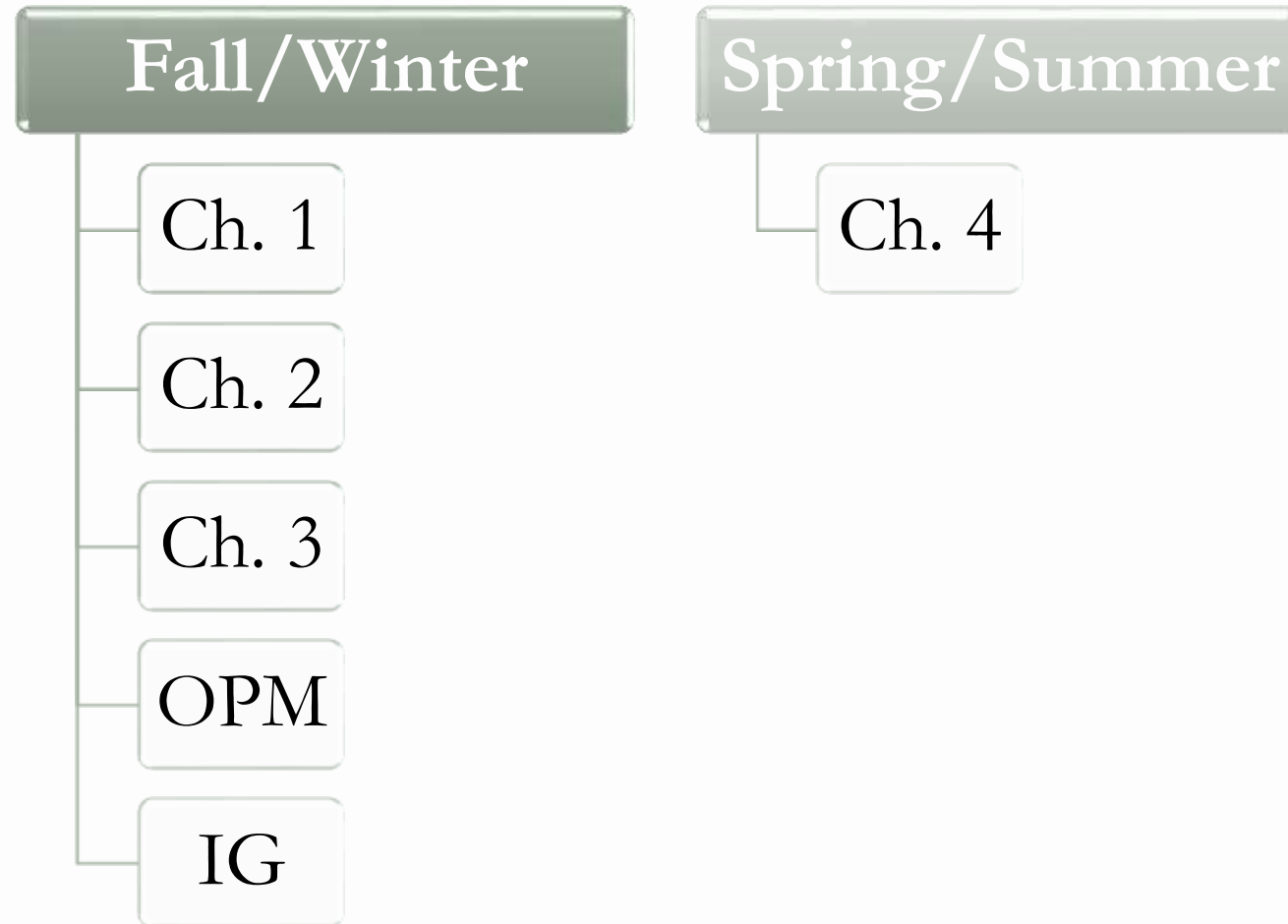
(eff. 10/28/22)

OAC

3301-102-02

(eff. 7/28/22)

Issuances



Chapter 4 Layout

<i>CHAPTER 4 SECTIONS</i>	<i>PREVIOUSLY INCLUDED IN OCS CHAPTERS / MANUALS</i>
<i>CHAPTER 4A – DIRECT LAWS</i>	<i>CHAPTER 1</i>
<i>CHAPTER 4B – INDIRECT LAWS</i>	<i>CHAPTER 2</i>
<i>CHAPTER 4C – STATUTORILY MANDATED TESTS</i>	<i>CHAPTER 2</i>
<i>CHAPTER 4D – STEWARDSHIP</i>	<i>CHAPTER 3</i>
<i>CHAPTER 4E – SCHOOL OPTIONAL PROCEDURES</i>	<i>OPTIONAL PROCEDURES MANUAL (OPM)</i>

Sections Moved to Ch. 4

1-10 (4A-1)

Board of Education
conveyances and
contracts

1-11 (4A-2)

Permissible expenditures
for school districts
participating in classroom
facilities programs

1-12 (4A-3)

Community school debt

1-26 (4A-4)

School district funding

1-27 (4A-5)

Community school
funding

Sections Moved to Ch. 4

2-3 (4B-1)

Internet or computer-based
community school cannot
contract with a nonpublic
school for instructional
space

2-5 (4B-2)

Accounting for
management company
expenses

2-12 (4B-3)

Community school
contractually imposed
deposit and investment
requirements

2-13 (4B-4)

Sponsor monitoring of
community schools

2-14 (4B-5)

Operator relationship with
community schools

2-25 (4C-1)

Anti-bullying provisions

Sections Moved to Ch. 4

3-19 (4D-1)

Dropout prevention
and recovery school
eligibility
requirements

3-20 (4D-2)

Transportation T-1
and T-2 Forms

Sections Moved to Ch. 4

O-14 (4B-6)

Board of Education and
Governing Board of
Educational Service Centers
procedures for bidding and
letting contracts

O-5 (4E-1)

Five-year projections

O-6 (4E-2)

Restriction upon school
district expenditures and
certifying adequate revenues

O-7 (4E-3)

Capital and maintenance
reserve account

O-8 (4E-4)

Community school budget
requirements

O-28 (4E-5)

Community school audit fee
bond

Chapter 4A (Previously Ch. 1) Direct Laws

4A-2 (Previously 1-11):
Permissible
expenditures for school
districts participating
in classroom facilities
assistance programs;
Interest accounting and
allocation and
maintenance plan
funding and
expenditures

- Updated guidance due to passage of HB 140.
- Various other clarifications made throughout, including guidance & new testing step on transfers.

Chapter 4A (Previously Ch. 1) Direct Laws



4A-3
(Previously
1-12):
Community
School
Debt

- Added suggested audit procedure for the testing of material debt covenants.

Chapter 4A (Previously Ch. 1) Direct Laws

★ 4A-4
(Previously
1-26):
School
District
Funding

- Updated guidance due to passage of HB 583 & HB 110, new OAC 3301-35-16, and revised OAC 3301-35-01 & 3301-69-02.
- Additional clarifications made throughout, including Remote Learning Plans no longer being an option, going back to full testing of this section, and changing ‘representative number’ to ‘5’.

Chapter 4A (Previously Ch. 1) Direct Laws

★ 4A-5 (Previously 1-27): Community School Funding

- Updated guidance due passage of HB 110 & SB 229, and revised OAC 3301-102-02 & 3301-35-01.
- Additional clarifications made throughout, including Remote Learning Plans no longer being an option, going back to full testing of this section, changing ‘a few’ to ‘five’, and adding testing steps in 4A-5B for e-schools not implementing a DOPR program.

Chapter 4B (Previously Ch. 2)

Indirect laws

4B-2 (Previously 2-5): Accounting for management company expenses

- Rearranged & clarified audit procedures.

4B-4 (Previously 2-13): Sponsor monitoring of community schools

- Updated guidance due passage of HB 583 and revised OAC 3301-102-02 & 3301-35-01.
- Additional clarifications made throughout, including removing guidance related to Remote Learning Plans, and adding information for if the sponsor mandates competitive bidding procedures through their contract.

Chapter 4B (Previously Ch. 2) Indirect laws

4B-5 (Previously 2-14): Operator relationship with community schools

- Clarified audit procedure regarding personal property purchased by operator with state funds, for use in operating the community school.


Chapter 4B (Previously Ch. 2)

Indirect laws

4B-6 (Previously O-14): Board of Education and Governing Board of Educational Service Centers procedures for bidding and letting
★ of contracts

- Updated guidance due to passage of HB 687.
- Additional clarifications made throughout, including modifying the considerations for COVID 19, adding that this section is also applicable to ESC's, and updating the attachment on competitive bidding schemes & tips.
- Note: As with all bidding sections, this was moved from the OPM into the Indirect Laws section.

Chapter 4C (Previously Ch. 2) Statutorily Mandated Tests

4C-2 (Previously O-6): Restriction upon
 school district expenditures and certifying adequate revenues.
Application: City, local, exempted village and joint vocational school districts

- This was moved from the OPM into the Statutorily Mandated Tests section.

Chapter 4D (Previously Ch. 3) Stewardship

4D-1 (Previously 3-19): Dropout Prevention and Recovery School Eligibility Requirements

- Updated guidance due to passage of HB 583, and revised OAC 3301-102-10.

Chapter 4D (Previously Ch. 3) Stewardship

4D-2 (Previously 3-20): Transportation T-1 and T-2 Forms

- Updated guidance due to passage of HB 45 & 583.
- Additional clarifications made throughout, including updated ODE guidance, and information on materiality.

Chapter 4D (Previously Ch. 3) Stewardship

Throughout

- Added clarification regarding the testing frequency of sections.

4D-3 (NEW): College Credit Plus Program (CCP)



- New section to annually test the requirements in ORC 3365.04. (For details refer to OCS and AOS Bulletin 2023-001)

Chapter 4E (Previously OPM) School Optional Procedures Manual

4E-1 (Previously O-5):
School districts and
community schools
five-year projections

- Updated guidance due to revised OAC 3301-92-04.

4E-2 (Previously O-7):
Capital and
maintenance reserve
account

- Updated guidance due to passage of HB 110, and revised OAC 3301-92-02.

★ Key Take Aways ★

Many sections renumbered

Tests of contracts & exp's moved to Chapter 2 (and corresponding section of Ch. 4)



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

IG FFR guidance - modified footnotes and footnote references related to strict liability due to the passage of SB 15

School *only* sections moved to new Chapter 4

★ Key Take Aways ★

Community school debt section - added procedure for testing of material debt covenants

School funding sections back to full testing & no more Remote Learning Plans.

Testing over 412 certificates moved from OPM to 4C-2.



New section added on College Credit Plus in 4D-3.

Center for Audit Excellence

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