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Auditor of State Bulletin

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TO: All Public Offices, Agencies, Boards, and Commissions
Colleges, Universities and Community Schools
Independent Public Accountants

FROM: Dave Yost
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SUBJECT: Bureau of Workers' Compensation (BWC) Rebate, **Clarified**

Refer to Bulletin 2020-007

This accounting guidance in this Bulletin still applies to subsequent BWC rebates

Ohio's workers' compensation system is a mandatory, state-run insurance program, which provides coverage for employees suffering job-related injuries. In exchange for the payment of premiums by employers to the Bureau of Workers Compensation, the BWC provides payment of compensation to the injured employee while covering medical costs resulting from the job-related accident or disease.

As a result of what BWC attributes to a wise investment strategy, the annual return on invested contributions over the past three years totaled 11.4 percent, significantly exceeding the expected 4 percent return. In May, the Ohio BWC Board of Directors authorized a \$1 billion rebate for more than 210,000 public and private entities paying into Ohio's workers' compensation system. Each employer's rebate will reflect 56% of what they were billed during the last policy period (2011 calendar year for public-taxing districts). Approximately \$113 million of the \$1 billion rebate went to local governments around the state.

BWC began mailing rebate checks to employers in late June and recently completed its distribution. BWC's website includes a description of the employer eligibility criteria for the rebate (<https://www.ohiobwc.com/home/current/releases/2013/050213.asp>). ~~Additionally, our AOS website includes a listing of rebate amounts paid to eligible employers (http://www.ohioauditor.gov/resources/ipa/PEC_all_employers.xlsx).~~

The Auditor of State has received numerous questions from local government officials asking to which funds they should apportion the rebate. After discussions with stakeholders and BWC staff, we prepared this bulletin to provide guidance for Ohio's local governments receiving rebates. Using **premiums attributed to the 2011 policy year** as the base year (year of calculation), local governments should allocate the rebate to all funds, including restricted funds, providing the source of the initial premium payments to Ohio BWC. Ohio Rev. Code §5705.10(D) mandates that all revenue derived from a source other than the general property tax, and which the law requires to be used for a particular purpose, shall be paid into a special fund for that purpose. Since Ohio BWC defines these payments as *rebates*, we believe local governments must return the prorated portion of the rebate attributable to local, state or federally-restricted funds to those funds based on this authority. ~~Additionally, OMB Circular A-87, Section C.4. (Basic Guidelines) requires federal costs to be "net of any applicable credit" for~~

Updated reference: CFR §200.406(a) " . . . To the extent that such credits [e.g. rebates] accruing to or received by the non-Federal entity relate to allowable costs, they must be credited to the Federal award either as a cost reduction or cash refund, as appropriate."

~~federally-funded programs. Paragraph C.4.a explains "credits" include "adjustments of overpayments... and rebates."~~

Conversely, if local governments paid a portion of the **premiums attributable to the 2011 policy year** from individual departments (i.e., line-items) within a local governments' General Fund, it would be a decision for the local appropriating authority whether to assign the prorated portion of the rebate back to the departmental line-items or to re-appropriate such amounts in an unrestricted line-item of the General Fund.

Due to the timing of this guidance, we understand that some local governments may have deposited their full BWC rebate into their general fund without evaluation or apportionment to restricted funds. Where this is the case, the local government should calculate the appropriate apportionment to restricted local, state, and federal funds based upon the **premiums attributable to the 2011 policy year** and adjust its accounting records and related financial statements to reflect this apportionment.

Audits conducted by the Auditor of State and IPA firms will use the premiums **attributable to the 2011 policy year** to determine whether local governments apportioned their rebates to the appropriate funds.

A local government should contact the appropriate grantor agency for guidance if a federal or state grant program paid BWC premiums **attributable to the 2011 policy year** but ceased to exist as of the date the local government receives the BWC rebate. In this case, it will be up to the grantor agency to determine how the local government can use the portion of the rebate attributable to terminated grant program. The Auditor of State and IPA firms will audit the disposition of the rebate attributable to terminated programs in accordance with the guidance the local government receives from its grantor agency or legal counsel.

The BWC Board of Directors took all necessary steps to authorize the rebate in May of 2013. The BWC fund used to pay the rebates is not subject to appropriation. BWC has identified eligibility requirements for the rebate. At June 30, 2013, the local government rebate amounts were measurable and collectible. Therefore, school districts and other local governments with a June 30 fiscal year end should consider reporting a receivable for rebate amounts received after June 30th in accordance with generally accepted accounting principles.

If you have any questions regarding the information in this Bulletin, please contact the Center for Audit Excellence staff of the State Auditor's Office at (800) 282-0370.

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