

# OHIO AUDITOR OF STATE KEITH FABER



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## Auditor of State Bulletin 2022-012

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**DATE ISSUED:** December 21, 2022

**TO:** All Public Offices  
Community Schools

**FROM:** Keith Faber  
Ohio Auditor of State

**SUBJECT:** Revised State Fiscal Year 2023 Hourly Billing Rates and Allocation of Audit Costs

### Bulletin Purpose

This bulletin is issued pursuant to Ohio Revised Code (ORC) §117.13(C)(4), which states “the auditor of state shall determine and publish annually rates to be charged to local public offices for recovering the costs of audits of local public offices.” **This bulletin supersedes Auditor of State (AOS) Bulletin 2022-006 – changes are denoted in red throughout.**

### Implementation Date

This bulletin provides the hourly billing rates for State Fiscal Year (SFY) 2023 (unchanged since the issuance of Bulletin 2021-006) and **the revised LGS Billing Rate Tier Structure, effective for engagements related to periods ended on or after December 31, 2022.**

### Background

ORC §117.13 governs how the AOS charges public offices for the costs of audit services. AOS recovers the total costs of audits, both direct and indirect, through charges to the clients AOS audits. AOS traditionally recovers its costs using an hourly rate based on the type of service. For local governments, these costs are offset by resources available in the Local Government Audit Support Fund and the state General Revenue Fund. For state agencies, these costs take into consideration federal cost recovery guidelines and are offset by resources from the state General Revenue Fund.

## Bulletin Detail

### *Audit Rates*

For SFY 2023 or until AOS publishes a subsequent bulletin, the following audit rates will be charged:

Entity Type	Audit Billing Rate
Local Governments	\$41/hour
State Agencies	\$85/hour

### *Local Government Services (LGS) Rates*

Additionally, the LGS division of the AOS provides a wide variety of financial reporting compilation/preparation, consulting and fiscal advisory services to local governments, agencies and schools. LGS also provides various types of routine services, including supervision of local governments in the preparation of their generally accepted accounting principles (GAAP), “other comprehensive basis of accounting” (OCBOA) cash/modified cash or regulatory cash financial statements.

LGS uses a tiered system to charge for financial reporting compilation/preparation and routine services as it relates to the supervision of local governments in the preparation of their annual financial statements. AOS bases the tiered LGS billing rates upon a local government’s total combined revenues as reported in the most recently audited financial statements.

The U.S. Congress has appropriated unprecedented levels of COVID-19 federal financial assistance since the beginning of the pandemic in early 2020. AOS recognizes that this temporary influx in funding may disproportionately impact a local government’s total combined revenues. For that reason, AOS will exclude the following COVID-19 federal programs representing the largest influx of federal financial assistance to Ohio local governments, agencies and schools from the total combined revenues of the most recently available audited financial statements for purposes of determining the LGS Billing Rate Tier for engagements related to periods ended on or after December 31, 2022:

- **Coronavirus Relief Fund, Assistance Listing #21.019**, appropriated under the Coronavirus Aid, Relief, and Economic Security (CARES) Act;
- **Elementary and Secondary School Emergency Relief (ESSER) Fund, Assistance Listing #84.425D**, appropriated under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and other supplemental legislation. In March 2021, additional funds were appropriated through the American Rescue Plan Act;
- **Governor’s Emergency Education Relief (GEER) Fund. Assistance Listing #84.425C**, appropriated under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and other supplemental legislation; and
- **Coronavirus State and Local Fiscal Recovery Funds, Assistance Listing #21.027**, appropriated through the American Rescue Plan Act.

For the remainder of SFY 2023 or until AOS publishes a subsequent bulletin, the following LGS rates will apply for financial reporting compilation preparation and supervision services LGS performs for local governments and agencies in each tier:

<b>LGS Billing Rate Tier Structure (Revised)<sup>1</sup></b>				
<b>For Financial Reporting Compilation Preparation and Supervision Services</b>				
	<b>Counties</b>	<b>Municipalities &amp; Other Local Govts.</b>	<b>Schools</b>	<b>LGS Billing Rate</b>
<b>Tier I</b>	\$110,000,001 or More	\$55,000,001 or More	\$55,000,001 or More	\$85/hour
<b>Tier II</b>	\$55,000,001 – \$110,000,000	\$11,000,001 – \$55,000,000	\$11,000,001 – \$55,000,000	\$75/hour
<b>Tier III</b>	\$55,000,000 or Less	\$11,000,000 or Less	\$11,000,000 or Less	\$60/hour

For all other services including, but not limited to: reconstructions/reconciliations, consulting, fiscal advisory and routine training services, other than supervision of local governments in the preparation of their GAAP, OCBOA cash/modified cash, or regulatory cash financial statements, LGS will charge \$50/hour, regardless of the size of the local government or its total revenues.

#### ***Audit and LGS Rates for Interns***

For the remainder of SFY 2023 or until AOS publishes a subsequent bulletin, AOS will charge 50 percent of the applicable billing rate for services provided by AOS interns.

#### **Ability to Charge Funds Other than the General Fund**

ORC §117.13 (C)(2) allows fiscal officers of local public offices being audited to allocate the charges billed for the cost of the audit to appropriate funds using a methodology that follows guidance provided by the AOS. Costs for LGS financial statement preparation and other consulting services may also be allocated when such charges are legally allowable and appropriate expenditures for the purpose of the specific fund(s) charged. Governments should have a reasonable, documented methodology for allocating these costs. If applicable, this methodology should consider and incorporate the requirements in Uniform Guidance [2 CFR §200.425](#) discussed in this bulletin.

Except for Federal funds that account for activity of Federal awards governed by Uniform Guidance as discussed below, the fiscal officer may distribute the cost to each fund audited in accordance with

<sup>1</sup> This rate structure applies to all new and renewal contracts. The rate for previously executed and/or multi-year contracts including periods ending on or after December 31, 2022, will be amended to reflect these adjustments and exclude the top four COVID-19 federal financial assistance programs from the Tier determination, where applicable. AOS will provide notice to clients with previously executed and/or multi-year contracts where such adjustments result in a reduced LGS Billing Rate.

its percentage of the total cost. The fiscal officer should determine which funds should be charged a percentage of the audit costs. In determining a percentage of total cost that may be charged to a fund, any reasonable and rational method such as a percentage of the fund's revenue or expenditures compared to the total revenue or expenditures for all funds, excluding custodial funds and federal funds discussed in the next two paragraphs, would be acceptable. A local government's approved indirect cost allocation plan may also be an acceptable method for allocating audit costs.

When the audit, financial statement preparation or other consulting costs include bond, grant, trust, custodial or other similar funds, there may be limitations to a local government's ability to allocate costs back to certain funds. In these circumstances, AOS strongly encourages local governments work with their legal counsel before allocating such costs back to bond, grant, trust, custodial or other restricted funds. The ability to charge bond funds, for example, will depend on the allowable uses defined in the bond legislation. Trust and other funds that receive donations restricted to specific purposes will require analysis by the fiscal officer of the restrictions imposed by the donor and/or trust agreement to determine if any audit costs may be charged to those funds. Custodial funds (previously referred to as agency funds) should not be charged for any share of the cost of an audit, financial statement preparation or other consulting services for the fiscal officer's role as the fiscal agent.

For Federal funds used to account for Federal award activity, Uniform Guidance [2 CFR §200.425](#) notes a reasonably proportionate share of costs of audits required by, and performed in accordance with the federal Single Audit Act are allowable costs, except as otherwise noted in the section.<sup>2</sup> Local governments can request their auditors provide a breakdown of hours directly attributable to the Single Audit for allocating these costs. The proportionate share of the audit costs can be directly charged to a Federal award. If not directly charged to the Federal award, the proportionate share of the financial audit costs related to auditing federal awards can be charged and allocated through an indirect cost pool for a cost allocation plan or indirect cost proposal. In accordance with 2 CFR §200.414(f), governments without an approved indirect cost allocation plan can charge a 10% de minimis rate of Modified Total Direct Costs (2 CFR §200.1) to eligible Federal award programs. Most governments, meeting the requirements specified in 200.414 (f), that do not have a current indirect cost rate can use the 10% de minimis rate indefinitely until or unless an approved indirect cost rate is obtained, provided that costs are consistently charged as either indirect or direct costs, but not both, from year to year. Local governments utilizing this provision must charge 10% de minimis rate across all Federal programs for which it is allowable pursuant to award terms and conditions of their awards. Local governments can also refer to the online AOS Client Resource, [Can Audit Costs Be Paid Using Federal Grants?](#)

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<sup>2</sup> The costs of audits that are not required by the Single Audit Act and Subpart F are not allowable under [2 CFR §200.425](#), including performance audits.

## Questions

If you have any questions regarding the information in this bulletin, please contact LGS at (800) 345-2519, (614) 466-4717 or [ContactLGS@ohioauditor.gov](mailto:ContactLGS@ohioauditor.gov).

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber  
Ohio Auditor of State