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Library Ohio Compliance Supplement Update



Presented by: Joey S. Jones, CPA
Chief Auditor, East Region



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1


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Why do we test the OCS?

In accordance with *Government Auditing Standards*, financial statement audits include reporting on compliance with provisions of laws, regulations, contracts, and grant agreements that have a material effect on the financial statements



AICPA Auditing Standards (AU-C 250) provides guidance on the auditor's responsibility to consider laws and regulations in an audit of financial statements.



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QUIZ

The "AOS" has audited public offices compliance with legal requirements since

- A) 2002
- B) 1976
- C) 1942
- D) 1902



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4

Ohio Compliance Supplement

Guidance in the OCS is not "all inclusive".
Know your legal requirements!

- ORC / OAC
- Leases
- Debt Covenants
- Contracts
- Consult with your Legal Counsel



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5

Ohio Compliance Supplement



- Review entire Ohio Compliance Supplement!
- Become familiar with the requirements and testing procedures so you know what the auditors might ask for. (legal matrices good place to start)
- Even if the law has been around a long time, changes can occur, and amended guidance and procedures may be included.



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6

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The OCS uses double underlining to indicate *new* or *revised* legislative or accounting standard requirements.

words

The OCS uses waved underlining to highlight:

- Pre-existing laws we have now determined auditors should test (i.e. requirements not appearing in former OCS editions).
- New or amended guidance. Most of these changes represent information we believe will enhance understanding compliance auditing or reporting.

The OCS uses ~~strike-out font~~ to indicate replaced or omitted legislative requirements. We have not deleted these sections since they may still apply to part of an audit period. Also, retaining this information will help users better understand the changes.



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7

Ohio Compliance Supplement

- Where is it located?
 - Auditor of State's website
 - Resources / Publications & Manuals



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



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8

Where do I find it?

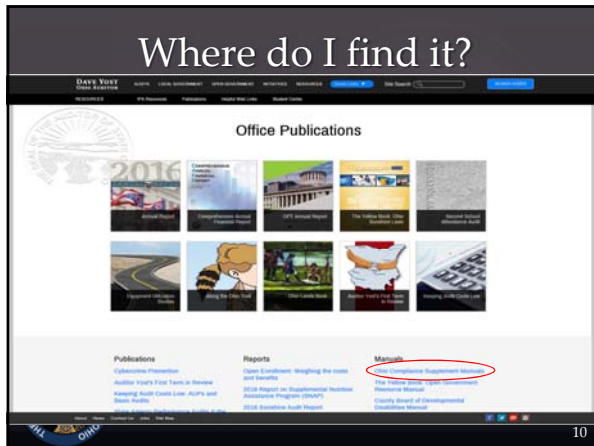
Resources / Publications & Manuals



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9





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

- [Exhibit 3 Compliance ACE \(Microsoft Word\)](#)

[Ohio Compliance Supplement Manual \(PDF\)](#)

- [Chapter 1 - Direct Laws \(PDF\) \(Microsoft Word\)](#)
- [Chapter 2 - Indirect Laws and Statutorily Mandated Tests \(PDF\) \(Microsoft Word\)](#)
- [Chapter 3 - Stewardship \(PDF\) \(Microsoft Word\)](#)

[Optional Procedures Manual \(Microsoft Word\)](#)

OCS Implementation Guide

- Guide for Legal Compliance Auditing in Ohio
- Includes a lot of information and guidance



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13

2018 Ohio Compliance Supplement Implementation Guide
Table of Contents

IMPLEMENTATION GUIDE FOR LEGAL COMPLIANCE AUDITING IN OHIO

Table of Contents

IMPLEMENTATION GUIDE FOR LEGAL COMPLIANCE AUDITING IN OHIO.....	1
Introduction.....	2
Compliance Risk and Controls.....	7
Organization of the OCS.....	10
Home Rule Powers.....	12
Reporting.....	15
Audit Findings.....	17
Noncompliance Citations.....	17
Auditee Responses to Findings.....	18
Findings for Abuse.....	19
Findings for Adjustment.....	22
Findings for Recovery.....	27
Additional Policies for Findings for Recovery for Auditor of State Audits.....	31
Sample NOTICE OF (PROPOSED) FINDING.....	34
Finding for Recovery Procedures for Independent Public Accountants (IPA).....	39
Referring Audit Reports.....	43
Referrals to the Ethics Commission, Other State Agencies, and the IRS.....	44
Appendix A - Budgetary and Certain Related Requirements (Applies to Chapter 1 Section A).....	46
APPENDIX A-1 Transfers and Advances (Applies to Chapter 1 Section A).....	48
APPENDIX A-2 Direct Charges (Applies to Chapter 1 Section A).....	52
APPENDIX B - Contracts and Expenditures (Applies to Chapter 2 Section B).....	54
APPENDIX C - Debt (Applies to Chapter 1 Section C).....	55
APPENDIX C-1 Tax and Revenue Anticipation Notes (Applies to Chapter 1 Section C).....	56
APPENDIX D - Reporting (Applies to Chapters 1 & 2 Section D).....	65
APPENDIX E - Deposits and Investments (Applies to Chapter 2 Section E).....	66
APPENDIX E-1 Federal Agencies (Applies to Chapter 2 Section E).....	67
APPENDIX E-2 GASB No. 40 (Applies to Chapter 2 Section E).....	68
Exhibit 1 - Citation Format.....	71
Exhibit 2 - Public Officers' Bond.....	75
Exhibit 3 - Compliance ACE Form.....	80
Exhibit 4 - Elected Officials' Compensation.....	84
Exhibit 5 - Legal Matrices.....	87
Exhibit 6 - Entries Not Included.....	110
Questions and Comments.....	111

APPENDIX A - Budgetary and Certain Related Requirements (Applies to Chapter 1 Section A).....	46
APPENDIX A-1 Transfers and Advances (Applies to Chapter 1 Section A).....	48
APPENDIX A-2 Direct Charges (Applies to Chapter 1 Section A).....	52
APPENDIX B - Contracts and Expenditures (Applies to Chapter 2 Section B).....	54
APPENDIX C - Debt (Applies to Chapter 1 Section C).....	55
APPENDIX C-1 Tax and Revenue Anticipation Notes (Applies to Chapter 1 Section C).....	56
APPENDIX D - Reporting (Applies to Chapters 1 & 2 Section D).....	65
APPENDIX E - Deposits and Investments (Applies to Chapter 2 Section E).....	66
APPENDIX E-1 Federal Agencies (Applies to Chapter 2 Section E).....	67
APPENDIX E-2 GASB No. 40 (Applies to Chapter 2 Section E).....	68
Exhibit 1 - Citation Format.....	71
Exhibit 2 - Public Officers' Bond.....	75
Exhibit 3 - Compliance ACE Form.....	80
Exhibit 4 - Elected Officials' Compensation.....	84
Exhibit 5 - Legal Matrices.....	87
Exhibit 6 - Entries Not Included.....	110
Questions and Comments.....	111

2018 Chapter 1 Changes

1-17: Annual financial reporting – clarified testing for AOS Annual Financial Statement Filing Inquiry Form (refile)

1-19: Health care self-insurance – added link to Self Insurance Table from Bulletin 2001-005.

1-20: Liability Self Insurance – limited updates.

1-24: Definitions, rates of contributions, etc. – clarified guidance regarding PERS earnable salary

1-25: Permanent Endowment Funds – added guidance for UPMIFA (Uniform Prudent Management of Institutional Funds)



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Change

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19

2018 1-25 UPMIFA

• Obtain supporting documentation for any material endowments. The activity may be recorded in

- Private Purpose Trust Fund
- Permanent Fund
- Special Revenue Fund
- General Fund



• If the government wants to release or modify more than 5% of any of the “non-spendable” portions

- Review any applications/approvals from appropriate courts
- Determine if limitations on time and/or totals were adhered to
- Determine if the uses are consistent with expressed purposes.



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20

2018 Chapter 2 Changes

• **2-22: Fraud, Abuse, Conflict of Interest, Ethics** – The Attorney General maintains a listing of incompatible public offices.

• **2-23: Availability of public records** – added some exempt items certain competitive bid information and certain public depository information.



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21

2017 Chapter 3 Changes

3-5: Bonding Requirements- clarified guidance.

- 3375.32 Clerk
- 3375.36 Deputy Clerk
- Both required to give bond (no amount specified by law)



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22

Optional Procedure Manual



The Auditor of State intends to select a few audits randomly each year, to test requirements listed in the OCS Optional Procedures Manual (OPM). The omission of these requirements from testing does not lessen a government's responsibility for compliance and for instituting controls it believes are necessary to assure compliance with any laws and regulations that apply to the government.



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23

Library OPM

- O-3 allocating interest
- O-18 Procedure for bidding and letting of contracts over \$50,000
- O-22 Various – use of government credit/ purchasing cards
- O-23 Municipal securities
 - The term *Municipal Security* refers to any local government security, not just those municipalities issue, pursuant to 15 U.S.C. § 78c(a)(29).



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24

OCS Matrices



See Attached

[OCSImplementationGuide_2018.pdf](#)
[OptionalProceduresManual_2018.pdf](#)



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2018 Ohio Compliance Supplement Implementation Guide EXHIBIT 5

Matrix 2
Chapter 1: Direct Laws (continued)

Slip No.	Requirement	Library	COG	Reg. Water & Sewer	Dist. Health	Joint Rec. Dist.	Joint Park Dist.	Comm./Tech. College 1197 1198 1199	State Coll. Univ.	Joint Amb. Dist.	Joint Fire Dist.	Joint Police Dist.	Part. Auth.	AJ Soc. 12	DC & OC
1-1	OCS 5705.38: Annual appropriations	10		✓		✓	✓	✓	✓	✓	✓	✓	✓		
1-2	OCS 5705.41(a) and OCS 5705.42: Restrictions on appropriating or expending money including "blanket" face officer certificates	11, 13		✓ ¹⁴	11	✓	✓	✓	✓	✓	✓	✓	✓		
1-3	OCS 5705.42: Amending or supplementing appropriations contingencies			✓		✓	✓	✓	✓	✓	✓	✓	✓		

¹⁰ This column indicates which general compliance requirements are applicable to agricultural societies. However, auditors must also test the compliance requirements specific to agricultural societies that are described within OCS Chapter 1 Appendix A.

¹¹ A state community college district is a political subdivision composed of the territory of a county, or two or more contiguous counties, in either case having a total population of at least one hundred fifty thousand, and organized for the purpose of establishing, owning, and operating a state community college within the district as a political subdivision created pursuant to division A(4) of section 3303.02 of the Revised Code. (Ohio Rev. Code § 3378.01)

¹² Ohio Admin. Code § 117-4-02 requires libraries to adopt appropriate measures, and prohibits expending more than appropriated.

¹³ The majority of Ohio Rev. Code Chapter 5705 applies to "subdivisions," " taxing units," and " taxing authorities." However, Ohio Rev. Code § 5705.41 also applies to "agency authorities." Public library boards do not fall under any of these definitions, except under certain circumstances. They can be considered district authorities. 1982 Op. Atty. Gen. No. 1982-076 concluded that a board of public library trustees deriving funds from two or more subdivisions is therefore a district authority, subject to Ohio Rev. Code § 5705.41. The Opinion provides that library funds derived from property tax proceeds are actually funds derived from the state, either from funds derived from two or more subdivisions. The Opinion also provides that a special tax levied pursuant to Ohio Rev. Code § 5705.21 would similarly not be considered "funds derived from two or more subdivisions" since the taxing authority's role would be strictly ministerial. The Opinion concludes by offering some examples of what could meet this definition, including the following levies: Ohio Rev. Code §§ 5705.60(B), 5705.60(D), 3375.07, 3375.23, 3375.09, 3375.11, 3375.31, 3375.31 and 3375.42.

¹⁴ Ohio Rev. Code § 5705.44 contains an exception that payments made from "earnings" are not required to use the 5705.41 (D) certificate. Therefore, payments from the utility operating fund do not require certification. (However, payments from utility grant funds DO require certification.)

Audit Finding

Conclusion of fact an auditor *finds* as part of the audit process

- Noncompliance citations
- Findings for abuse
- Findings for adjustment
- Findings for recovery



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Note



I am not a licensed attorney-these violations were noted from our executive summary portal based on information input-I can't attest to the accuracy or the applicability to your particular library type.

If you have legal related questions-they need addressed to your legal counsel.



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28

1- Ohio Admin. Code Section 117-8-02

Issue

- Appropriations in system don't equal what passed
- Expenditures > appropriations

Solution

- Match up system reports to what is passed
- Run budget vs actual reports
- Provide system reports to the board



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29

2-Ohio Rev. Code § 117.38

Issue

- Failure to file complete report by deadline

Solution

- Note deadline per HINKLE System
- Verify report is submitted on HINKLE
- Request extension only if qualify



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30

3-Ohio Rev. Code § 149.43

Issue

- Availability of public records and related policies

Solution

- Public records policy needs displayed
- Needs to be displayed in each branch
- Policy adopted by Board



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31


4-Ohio Rev. Code § 117.103 (B) (1)

Issue

- Provide employees notice of Ohio fraud reporting system

Solution

- Maintain documentation to prove notice given (personnel file)
- AOS web-site has model form



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32


5-Ohio Rev. Code § 135.22

Issue

- Investment Training

Solution

- Obtain required training, or
- Provide annual notice of training exemption to the AOS

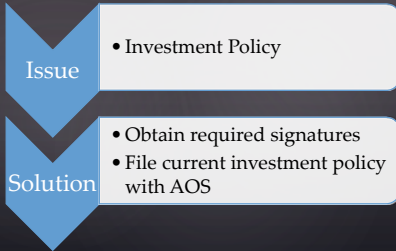


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33

6-Ohio Rev. Code § 135.14 (O)(1)

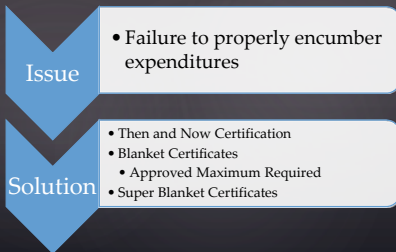


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34

7-Ohio Rev. Code § 5705.41(D)

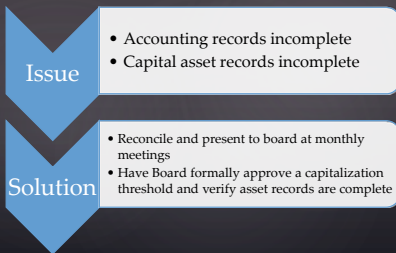


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35

8-Ohio Admin. Code § 117-2-02



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36

9-26 USC IRC violations

Issue

Solution

- 1099 not issued
- Cash bonuses not on W-2
- Late remitting withholdings

- Issue 1099 if pay more than \$600
- Include all compensation on W-2
- Pay withholdings timely-could be ffr for penalty and interest

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37

10-Ohio Rev. Code § 121.22(G)

Issue

Solution

- Executive Sessions

- Need to record in the minutes the reason
- Remember no official action can be taken in executive session

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38

11-Ohio Rev. Code § 9.38

Issue

Solution

- Monies not timely deposited (day following receipt)

- "Treasurer or Designated Depository"
- Can adopt a policy allowing longer time period-up to three days if under \$1,000

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39

AOS Bulletins

- No Bulletins issued since 4/21/17
- This space reserved to discuss any new Bulletins issued after Feb 14, 2018



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40

AOS Bulletin 2016-004

- Supersedes Bulletin 2016-003
- Issued Sept 13, 2016
- Provides amended guidance
 - Credit card cash withdrawals
 - Credit card internal controls



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41

AOS Bulletin 2016-004

- Credit card use is subject to potential abuse
 - Especially cash withdrawals
- Exercise the utmost care and diligence in authorizing and permitting credit card usage, particularly when cash withdrawals are involved
- All public entities should develop, maintain, and strictly apply appropriate authorization and tracking controls incident to credit card usage, again with particular emphasis on cash withdrawals




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42

HELP ?



- Other Entities
- Manuals / Handbooks
- Associations
- AOS Regional Offices
- Your Legal Counsel
- AOS Website
- Webinars




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43

Manuals / Handbooks

- Available on AOS Website
 - Same location as the Ohio Compliance Supplement
- Several Manuals / Handbooks, for example:
 - The Yellow Book: Open Government Resource Manual
 - Audit Committee Toolkit
 - Best Practices
 - Sept 2016 positive pay










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44

Office Publications

<p>Publications</p> <p>Administrative Procedures Annual Report to the Governor Annual Report to the Legislature Annual Report to the Public Annual Report to the Statewide Budget Commission Annual Report to the Statewide Fiscal Commission Annual Report to the Statewide Health Care Commission Annual Report to the Statewide Higher Education Commission Annual Report to the Statewide Judicial Branch Commission Annual Report to the Statewide Law Enforcement Commission Annual Report to the Statewide Public Safety Commission Annual Report to the Statewide Transportation Commission Annual Report to the Statewide Veterans Affairs Commission Annual Report to the Statewide Workers' Compensation Commission</p> <p>Field Manuals</p> <p>2016 Field Manual 2017 Field Manual 2018 Field Manual 2019 Field Manual 2020 Field Manual 2021 Field Manual 2022 Field Manual 2023 Field Manual 2024 Field Manual 2025 Field Manual 2026 Field Manual 2027 Field Manual 2028 Field Manual 2029 Field Manual 2030 Field Manual</p> <p>Best Practices</p> <p>Best Practices 2017 Best Practices 2018 Best Practices 2019 Best Practices 2020 Best Practices 2021 Best Practices 2022 Best Practices 2023 Best Practices 2024 Best Practices 2025 Best Practices 2026 Best Practices 2027 Best Practices 2028 Best Practices 2029 Best Practices 2030</p>	<p>Reports</p> <p>2017 Report 2018 Report 2019 Report 2020 Report 2021 Report 2022 Report 2023 Report 2024 Report 2025 Report 2026 Report 2027 Report 2028 Report 2029 Report 2030 Report</p> <p>Performance Audits</p> <p>2017 Performance Audit 2018 Performance Audit 2019 Performance Audit 2020 Performance Audit 2021 Performance Audit 2022 Performance Audit 2023 Performance Audit 2024 Performance Audit 2025 Performance Audit 2026 Performance Audit 2027 Performance Audit 2028 Performance Audit 2029 Performance Audit 2030 Performance Audit</p>	<p>Manuals</p> <p>2017 Manual 2018 Manual 2019 Manual 2020 Manual 2021 Manual 2022 Manual 2023 Manual 2024 Manual 2025 Manual 2026 Manual 2027 Manual 2028 Manual 2029 Manual 2030 Manual</p> <p>Technical Bulletins</p> <p>2017 Technical Bulletin 2018 Technical Bulletin 2019 Technical Bulletin 2020 Technical Bulletin 2021 Technical Bulletin 2022 Technical Bulletin 2023 Technical Bulletin 2024 Technical Bulletin 2025 Technical Bulletin 2026 Technical Bulletin 2027 Technical Bulletin 2028 Technical Bulletin 2029 Technical Bulletin 2030 Technical Bulletin</p>
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Ohio Auditor of State
Dave Yost

88 E. Broad St.
Columbus, Ohio 43215
Phone: (800) 282-0370 Fax: (614) 466-4490
Email: ContactUs@OhioAuditor.gov
www.OhioAuditor.gov

5
2
