



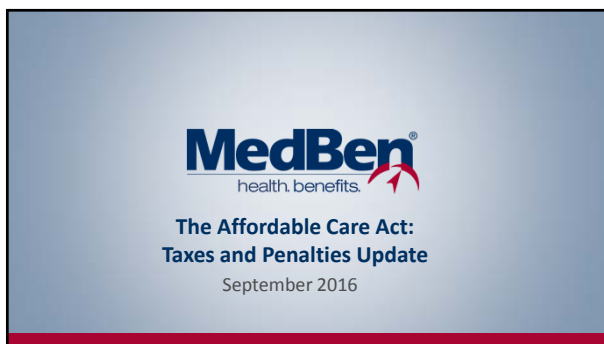
2016 Combined IPA Conference

September 8, 2016

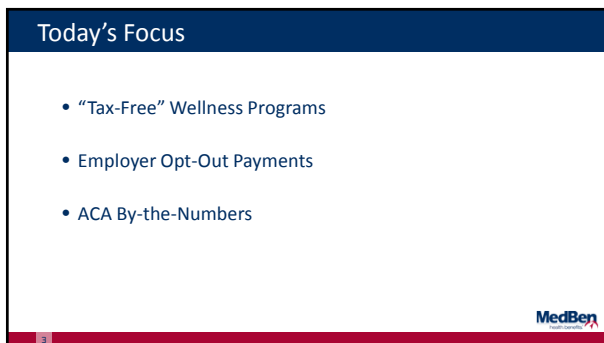
Hilton Columbus at Easton
3900 Chagrin Drive
Columbus, Ohio 43219

**2016 Combined IPA Conference Agenda
September 8, 2016**

7:30 - 8:00 am	Registration/Continental Breakfast
8:00 - 8:10 am	Conference Welcome Auditor Dave Yost
8:10 - 8:35 am	Affordable Healthcare Act: Challenges for Public Employers Caroline Fraker, MedBen
8:35 - 10:15 am	Changes to Federal Programs & Single Audits Kelly Berger-Davis & Tim Downing, Auditor of State's Office
10:15 - 10:25 am	Break
10:25 - 11:15 am	GASB 77 Tracie McCreary, Auditor of State's Office
11:15 - 11:40 am	Legal & Legislative Update Mark Altier & Shawn Busken
11:40 - 12:40 pm	Lunch
12:40 - 1:30 pm	Update to IPA Contracting with the Auditor of State & Implementation of Auditor of State Bulletin 2015-007 Leanna Abele & Ami Mayne, Auditor of State's Office
1:30 - 2:20 pm	Auditor of State Special Audit of Perrysburg Exempted Village School District Melissa Nuttall & Tim Shockcor, Auditor of State's Office
2:20 - 2:30 pm	Break
2:30 - 2:55 pm	Public Integrity Assurance Team Overview Brendan Inscho & Randy Turner, Auditor of State's Office
2:55 - 3:20 pm	Common Issues noted in IPA reports Brad Blake, Auditor of State's Office
3:20 - 4:10 pm	School Funding 101 Aaron Rausch, Ohio Department of Education
4:10 pm	Adjourn







"Tax-Free" Wellness Programs



MedBen

"Tax-Free" Wellness Programs

- Resurgence of reimbursement schemes characterized as defined benefit wellness plans which offer tax-free payments to employees.
- Similar to salary reductions for "tax-free" reimbursements of employee premium payments popular in the early 2000's.
- IRS Revenue Ruling 2002-3 clarified that the tax code does not allow for tax free reimbursements of premiums paid with pre-tax salary reductions.

MedBen

"Tax-Free" Wellness Programs

- New schemes work like this:
 - Employees make a pre-tax salary reduction to pay for participation in an employer-sponsored wellness plan which includes a small administration fee.
 - Employees who participate in certain wellness "activities" get a tax-free wellness reward.
 - The tax-free wellness reward is nearly equal to the amount of the employee's pre-tax salary reduction.

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"Tax-Free" Wellness Programs

- IRS Memorandum 201622031 - May, 27, 2016
 - Wellness payments like these are taxable as wages and subject to withholding.
 - Cash and non-cash payments and rewards paid to employees are not excludable from taxable income, including:
 - Gift cards and cash payments; and
 - Non-cash rewards that are not deemed medical care under IRS Section 213.



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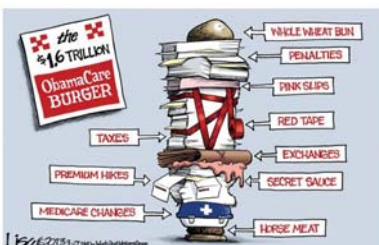
"Tax-Free" Wellness Programs

- IRS Memorandum 201622031 - May, 27, 2016
 - These new "tax-free" wellness plans are not compliant because they "double-dip" in the "tax-free" reimbursement pool.
 - The IRS confirmed that there is no problem with the wellness program itself, only that there are tax consequences:
 - Employers will underpay employment taxes.
 - Employees will underpay income and payroll taxes.



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Employer Opt-Out Payments



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Employer Opt-Out-Payments

- IRS issued the Premium Tax Credit NPRM VI on July 8, 2016
 - The NPRM pertains to Marketplace premium tax credit calculations and directly affects an Applicable Large Employer's (ALE) ACA shared responsibility determinations.
- Under IRC Section 4980H, ALEs may owe a penalty if the health coverage they provide is not affordable.

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Employer Opt-Out-Payments

- Affordability is determined by comparing the amount an individual must pay to access group health coverage against the employee's household income (or by using one of the Affordability Safe Harbors).
- Opt-out payments are cash payments employers make to employees who decline to enroll in the employer's group health plan.

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Employer Opt-Out-Payments

- Proposed regulations tie the two together:
 - If the Opt-out payments are "conditional" or "eligible" the employer does not have to include the cash payment amount in the affordability calculation.
 - If the Opt-out payments are "unconditional" the employer must include the cash payment amount in the affordability calculation.
 - Unconditional opt-out payments will increase the amount reported as the employee's contribution on Form 1095-C, Part II, Line 15.

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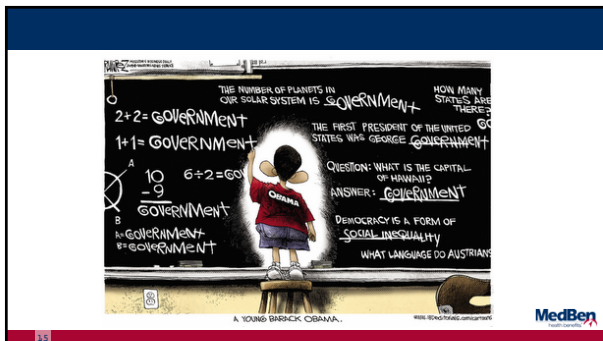
Employer Opt-Out-Payments

- Payments are “conditional” or “eligible” if:
 - the employee declines coverage under the employer’s group health plan; and
 - the employee provides reasonable evidence that he (and those for whom he is claiming a personal exemption deduction) are covered under another group health plan (not including Marketplace coverage or other individual coverage).
- Proof of coverage must be provided annually.





Employer Opt-Out-Payments

- Payments are “unconditional” if:
 - the employee declines coverage under the employer’s group health plan; and
 - the employee either has no other coverage or cannot provide reasonable evidence that he (and those for whom he is claiming a personal exemption deduction) are covered under another group health plan.
 - “Other coverage” may not include any individual policy or any Marketplace coverage.



ACA By-the Numbers



- 2016 Transitional Reinsurance Fee
- 2017 4980H Penalties
- 2017 Out-of-Pocket Limits
- 2017 PCORI Fee

ACA By-the-Numbers

2016 Transitional Reinsurance Fee



- Last year for paying this fee
- \$27 per covered life (every employee, spouse and dependent under the plan)
- If pay in one installment – full payment due no later than January 15, 2017
- If pay in two installments – first payment due no later than January 15, 2017 and the remainder due no later than November 15, 2017

ACA By-the-Numbers

2017 4980H(a) Penalty

- Employer Shared Responsibility “Offering” Penalty applies to Applicable Large Employers only.
- Must offer health coverage to 95% of employer’s full-time employees or pay a penalty.
- If fail to offer coverage, the 2017 penalty is \$2,260 multiplied by all of the employer’s full-time employees – even those taking the coverage.

ACA By-the-Numbers

2017 4980H(b) Penalty

- Employer Shared Responsibility "Affordability" Penalty applies to Applicable Large Employers only.
- Employer must offer affordable coverage that has minimum value to each full-time employee or pay a penalty.
- If fail offer affordable coverage, the 2017 penalty is \$3,390 per each employee for whom the coverage is not affordable.
- Penalty is applied on an employee-by-employee basis.



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ACA By-the-Numbers

2017 Out-of-Pocket Limits

- \$7,150 self-only coverage (employee-only)
- \$14,300 other than self-only coverage (family)



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ACA By-the-Numbers

2017 PCORI Fee

- For plan years ending in the month of January, 2016 through those ending in the month of September, 2016, the PCORI fee will go up to \$2.17 per every employee, spouse and dependent on the plan
- For plan years ending in the month of October, 2016 through those ending in the month of December, 2016 he PCORI fee will go up to \$2.25 (projected) per every employee, spouse and dependent on the plan



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Questions?

MedBen can help!

- *Caroline Fraker*
- *cfraker@medben.com*
- *740-522-7386*
- *www.medben.com*
- *@MedBenTPA* 



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DAVE YOST
Ohio Auditor of State



Changes to Federal Programs & Single Audits

New OMB Uniform Guidance Highlights

Presented by: Kelly Berger-Davis & Tim Downing, CFAE

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Presenters

Kelly Berger-Davis & Tim Downing

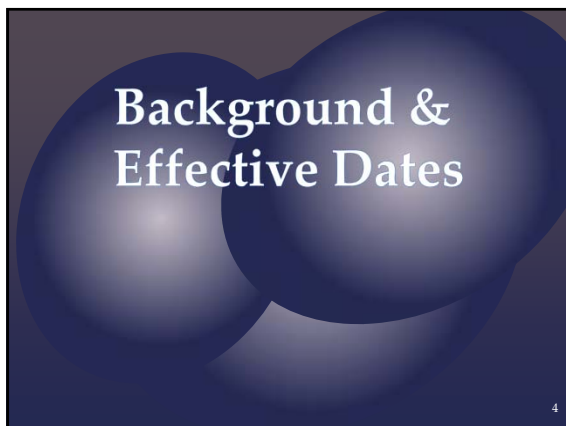
Quality Assurance & Technical Specialists
Center for Audit Excellence
State of Ohio Auditor's Office

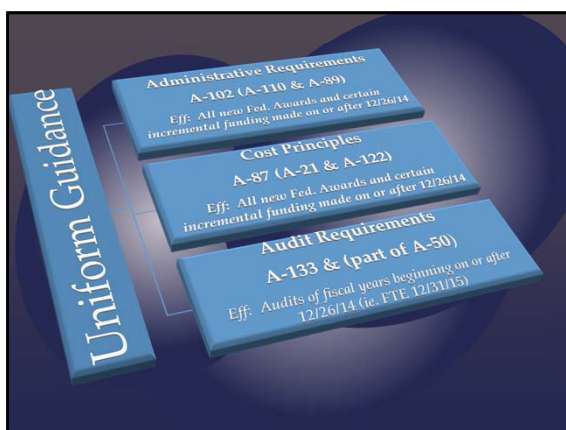
Federal Grant Specialists

Agenda

- Background of UG & Effective Dates
- Exceptions Granted & Roadmap of UG
- Administrative Req. Change Highlights
- Cost Principle Change Highlights
- Audit Requirement Change Highlights
- FACCR Change Highlights

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Effective Dates

12/26/14 cut-off, as compared to what?

- Administrative Requirements** • The date the federal award was signed by the Federal awarding agency
- Cost Principles** • The date the federal award was signed by the Federal awarding agency
- Audit Requirements** • Doesn't matter what date the feds signed the award
• Effective beginning with 12/31/15 audit periods – no matter what!

Effective Dates - Example

USDE signs & awards a new \$1 million grant to Ohio Dept. of Edu. on 12/1/14

Ohio Dept. of Edu. subsequently awards:

\$300,000 to certain Local SD's on 12/23/14	\$700,000 to other Local SD's on 12/28/14
---	---

Administrative Requirements & Cost Principles: All of the Local SD's receiving the subawards will be following the old A-102 & A-87 because the federal agency signed the grant prior to 12/26/14.

Audit Requirements: \$ spent in FYE 6/30/15 would follow A-133
\$ spent in FYE 6/30/16 would follow UG

Effective Dates

- Be alert for language in the terms & conditions of a Federal award made prior to 12/26/14 stating that the award will be subject to regulations 'as may be amended' – such language likely means the grant made prior to 12/26/14 must follow the amended regulations (the new UG) beginning 12/26/14.
- HUD occasionally used this language in grants such as: CDBG, HOME Investment Partnerships, Emergency Solutions, etc.
- See HUD Notice CPD-16-04, issued 4/13/16 for more information
- Language could be used by other federal agencies as well, but not currently aware of any

Effective Dates Incremental Funding

- Recall that Admin. Requirements & Cost Princ's are effective for all new Federal awards made on or after 12/26/14, and for certain *incremental funding* made after that date
- Not defined in 2 CFR 200
- If modified terms & conditions are received via an incremental funding action, an award made prior to 12/26/14 can have the remaining unobligated amount changed to UG

Effective Dates Incremental Funding - Example

- Original grant was signed by the federal awarding agency prior to 12/26/14
- Original grant did *not* contain language that the award was subject to regulations 'as may be amended'
- Incremental funding action, signed on 2/1/15
- Incremental funding action did *not* include any changes to the terms & conditions (no mention of 2 CFR 200, Uniform Guidance, the CFR section where the federal agency codified 2 CFR 200, etc.)
- No other documents related to this grant were received by the grantee indicating the UG applied to it
- Is this incremental funding action subject to the old OMB circulars (A-87 & A-102) or to the new UG?

Effective Dates - Exceptions


Procurement Grace Period 2 full fiscal years after effective date to implement procurement standards	Existing Negotiated Indirect Cost Rates Remain in place until due for re-negotiation
--	--

Applicability

- Several exceptions to parts of the UG are listed in 200.101 for certain entitlement, formula and block grant programs
- Certain programs are only required to follow some of the UG provisions, including pre-award provisions
- Summarized table .101 on next slide

	Applicable	Not Applicable
Administrative Req's	Grant agreements	Loans, loan guarantees
	Cooperative agreements	Interest Subsidy
		Insurance
		Cost-reimbursement contracts under the FAR
Internal Controls & Subrecipient Monitoring	ALL	
Cost Principles	Grant agreements	Food commodities
	Cooperative agreements	Fixed amount awards
	Cost-reimbursement contracts under the FAR	Loans, loan guarantees Interest subsidy
		Insurance
Audit	ALL except →	Fixed price contracts and subcontracts under FAR





Exceptions Granted & Roadmap to the UG



CFO COUNCIL

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Exceptions Granted

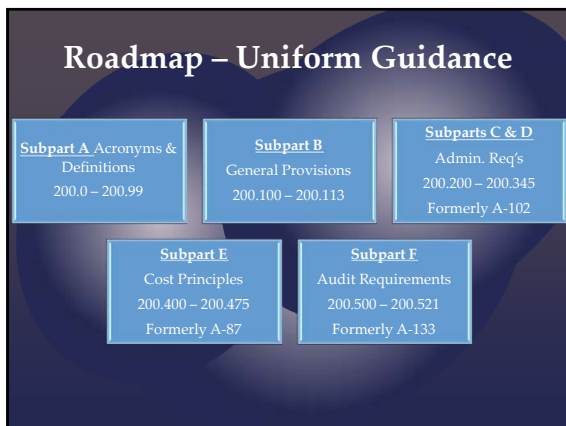
- OMB adopted the UG in 2 CFR Part 200 - http://www.ecfr.gov/cgi-bin/textidx?tpl=/ecfrbrowse/Title02/2cfr200_main_02.tpl
- Each Federal Agency codified the UG in their own section of code
- OMB granted exceptions to certain federal agencies to change parts of the UG in their own section of code – list available at <https://cfo.gov/cofar/> - but as of 12/2014 – see OMB CS Appendix VII.
- Appendix II of the OMB CS reflects where each federal agency codified the UG – then look up each section on www.ecfr.gov

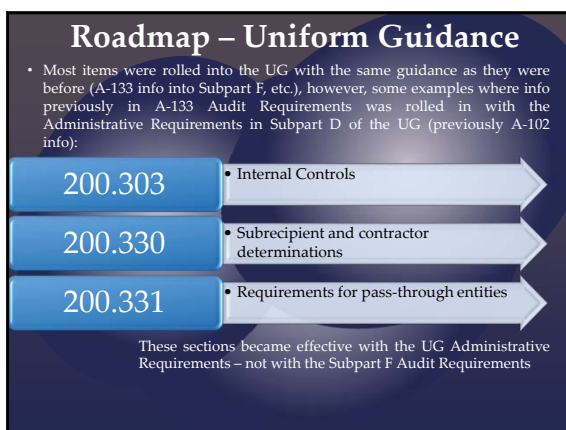
Federal Agency Codification

APPENDIX II
FEDERAL AGENCY CODIFICATION OF GOVERNMENTWIDE REQUIREMENTS AND GUIDANCE FOR
GRANTS AND COOPERATIVE AGREEMENTS

Agency (Department -then agencies*)	A-102 Common Rule (State & local governments)	OMB Circular A-110 (2 CFR part 215)	2 CFR part 200*	Nonprocurement Debarment & Exclusion** (2 CFR part 180 or predecessor common rule)
Agriculture	7 CFR 3016	7 CFR 3019	2 CFR 400, 413, 416	2 CFR 417
Commerce	15 CFR 24	15 CFR 14	2 CFR 1327	2 CFR 1328
Defense	32 CFR 31	32 CFR 32	2 CFR 1109 (outreach implementations)	2 CFR 1125
Education	34 CFR 80	34 CFR 74	2 CFR 3474	2 CFR 3483
Energy	10 CFR 600	10 CFR 600	2 CFR 910	2 CFR 901
Health & Human Services	45 CFR 92	45 CFR 74	2 CFR 300-43 CFR 75 (non-Department)	2 CFR 376
Homeland Security	44 CFR 11 (FEMA)	---	2 CFR 1002	2 CFR 1000
Housing & Urban Development	24 CFR 83	24 CFR 84	2 CFR 2400	2 CFR 2424
Interior	43 CFR 12	43 CFR 52	2 CFR 1402	2 CFR 1400
Justice	28 CFR 66	28 CFR 70	2 CFR 2800	2 CFR 2867
Labor	29 CFR 97	29 CFR 95	2 CFR 2900	29 CFR 98
State	22 CFR 113	22 CFR 143	2 CFR 600	2 CFR 601
Transportation	49 CFR 19	49 CFR 19	2 CFR 1201	2 CFR 1200
Treasury	---	---	2 CFR 1000	35 CFR 19
Veterans Affairs	38 CFR 43	38 CFR 40	2 CFR 802	2 CFR 801
ADP	---	---	---	22 CFR 1700

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Highlights of Relevant Changes in Admin. Req's from A-102 to UG (200.200's & 200.300's)

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Admin. Requirement Changes

New Type of Award Fixed Amount Awards See 200.201 & 200.45	Internal Controls Strong system required to be in place over federal grants – Green Book & COSO are <u>suggested</u> best practices 200.303
Procurement Now includes a 'micro-purchases' level (currently \$3,500) 200.320	

Admin. Requirement Changes

Required Information in Subawards Date federal agency signed award to prime recipient 200.331(a)	Subrecipient Monitoring Pass-through entity to evaluate each sub's risk and develop appropriate monitoring plan. 200.331(b)
Subrecipient v/s Contractor Determination Term 'vendor' is now 'contractor' 200.330	

Interest Earned on Federal Awards
200.305

Amt. May Keep Per Year for Admin. Exp's

Was \$100 Now \$500

Highlights of Relevant Changes in Cost Principles from A-87 to UG (200.400's)

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Cost Principle Changes

<p><u>Indirect Cost</u> Significant changes 200.412 – 200.417 & Appendices</p>	<p><u>Prior Written Approval</u> Review list of item 200.407</p>
<p><u>Family Friendly Policies</u> Fed's encouraging 'family friendly' policies 200.474</p>	<p><u>Supplies</u> Computing devices less than \$5,000 are now included as 'supplies' 200.453</p>

Cost Principle Changes

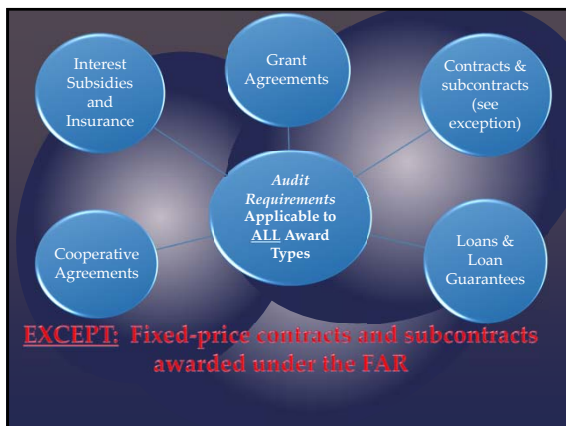
Time and Effort Now principles based Must have written policy 200.430	Severance Pay Deleted the requirement that indirect costs be used for severance pay 200.431 & FAQ .431-1 & 2
Direct Costs Salaries of admin. & clerical staff may be direct if meet certain criteria 200.413	Audit Costs Clarification made to amounts that can be charged 200.425 & FAQ's .425-1 - 5

Written Policies/Procedures Required Under Admin. Req's & Cost Princ's

Cash Management 200.302 & 200.305	Determining Allowable Costs Under Subpart E & the terms & conditions of the federal award 200.302	Evaluation & Selection of Procurement by Competitive Proposals If procure by competitive proposal 200.318, 319 & 320
Time & Effort 200.430	Relocation Costs of Employees 200.464	Travel Costs Regular travel policy plus IF the entity chooses to have a family friendly travel policy 200.474

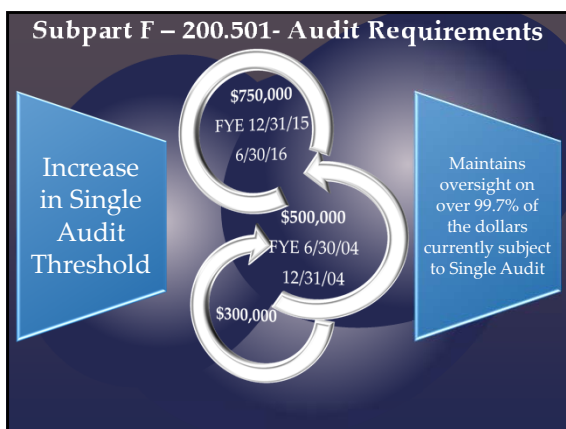
Highlights of Relevant Changes in Audit Req's from A-133 to UG (200.500's)

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Specific Subpart F (200.500) Changes

Impacting SEFA & Footnotes



2 New SEFA Footnotes

.510(b)(6) Whether or not the entity elected to use the 10% de minimis indirect cost rate (as described in 200.414). Example on next slide.

.510(b)(5) For loan & loan guarantees, now required to identify in the notes to the SEFA loan balances outstanding at the end of the audit period. Example on next slides.

Example Footnote for De Minimis Rate

200.510(b)(6)

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the (identify basis of accounting) basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Example Entity has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance

Example Footnote for Loans

200.510(b)(5)

Note 3. Federal Student Loan Programs¹¹

The federal student loan programs listed subsequently are administered directly by Example Entity University, and balances and transactions related to these programs are included in Example Entity University's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 20X1 consists of:

CFDA Number	Program Name	Outstanding Balance at June 30, 20X1
84.038	Federal Perkins Loan	\$4,341,180
93.364	Nursing Student Loans	\$ 2,115,635
93.342	Health Professions Student Loans	\$2,853,248

This footnote is in addition to including the total federal awards expended for loan or loan guarantees on the face of the SEFA

SEFA Basis - NO Change

2 CFR 200.502(a)

FAQ 502-1

- *Determining Federal awards expended.* The determination of when a Federal award is expended must be based on when the activity related to the Federal award occurs. Generally, the activity pertains to events that require the non-Federal entity to comply with Federal statutes, regulations, and the terms and conditions of Federal awards.
- May be accrual, modified accrual or cash basis.

Specific Subpart F Changes Impacting Planning

Major Program Determination – Low Risk Auditee Status Changes/Clarifications

<u>Added:</u> Going Concern	<u>Removed:</u> Waivers
<u>Modified:</u> Noncompliance Modified Opinion	<u>Modified:</u> GAAP Fin. Stmts.

Major Program Determination Type A/B Threshold Changes/Clarifications

- Includes Safe Harbor calculation
- Type A/B threshold increased (for smaller SEFA's)

What is considered a 'loan program'? §200.518(b)(3)

For the safe harbor calculation only, a federal program (or cluster) is only considered a loan program if value of federal awards expended for loans within the program is 50% or more of the total federal awards expended for the program (or cluster).

Major Program Determination Other Changes/Clarifications

~~A-133.520(i) Deviation from the use of risk criteria for 1st year audits~~

2 CFR 200.518 no longer permits auditors to deviate from the use of risk criteria for 1st year audits

Major Program Determination Type A Program Risk Analysis Changes/Clarifications

Removed: Significant Deficiencies	Modified: Any QC's QC's Exceed 5%	Removed: Inherent Risk
Modified: Noncompliance Modified Opinion	Removed: Auditor Judgment	

Major Program Determination Type B Program Risk Analysis Changes/Clarifications

Auditors only need to risk assess Type B programs that exceed 25% of the Type A threshold.

Minimum \$ Amt of Type B Programs to be Risk Analyzed	
Type A Threshold (smaller entity)	\$750,000
Multiply by 25%	25%
Auditors are only required to perform risk assessments on Type B program exceeding:	\$187,500

Major Program Determination Type B Program Risk Analysis Changes/Clarifications

Perform risk assessments on Type B program until high-risk Type B programs have been identified up to at least 1/4 of the number of low-risk A programs.

Cap on # of High-Risk Type B Programs to be Identified	
# Low-Risk Type A Programs	10
Multiply by 25%	25%
Cap on # High-Risk Type B Programs To Be Identified	2.5
Must round <u>up</u> to whole number	3

**Major Program Determination
Type B Program Risk Analysis
Changes/Clarifications
Important Notes!!!!**

- Step 5 now requires ALL high-risk Type B programs to be audited – so if you risk assess more & identify more, you will be required to audit them ALL as major programs
- So you STOP risk assessing Type B programs the sooner of:
 - Hitting the high-risk B cap (25% low risk Type A's)
 - All Type B programs risk assessed (that exceed the threshold)

**Major Program Determination
Type B Program Risk Analysis
Changes/Clarifications**

No Type A's or No Low-Risk Type A's	
# Low-Risk Type A Programs	0
Multiply by 25%	25%
Cap on # High-Risk Type B Programs To Be Identified	0

- If there are no Type A programs (or no low-risk Type A programs), then auditors do NOT need to risk assess Type B programs and may skip Step 3

Example – Type B Risk Assessment Problem

- Background/Assumptions:
 - 15 Type A programs
 - 10 low-risk / 5 not-low-risk
 - Cap on high-risk Type B's to be identified = 3
 - $\frac{1}{4} \times 10 = 2.5$ (must round up)
 - 7 Type B programs above Type B threshold
 - 25% of Type A threshold

Example – Approach 1
 If you simply *start at the top* of the list to risk assess Type B programs:

Type B Program	High Risk	Not High Risk	Not Assessed
1		✓	
2	✓		
3		✓	
4		✓	
5	✓		
6	✓		
7			✓

Result: Extra time/effort risk assessing.

Example – Approach 2
 If you simply *start at the top* of the list to risk assess Type B programs – but don't stop at cap...
 Result: Now auditing an extra program, because must audit all high risk B's.

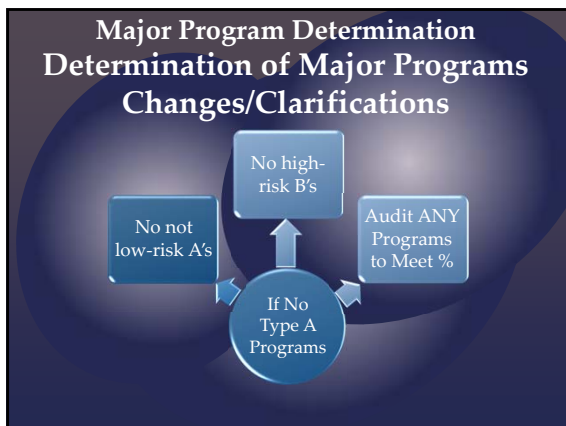
Type B Program	High Risk	Not High Risk	Not Assessed
1		✓	
2	✓		
3		✓	
4		✓	
5	✓		
6	✓		
7	✓		

Example – Approach 3
 However, **most efficient approach** - if you consider information known about Type B programs and risk assess those you believe may be high risk first :

Type B Program	High Risk	Not High Risk	Not Assessed
1			✓
2	✓		
3			✓
4			✓
5	✓		
6	✓		
7			✓







Major Program Determination Determination of Major Programs Changes/Clarifications

Considerations When Selecting Additional Programs

Size of program	Auditors knowledge of the program
Auditee request	Rotating low risk Type A programs expected to be Type A's in future years

Possible Increase In Major Programs

- The number of Type A major programs *may* increase in 12/31/17 & 6/30/2018 (and therefore audit hours & costs as well).

12/31/14 & 6/30/2015 – under A-133 (SD's & IR impact Type A's – more tested)

12/31/15 & 6/30/2016 – under UG (Type A risk criteria simplified – less tested)

12/31/16 & 6/30/2017 – under UG (Type A risk criteria simplified – less tested)

12/31/17 & 6/30/2018 – Answering the Type A question 'was the program audited as a major program in at least 1 of the 2 most recent audit periods' – may cause a spike in major programs.

Possible Increase In Major Programs

For more information see the National State Auditors Association (NSAA) letter to OMB dated 5/6/16

http://www.nasact.org/files/Federal_Relations/Congressional_Reg_Comments/2016_06_OMB_Smoothing_Request.pdf

OMB approved smoothing approach via Appendix VII of 2016 OMB Compliance Supplement.

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Specific Subpart F Changes Impacting Report & Other Misc. Items

Audit Req. Changes

Summary Schedule of Prior Audit Findings <ul style="list-style-type: none">- Include GAGAS findings- Describe reasons for finding reoccurrence <i>200.511</i>	Corrective Action Plan <ul style="list-style-type: none">- Include GAGAS findings- Must be in a document separate from the auditors findings <i>200.511</i>
Resolving Findings <p>Fed's (or pass-through entity) may also issue decisions on GAGAS findings (but not required to)</p> <i>200.521</i>	Auditor Selection <p>If an auditor prepares an indirect cost proposal or cost allocation plan, the same auditor may not be hired to perform the single audit if the indirect costs recovered during the p/y exceeded \$1 million</p> <i>200.509(b)</i>

Summary of Auditors Results 200.515

- Identification of major programs –
 - For clusters, only the cluster name is required

Child Nutrition Cluster	10.553 – School Breakfast 10.555 – School Lunch 10.556 – Special Milk Prog. 10.559 – Summer Food Services
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Audit Comments Must Include
200.516

Significant instances of abuse related to major programs	Identify if the comment is a repeat from the immediately prior audit (& the finding #)
A statement of cause that identifies the reason or explanation for the condition	A statement of the effect, or potential effect – to provide link between condition & criteria

Other Changes/Clarifications
200.516(a)(3)
Questioned Cost Threshold

• OLD (current) \$10,000

• Uniform Guidance \$25,000

Other Changes/Clarifications
Single Audit Guide 16.77, 20.75, 21.136 & 21.137

Pre-UG

1 Sample

Post-UG

DCF Changes

200.512(b)(1) & 200.82

What is Protected PII?

A persons first name, or first initial & last name in combination with:

SS #	Passport #	Clearances	Bank Numbers	Biometrics	Date and Place of Birth	Mothers Maiden Name	Criminal, Medical, & Financial Records	Educational Transcripts	Credit Card #
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This does NOT include PII that is **required by law** to be disclosed.

AOS Shells & Links to Fed. Websites

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

SINGLE AUDIT REPORT SHELLS

- Sample Corrective Action Plan Uniform Guidance
- Sample Corrective Action Plan A133
- Schedule of Federal Awards Expenditures A133 20KB (Oct 2013)
- Schedule of Expenditures of Federal Awards Uniform Guidance 21KB
- Notes to the Schedule of Federal Awards Expenditures A133 39KB
- Notes to the Schedule of Expenditures of Federal Awards Uniform Guidance 50KB
- Schedule of Findings and Questioned Costs A133 32KB
- Schedule of Findings and Questioned Costs Uniform Guidance 32KB
- Schedule of Prior Findings and Questioned Costs A133 20KB

LINKS TO FEDERAL WEBSITES

- Uniform Guidance (2 CFR 200)
- OIGAI (exceptions granted to 2 CFR 200, trainings, etc.)
- Federal Audit Clearinghouse / Data Collection Form
- AICPA Single Audit Site (GAQC)
- Catalog of Federal Domestic Assistance (CFDA)
- Code of Federal Regulations (CFR) / Federal Register (FR) / US Code of Regulations (USC)
- Federal Inspectors General (IGs)
- Government Accountability Office (GAO)
- Office of Management and Budget Memoranda (OMB)
- Office of Management and Budget Circulars (A-133)

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UG FACCR Changes

OMB Compliance Supplement – Part 3

- 3.1 – A-87 & A-102
- 3.2 – New Uniform Guidance

UG FACCR Changes

ARRA removed	Some Substantive Tests Reworked	Uniform Guidance Incorporated
Guidance/Tests Added for 'Cost Reimb. Under FAR'	New Format for FACCR's	


Changes to Federal Programs & Single Audits

New OMB Uniform Guidance Highlights

CFAE
88 East Broad Street
Columbus, Ohio 43215


Kelly Berger-Davis & Tim Downing
Email: kberger-davis@ohioauditor.gov
tpdowning@ohioauditor.gov

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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



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GASB 77
Tax Abatement
Disclosures

Presented by: LGS

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Dave Yost
www.ohioauditor.gov

GASB 77 Background

- Local governments employ a variety of programs and policies that reduce the taxes an individual or entity otherwise would owe, with the intent of encouraging certain behaviors, such as constructing housing in a particular neighborhood or relocating/retaining business.




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GASB 77 Background

- Will make tax abatement transactions more transparent.
- Will provide financial statement users with the information necessary to assess how tax abatements affect financial position and results of operations, including the ability to raise resources in the future.



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GASB 77 Background

- Provides a definition of tax abatements which is for financial reporting purposes only.
- Identifies required note disclosure related to tax abatements.



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GASB 77 Background

- GASB 77 disclosure focuses on the amount of tax revenue not collected as a result of the tax abatement agreement not the economic benefit received.
- Evaluate the government's economic condition not the effectiveness of tax abatement programs.



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Tax Abatement Definition

- A reduction in tax revenues that results from an **agreement** between one or more governments and an **individual or entity** in which



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Tax Abatement Definition

- (a) one or more governments promise to **forgo tax revenues** to which they are otherwise entitled **and**



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Tax Abatement Definition

- (b) the individual or entity promises to take a specific action **after** the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.



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Tax Abatement Definition

- The transaction's **substance**, not its form or title, is a key factor in determining whether the transaction meets the definition of a tax abatement.



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Existence of an Agreement

- Tax abatements result from an identifiable agreement between a government and a specific individual or entity.



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Existence of an Agreement

- There are two components to the agreement:
 - Promise by the government to reduce taxes
 - Promise by the individual to subsequently perform a certain beneficial action



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Existence of an Agreement

- The agreement may be in writing or may be implicitly understood by the government and the individual or entity.



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Forgo Tax Revenue

- Specific to tax revenue
- Taxes are a non-exchange transaction
- The abatement is a separate transaction
- For an exchange transaction, the reduction is part of the exchange



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Forgo Tax Revenue

- If there is a tax abatement agreement at the State level to forgo gas tax money, the local government would not disclose information about the tax abatement agreement because the local government revenue that is reduced is shared revenue, which is not considered to be tax revenue.



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Individual or Entity

- Tax abatements are agreements with individuals or entities. If there are no individuals or entities required to perform an action, there is no GASB 77 abatement.



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Individual or Entity

- The recipient can be a business or other type of entity, not just a person.
- The recipient might not be a current taxpayer, such as a business relocation agreement.
- The recipient may be a remitter of taxes, such as a retail business (sales tax diversion agreement).



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Agreement Precedes Reduction

- GASB 77 requires the agreement precede the performance of the required action by the individual or entity.



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Agreement Precedes Reduction

- Excludes tax deductions, exemptions or credits which often relate to a taxpayer's past actions.
- For example
 - charitable donations
 - Income earned on municipal bonds.
 - Senior citizen or veterans exemptions



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Transaction's Substance

- A transaction entitled TIF or Payment in Lieu of Taxes does not automatically include or exclude the transaction from the requirements of GASB 77.



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Disclosure Principles

- Disclosures should distinguish between:
 - Agreements entered into by the reporting government and
 - Agreements entered into by other governments



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Disclosure Principles

- Disclosures for tax abatements may be provided individually or may be aggregated.



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Disclosure Principles

- Agreements entered into by the reporting government should be organized by major tax abatement program.



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Disclosure Principles

- Agreements entered into by another government should be organized by the government that entered into the tax abatement agreement and the specific tax being abated.



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Disclosure Principles

- Disclosure should generally commence in the period in which a tax abatement agreement is entered into and continue until the tax abatement agreement expires.



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Note Disclosure

- Brief descriptive information:
 - Name and purpose of abatement
 - Specific taxes being abated
 - Authority for the abatement *
 - Eligibility requirements *
 - Mechanism by which taxes are abated *
 - Recapture provision *
 - Commitments made by the recipient *



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Note Disclosure

- Gross dollar amount (accrual basis) by which the government's tax revenues were reduced during the reporting period.



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Note Disclosure

- Amounts received or receivable from other governments in association with the foregone tax revenue.



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Note Disclosure

- Any other commitments made by the government. *



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Note Disclosure

- If tax abatements are disclosed individually, a brief description of the quantitative threshold the government used to determine which agreements to disclose individually.



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Note Disclosure

- If information is omitted because it is legally prohibited from being disclosed, include a description of the general nature of the omitted information and the specific source of the legal prohibition.



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Note Disclosure

- All preceding information is required when the reporting government entered into the agreement.
- Items with an (*) indicate disclosures not required when the abatement is entered into by another government.



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Effective Date

- Effective for periods beginning after December 15, 2015.



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Potential Abatements

- Community Reinvestment Areas
- Enterprise Zone Agreements
- TIFs
- Income Tax
- Other



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CRAs

Property owners can receive real property tax exemptions for making real property improvements

- Commercial/Industrial
 - Typically will have an agreement that meets the GASB 77 definition
- Residential
 - Typically established by resolution/ordinance, no individual agreements, work precedes application



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CRAs

- Ohio has an annual requirement to file real estate and personal property abatement information.
- Annual CRA status report – form C.



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Enterprise Zone Agreements

- Offers companies tax incentives in the form of property tax exemptions on eligible new investment
- Only commercial and industrial properties qualify



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TIFs

- Based on incremental growth
- Revenue is restricted
- Revenue is redirected
- Taxpayer is paying the same amount
- Overlapping governments



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Income Tax

- Ohio Revised Code Sections related to income tax credits
 - 718.15 (new jobs)
 - 718.151 (job retention)
 - 718.16 (JEDD or JEDZ)

Will need to review credit programs to see if they meet the GASB 77 tax abatement definition



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Process

- Abated by own Government
 - Identify Major Abatement Programs
 - Review Agreements
 - Form C from CRA annual reporting requirement
 - County Auditor
 - Exempted Property
 - Land Utilization Code
 - Calculate taxes abated for reporting period



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Process

- Abated by Another Government
 - Contact governments with the ability to abate your taxes
 - County Auditor
 - Calculate amount abated for the reporting period



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Materiality

- Quantitative
- Qualitative
- Going Concern
- Public Interest



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Letter of Transmittal

- Provides government the ability to identify the reasons for the tax abatements
 - Cost benefit analysis
 - Description of budgetary process
 - Policies, what the government is trying to accomplish
 - Monitoring
 - Benefits (increased employment)



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Questions?



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LGS

88 East Broad Street
Columbus, Ohio 43215
LGS Phone: (800) 345-2519
Dave Thompson: (513) 361-8563 or
(614) 728-6475
Tracie McCreary: (330) 438-7608
Email: dbthompson@ohioauditor.gov
tlmccreary@ohioauditor.gov



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Ohio Auditor of State

www.ohioauditor.gov

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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

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2016 Combined IPA Conference

Legal Update

Presented by:
Mark W. Altier
Chief Legal Counsel

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ADAM 2012-001

- Procedure for Collection of Unresolved Findings
 - AOS takes big role identifying and providing AG with unresolved findings information
 - Compiling Detailed information; i.e., SS#
 - Production of supporting workpapers
 - Encouraging repayment plans, participation with public entity's legal counsel towards resolution
 - Instruction/notification to statutory legal counsel of statutory obligation to collect


<http://intranetapp127/Registration/registerseminar/2012/001>

ADAM 2012-001

- Finding Issuance Threshold Increase:
 - Increased from \$100, now \$500
 - Discretion for less:
 - Purchase of alcoholic beverages
 - Theft or fraud
 - Additional considerations


\$500


\$100



ADAM 2012-001

- Supporting Documentation:
 - Bonds and insurance policies
 - Administrative policies
 - Summaries of findings
 - Meeting minutes
 - Correspondence





ADAM 2012-001

- Repayment plans under audit:
 - Reasonable installments— amounts and duration of plan
 - Terms of repayment identified in writing
 - Review and approval of terms by statutory legal counsel
 - Review of repayment status during next audit
 - Templates available from Legal
 - Encourage entity to collect in full prior to release of following period's audit (*two years maximum recommended*)

ADAM 2012-001

Executive Summary

Collection of Liable Party's Contact Information

Identify statutory legal counsel	Title or position of liable party
Verified address of both public entity and liable party	Bonding company not identified separately entered with liable party. <i>Bonding company secondarily liable.</i>
Last 4-digits of SS#	Identify assigned amounts primarily and jointly/severally
Liability position (i.e., primarily liable (beneficiary of misspending); jointly and severally, supporting component of misspending)	Payment Plan

Under Audit:
REPAID Repaid vs. Resolved **Resolved**

- Repaid
 - Public entity has been made whole
- Resolved
 - o Repayment plan approved by regional attorney and Attorney General
 - Regional counsel reviews terms, conditions and feasibility

ADAM 2015-003

- Notice of unresolved finding to statutory legal counsel issued by Legal Division
 - o Letters formerly sent by regional offices to statutory legal counsel **now issued by Legal**
 - o Informs legal counsel of obligation to collect
 - Sets due date for response to letter
 - No response results in AG collection action

MIKE DEWINE
OHIO ATTORNEY GENERAL

Opinion Section
Office 614-752-6417
Fax 614-466-0013
30 East Broad Street, 15th Floor
Columbus, Ohio 43215
www.OhioAttorneyGeneral.gov

**Ohio Attorney
General Opinions**

MIKE DEWINE
OHIO ATTORNEY GENERAL

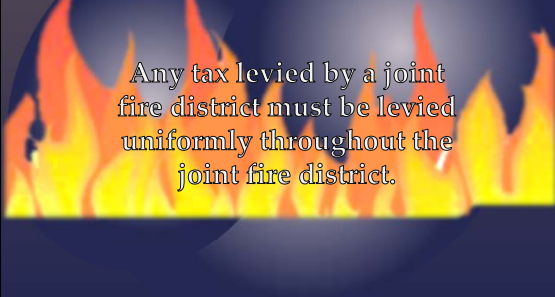
Full Time Employee OAG 2015-001



Full-time Employee under ORC §325.19(K)(1):

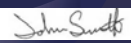

- Regular hours of service for the county total 40 hours per week or more divided between two separate county agencies.
- Entitled to full-time vacation leave – ORC §325.19(A)(1)

Joint Fire District OAG 2015-010



Any tax levied by a joint fire district must be levied uniformly throughout the joint fire district.

Americans with Disabilities Act Reasonable Accommodation OAG 2015-012




Reasonable Accommodation under ADA -- a judge with a neurological condition which leaves him unable to use his arms or hands to sign his name is permitted to use a rubber stamp facsimile signature.

Court Security OAG 2015-015

- A court of common pleas may expend money from the court's special projects fund to hire personnel to provide additional security at the entrance to the court house, or whenever sheriffs personnel are not available to secure a court room.
- Court special project fund, ORC 2303.201(E)(1)
 - For efficient operation of the court
 - Additional fee charged as costs
 - Special projects
 - Including hiring and training of staff
- Expenditures may supplement but not replace sheriff security





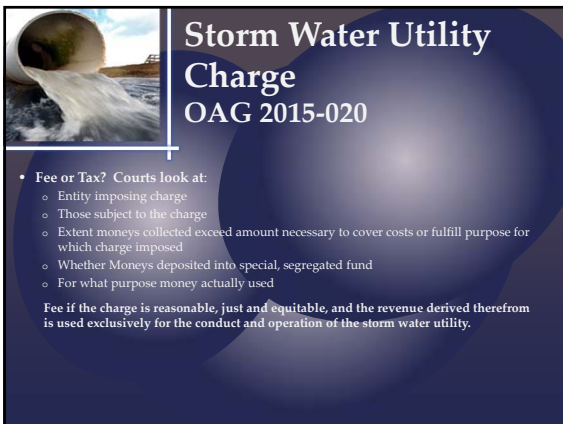
Charges to Health District OAG 2015-017

A board of county commissioners may not charge a board of health of a general district for expenses incurred by county offices in providing services to the district unless a statute expressly or by implication authorizes the charge.



County Recycling Equipment OAG 2015-019

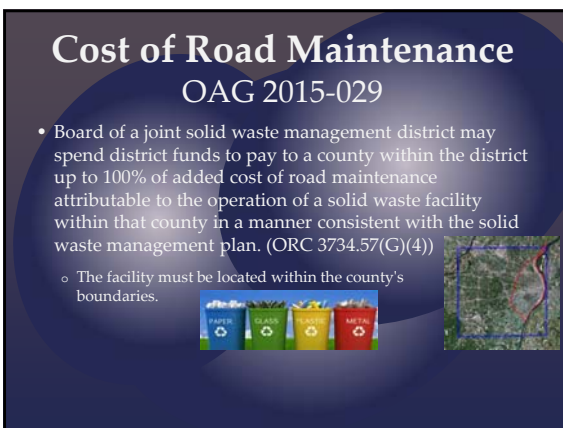
- A board of county commissioners may not borrow money from a private, non-profit company to purchase recycling equipment for the county solid waste management district.
 - The commissioners may lease such equipment from a private, non-profit (ORC 343.01(C))
- The commissioners may acquire such equipment by:
 - Purchase by installment
 - Lease purchase
 - Lease with the option to purchase (ORC 307.01-307.02)



Storm Water Utility Charge
OAG 2015-020

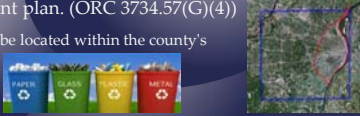
- Fee or Tax? Courts look at:
 - Entity imposing charge
 - Those subject to the charge
 - Extent moneys collected exceed amount necessary to cover costs or fulfill purpose for which charge imposed
 - Whether Moneys deposited into special, segregated fund
 - For what purpose money actually used

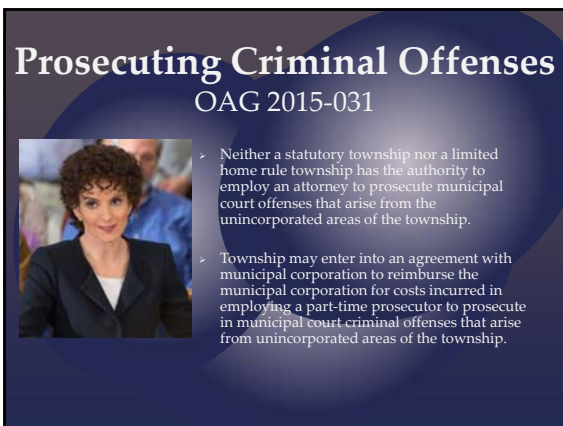
Fee if the charge is reasonable, just and equitable, and the revenue derived therefrom is used exclusively for the conduct and operation of the storm water utility.




Cost of Road Maintenance
OAG 2015-029

- Board of a joint solid waste management district may spend district funds to pay to a county within the district up to 100% of added cost of road maintenance attributable to the operation of a solid waste facility within that county in a manner consistent with the solid waste management plan. (ORC 3734.57(G)(4))
 - The facility must be located within the county's boundaries.





Prosecuting Criminal Offenses
OAG 2015-031



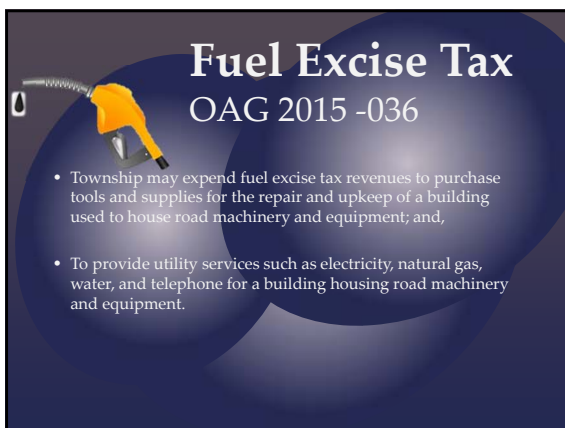
- Neither a statutory township nor a limited home rule township has the authority to employ an attorney to prosecute municipal court offenses that arise from the unincorporated areas of the township.
- Township may enter into an agreement with municipal corporation to reimburse the municipal corporation for costs incurred in employing a part-time prosecutor to prosecute in municipal court criminal offenses that arise from unincorporated areas of the township.




Township Repair Services on County Roads
OAG 2015-034



- Employees of Township may perform services on county roads for a county engineer pursuant to terms of an agreement authorized by ORC 5535.08(C)(1) – Authorizes road and street construction agreements between political subdivisions.
- County Engineer may reimburse Township for compensation paid to its employees for performing such repair services if included in agreement.



Fuel Excise Tax
OAG 2015 -036



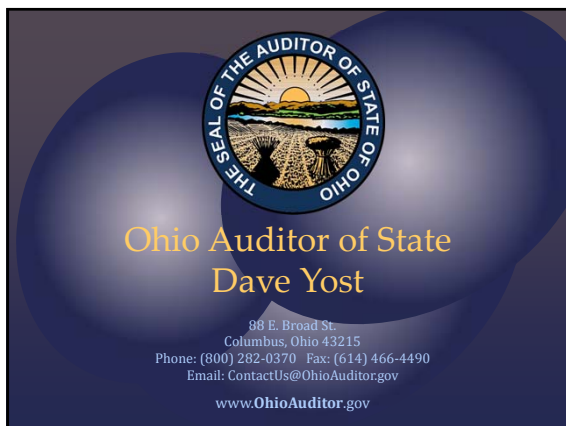
- Township may expend fuel excise tax revenues to purchase tools and supplies for the repair and upkeep of a building used to house road machinery and equipment; and,
- To provide utility services such as electricity, natural gas, water, and telephone for a building housing road machinery and equipment.




Legal Division
88 East Broad Street
Columbus, Ohio 43215


Mark W. Altier
Chief Legal Counsel
Presenter Phone: (800) 282-0370
Presenter Fax: (614) 466-4490
Email: contactus@ohioauditor.gov

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**A Legislative Briefing
from the AOS**

Presented by: Shawn Busken
Director of Legislative Affairs

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Dave Yost
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Auditor of State's Office

- Responsible for auditing 5800 entities
- Rooting out fraud and corruption in public offices
- Conducting Performance Audits for governments at all levels




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Policy Initiatives

- ShareOhio and HB 5
- O.R.C. 118 Reform
- Credit and Debit Card Fraud Prevention
- HB 130:DataOhio Initiative
- HB 384: Performance Audits for Higher Education
- HB 459: Performance Study of the State's ESC's
- HB 519: Streamlining the Village Dissolution Process



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ShareOhio

- ShareOhio.gov is an innovative equipment sharing portal amongst government entities
- Allows local governments to track sharing of equipment
- Optional enrollment program




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ShareOhio and HB 5

- HB 5 is an initiative our office proposed to further the cause of ShareOhio
 - Recently passed into law and takes effect this Fall!
- Risk of Loss Provision
- Efficiency Studies in the LEAP Fund




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Efficiency Studies and the LEAP Fund

- Leverage for Efficiency, Accountability, and Performance (LEAP) Fund
 - Currently is a revolving loan program for local governments to do performance audits
- Applications for efficiency studies will become available in late September or early October



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LEAP Fund Under HB 5

- The LEAP Fund will continue to function as it currently does
- Half of the money in LEAP will be used to conduct efficiency studies for local governments



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O.R.C. 118 Reform

- Adjust the Financial Planning and Supervision Commission Make-Up
- Revise the procedures to deal with failure to submit or implement a recovery plan



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Financial Planning Commission Make-Up

- 4 ex-officio officers would stay the same
- 3-at-large members would consist of Governor's appointee, and in the case of a township two Township Trustees or their designees
- Similar make-up for other local governments




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The Financial Recovery Plan

- Enforcing the 85% of expenditures rule for the following:
 - Failure to submit or implement the plan
 - Failure to provide accurate financial data within 10 days of the beginning of the month
 - Failure to identify and consider the use of all non-restricted funds




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Credit and Debit Card Fraud Prevention

- Sets a uniform standard for credit card use in all local governments
 - Aligns with the county standard
- Eliminates the use of debit cards
 - Only card that has direct access to cash in account




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Credit and Debit Card Fraud Prevention

- Requiring biennial expirations of cards along with credit limits
- Increasing the penalty for fraudulent or improper use of card
- Asking entities that choose to use a card to enact a policy surrounding the use of cards



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DataOhio and HB 130

- HB 130 (Duffey) is an initiative to promote transparency in government
- Permissive language establishes a uniform chart of accounts in rule
- Permissive language establishes uniform accounting procedures for all local governments in rule



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HB 384: Performance Audits for Higher Education

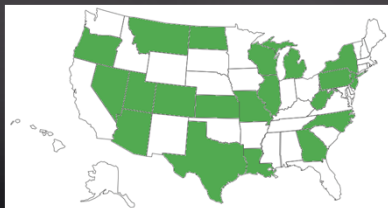
- HB 384 (Schaffer, Duffey) allows the Auditor of State to conduct a performance audit of a college or university
 - Only can count as one of the four currently required per biennium



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Performance Audits of Higher Education Nationally



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HB 459: Performance Study of the State's ESC's

- HB 459 (Schuring) instructs the AOS to conduct a 3-year performance study of the Educational Service Center system in Ohio
- Supported by the Ohio ESC Association



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HB 459: Performance Study of ESC System

- The bill also allows the findings of the performance audit to be used by the State Board of Education for the crafting of performance based rules



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HB 519: Streamlining Village Dissolution

- Revises the procedure for the submission of village dissolution petitions
- Provides the procedures for transfer of assets at onset of dissolution



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Dissolution Petitions

- Allows petitions for dissolution to be submitted to the Board of Elections
 - Petitions can already be submitted to the legislative authority
- Decreases the signature threshold to qualify for the ballot



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Transfer of Assets

- Allows for a timely transfer of tangible assets (equipment, buildings, etc.)
- States that the cash balance can only be transferred after an audit by AOS
- Water and sewer transfers must be done in a timely manner per an agreement by the village and township



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Legislative Affairs

Shawn Busken

88 East Broad Street, 5th Floor
Columbus, Ohio 43215
Presenter Phone: (614) 728-7235
E-mail: jsbusken@ohioauditor.gov



DAVE YOST
Ohio Auditor of State


www.ohioauditor.gov 21




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

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Ohio Auditor of State




Update to IPA Contracting with the Auditor of State & Implementation of AOS Bulletin 2015-007

Presented by: Leanna Abele, CPA
and Ami Mayne, CPA
September 8, 2016

1

Overview




- IPA Contract Update
 - Changes Which Have Occurred
 - Upcoming Changes
- Implementation of Auditor of State Bulletin 2015-007
- Hinkle System Audit Adjustments
- Questions

2

Changes Which Have Occurred

- IPA Portal Structure Conversion
 - Expanded access of IPA Portal to IPA Staff
 - Access to firm contracts and scores
 - Access to client information, including Hinkle System submissions
 - Controlled access to perform functions by individual
 - View only, prepare and/or approve
 - Only actual firm partners should be registered as "Partner Role"
 - Several firms have continued to only maintain 1 or 2 people with access to the portal
 - Every member of the firm may have access – view only role still allows access to updating their staff profile, view Hinkle System filings, etc.



3

Changes Which Have Occurred

- IPA Portal Structure Conversion

- Capture repetitive firm data for use in bidding
 - Audit Staff Profiles
 - Training/CPE
 - Firm policies



> When we move to the online proposal creation, this information will be pulled into the firm's proposal for the Engagement Personnel/Experience/Qualification sections.

> At this time, no staff profiles in the portal have been updated

4

Changes Which Have Occurred

- IPA Portal Structure Conversion

- Automated Invoice Processing – implemented in October 2015/updated August 2016



- Designated IPA firm staff creates invoices for clients via the IPA portal by AOS project number
- Partner/Principal (Partner Role) required to submit invoice for AOS approval
- Immediate AOS approval by email to the IPA firm and client
- Email notification now only includes condensed version of the invoice information (Important to ensure client contact info up-to-date with AOS!)

5

Changes Which Have Occurred

- IPA Portal Structure Conversion

- Automated Invoice Processing – implemented in October 2015/updated August 2016



- IPA is directed back to Portal to access the invoice created
- Client is directed to the Auditor of State's eServices Center to access the invoice
- IPA may direct client to remit payment utilizing the invoice created in the system or IPA may send the client their own firm invoice
- Invoice System will continue to maintain an Invoice History for each project in order for the firm to easily identify billings, approvals, etc.
- Invoices are now in a printer-friendly format

6

Changes Which Have Occurred

- IPA Portal Structure Conversion
 - Automated Contract Modifications– implemented September 2016
 - Effective September 1, 2016, Contract Modification application now utilized to obtain client AND AOS approval for all contract modifications
 - Similar to invoicing – Partner Role and Processing role may prepare modifications
 - Partner Role submits the modification for approval



7

Changes Which Have Occurred

- IPA Portal Structure Conversion
 - Automated Contract Modifications (continued)
 - IPA Steps
 - ◊ Processing Role or Partner role creates modification via the IPA Portal
 - ◊ After all requirements are met, Partner Role submits modification for client approval
 - ◊ Submitting Partner and client's contact person on file with AOS receive *Modification Agreement – Client Approval Request* email



8

Changes Which Have Occurred

- IPA Portal Structure Conversion
 - Automated Contract Modifications (continued)
 - Client Steps
 - ◊ Client logs on to the AOS Customer eServices Center to review and approve /deny modification
 - ◊ If approved, submitting partner, client and AOS receive *Modification Agreement – Client Approval* email



9

Changes Which Have Occurred

- IPA Portal Structure Conversion
 - Automated Contract Modifications (continued)
 - > Client Steps (continued)
 - ◊ If denied, submitting partner and client receive *Modification Agreement – Client Denial* email
 - Email will provide an explanation for the reason(s) for denial (entered by client)
 - IPA must return to IPA Portal, revise the modification and resubmit to the client for approval



10

Changes Which Have Occurred

- IPA Portal Structure Conversion
 - Automated Contract Modifications (continued)
 - > Client Steps (continued)
 - ◊ An IPA Contracting eServices Quick Guide has been prepared as a reference for clients
 - Quick Guide is available on the IPA Contracts tab in eServices
 - Quick Guide will also be provided to clients at time contract is awarded



11

Changes Which Have Occurred

- IPA Portal Structure Conversion
 - Automated Contract Modifications (continued)
 - > AOS Steps
 - ◊ Once client approved, AOS reviews the contract modification
 - ◊ If approved, submitting partner and client receive *Modification Agreement – Auditor of State Approval* email – modification is fully executed



12

Changes Which Have Occurred

- IPA Portal Structure Conversion
 - Automated Contract Modifications (continued)
 - AOS Steps (continued)
 - ❖ If denied, submitting partner and client receive *Modification Agreement – Auditor of State Denial* email
 - Email will provide an explanation for the reason(s) for denial
 - IPA must return to IPA Portal, revise modification and resubmit to the client for approval



13


Changes Which Have Occurred

- IPA Portal Structure Conversion
 - Automated Contract Modifications (continued)
 - Clients without email access
 - ❖ IPA creates contract modification via IPA Portal
 - ❖ IPA must contact IPAcorrespondence@ohioauditor.gov to obtain a pdf copy of the contract modification WITHOUT the Draft watermark
 - ❖ IPA physically obtains Client signature and submits modification to IPAcorrespondence@ohioauditor.gov
 - ❖ AOS will review and approve/deny and upload the document to the IPA Portal.
 - ❖ IPA will receive an email notification indicating modification is fully executed. Regional office will mail modification to client



14

Changes Which Have Occurred

- IPA Portal Structure Conversion
 - Request for Quotes (RFQ) 
 - RFQ are used for some Tier 1 clients at the discretion of the AOS – involves significant client involvement.
 - We have utilized the RFQ process on 2 contracts at this point.
 - Client establishes their own scoring criteria, sets up oral presentations with selected firms, provides two (2) firm recommendations to AOS for final selection
 - We have received positive feedback from clients involved in the RFQ process

15

Ensuring Entity Contact is Current

- Since the AOS is contacting entities electronically (invoice notifications, contract modifications, Hinkle System, etc.), it is important to have the current fiscal officer's name/email in our system.
- We have been updating our database to ensure all entities required to file with the AOS are included and updating contact information as necessary.
- IPA Portal under View Client Detail & Hinkle System Filings – select Entity, select Request 'BILL TO' Address Change to notify the AOS of a change in fiscal officer.
- AOS website under Resources/AOS Notifications provides guidance to notify the AOS of a change in fiscal officer.



16



Upcoming Changes

- Addition of Invitation to Bid (ITB)
 - Historically, the AOS has used a Request for Proposal (RFP) for all contracting.
 - ITB will be used for all Tier 3 bundles – all necessary info prepared by AOS with IPA to formulate cost bid and documentation necessary to form a contract.
 - RFP will continue to be used for Tier 2 and most Tier 1 clients.



17



Upcoming Changes

- Submission of Proposals, Quotes and Bids via the IPA Portal
 - To streamline the process, we will be using a forms-driven approach for firms to create proposals, quotes and bids via the IPA Portal.
 - Our IT department is currently working with the software to create the RFP, RFQ and ITB documents (AOS side of contracting process)



18

Upcoming Changes



- Submission of Proposals, Quotes and Bids via the IPA Portal
 - The application will include edit checks to ensure firms complete all required sections.
 - Firms will have the ability to access the captured repetitive firm data (discussed earlier) in preparing their submission.
 - Assigned staff (Processing Role) can prepare the document; however, submission must be by the partner/principal (Partner Role) of the firm's office which expressed interest in the contract.

19

Upcoming Changes

- Additional Guidance
 - All other changes to be implemented will occur when the automated contracting portion is functioning and additional training and/or guidance will be provided at that time.



20


Questions

- Questions now?
- Questions later?



IPACorrespondence@ohioauditor.gov


21



AOS Bulletin 2015-007: Required Annual Financial Report Filing and the Hinkle System

22

Overview – AOS Bulletin 2015-007



- Three (3) changes to AOS policy:
 - Mandatory filing via the Hinkle Annual Financial Data Reporting System (Hinkle System) – formerly AFDRS
 - Change requiring non-GAAP basis financial statement filings to include notes to the financial statements
 - Change requiring financial statements filed via the Hinkle System to be audited beginning with periods ending in 2016
- Reiteration/updates to previous guidance –supersedes **four (4)** previous bulletins.

23

Hinkle System

- The Hinkle System is an Internet based application that allows certain financial statement, debt, and demographic data to be entered, uploaded and transmitted to the Auditor of State (AOS) to satisfy the annual filing requirements prescribed by the Ohio Revised Code 117.38 (ORC) and the Ohio Administrative Code (OAC).
- All public offices and other entities required to file, **must** file via the Hinkle System unless a waiver from electronic filing has been approved by the AOS (for limited circumstances of small entities without computer/internet access.) Waiver is only applicable for one year. AOS will key/upload into the Hinkle System from the paper filing when a waiver has been approved.
 - Submission of an entity's annual financial report by any other method will not satisfy the requirements of OAC 117-2-03(A)(1).

24


Accessing the Hinkle System

- The Hinkle System is accessed via an **entity-specific** link for each entity for each reporting year.
- The link is emailed to each entity's contact person after the end of the reporting year and in reminder emails. In addition, the client can access their Hinkle System link via eServices.
- Generally, the email contact is the person/account receiving the billing statements from the AOS; however, we can direct the Hinkle System emails to a different person/account (e.g. if the entity's fiscal agent will be completing the submission).
- Only one entity contact is permitted for the Hinkle System emails; however, the email may be forwarded (e.g. GAAP converter).

25

Public Offices and Other Entities Required to File

- The Bulletin lists the entity types required to file a financial report **annually** via the Hinkle System.
- Of these entities, the following are mandated by statute to prepare financial statements on a generally accepted accounting principles (GAAP) basis:
 - Counties
 - Cities
 - School Districts, including Educational Service Centers
 - Community Schools
 - Government Insurance Pools (Ohio Admin Code 117-2-03(B) amended 2015 – effective for periods ending 12/31/2016 and after)
 - Community Improvement Corporations, including economic development corporations and land reutilization corporations,
 - Development Corporations
 - State Colleges and Universities



26


Required Components of Hinkle System Filings

- For counties, cities, school districts, including ESCs, community schools, townships, libraries and villages, the Hinkle System filing requires keying of financial statement data for the: 1) general fund, 2) total governmental funds (including the general fund), 3) most common enterprise funds, 4) outstanding long-term obligations, and 5) select demographic information.
- The information differs based on the entity type and/or basis of accounting.
- ALL filing entities are required to prepare and upload **one** PDF file (no more than 30MB) of the full, **unaudited** financial statements, including notes to the financial statements.
- Clients should not be filing their audit reports to fulfill this requirement.
- All filing entities other than those listed in the first bullet point must **ONLY** submit the PDF document upload.

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Components of Unaudited Financial Statement PDF Upload


- GAAP, and OCBOA-Cash or OCBOA-Modified Cash ("GAAP look-alike) PDF requires:
 - Management's Discussion & Analysis (required for GAAP; optional for OCBOA Cash/Modified Cash)
 - Basic Financial Statements:
 - Government-Wide Financial Statements
 - Fund Financial Statements
 - Notes to the Basic Financial Statements
 - Any other Required Supplementary Information (RSI)(GAAP only)
- Nongovernmental Nonprofit entities –refer to AOS Bulletin 2015-007



28

Components of Unaudited Financial Statement PDF Upload

- Regulatory Cash Basis (commonly referred to as "AOS basis")
 - Basic Financial Statements:
 - Statement(s) (or Combined Statements(s)) of Receipts, Disbursements and Changes in Fund Balances – Governmental, Proprietary and Fiduciary, as applicable
 - Notes to the Basic Financial Statements
- The AOS provides shells of financial statements and note disclosures for entities permitted to report on an OCBOA-Cash/Modified Cash or Regulatory basis on our website.
- The AOS will be providing training and other documentation to assist small entities with preparing their financial statements, including the notes to the financial statements for 2016 filings.



29

Responsibility for Hinkle System Filing

- The responsibility for filing via the Hinkle System is the entity's. Filing is usually completed by the entity's fiscal officer/equivalent; however,
 - The link may be forwarded to someone else at the entity (asst. fiscal officer, etc.) or a GAAP converter.
 - Uniform Accounting Network (UAN) clients' Hinkle System filings will be submitted by UAN when the end of year AFR (Annual Financial Report)-AOS backup is received by UAN (for regulatory or OCBOA cash/modified cash basis) unless the UAN client "opts out" in order to file on a GAAP or other basis not supported by UAN.
 - Another entity's fiscal officer that serves as statutory fiscal agent for the filing entity may complete the Hinkle System filing. The Hinkle System emails may be directed to the statutory fiscal agent, if requested. The entity and its fiscal agent will need to determine who will prepare the financial statements, including notes to the financial statements, and complete the filing.

30

Responsibility for Hinkle System Filing

- Fiscal officers representing more than one public office or other entity required to file are responsible for filing separate reports for each office.
- An entity with a filing requirement must file a separate financial report. Inclusion in the financial statements of another reporting entity does **not** satisfy the filing requirement.
- Once the "Submit" button is clicked and the Hinkle System filing is completed, the entity cannot re-file without contacting the AOS. The AOS will unlock the filing **ONLY** at the request of the entity's fiscal officer/contact on file with AOS. We will not unlock the entity's account at the request of an outside party (i.e. GAAP converter).



31

Auditing Financial Statements Filed

- Although the statutory requirements for entities to file annual financial statements with the AOS were established to ensure entities prepare their annual financial reports completely, utilizing the mandated accounting basis, and by a date sufficient to allow for the timely completion of the financial audit, many entities have filed financial statements that were draft, incomplete or prepared on a basis other than which they intended to have audited.
- An annual financial report filing that only meets the statutory filing deadline, without regard for the accuracy and completeness of the financial statements, defeats the objective to complete the entity's financial audit in a timely manner.
- Rather, the entity's filing of their annual financial report should signal the final, unaudited financial statements have been prepared, are ready for public inspection, and are available for audit.



32

Auditing Financial Statements Filed

- With these reasons in mind, **beginning with audits of financial periods ending in 2016***, the AOS (and any independent public accounting (IPA) firms contracted to perform audits for the AOS) will audit the financial statements uploaded and submitted to the AOS via the Hinkle System.

* 2016 audits will include any annual audit with a period ended/ending in 2016, as well as any biennial audit which includes the period ended/ending in 2016 (i.e. 2015-2016 or 2016-2017)



33

Auditing Financial Statements Filed

- How will this work?
 - For audits of periods ended in 2015 (or earlier):
 - The audit process did not change from previous years other than the auditors will review the 2015 Hinkle System filings and verbally inform the entity of any deficiencies in order for the entity to prepare for 2016 filings.
 - Deficiencies may include: selecting the incorrect basis of accounting, excluding footnotes, etc.
 - Entities are not required to re-file their 2015 financial statements via the Hinkle System.
 - If the entity failed to file at all in the Hinkle System for 2015 and needs to file in order to qualify for reduced services (AUP or Basic Audit), the auditors will inform the entity of the requirement and the entity will be permitted to file in order to qualify for reduced services (However, there are multiple eligibility requirements. Filing their annual financial statements is only one of these requirements.)
 - Entities which do not file or file after the statutory/extended due date, will be cited in the management letter.



34

Auditing Financial Statements Filed

- How will this work?
 - For audits of periods ended in 2015 (or earlier) (Cont' d):
 - GAAP-mandated entities which file on a non-GAAP basis and/or if the financial statements were significantly incomplete/misstated may be cited for material non-compliance.
 - For 2015, the auditors will still be auditing the financial statements and notes that are presented to the auditors at the time the audit commences (not the Hinkle System filing unless indicated by the entity.)
 - If the entity did not prepare notes to the financial statements and requests the auditors to prepare the footnotes as non-audit services, the auditors can still prepare the footnotes if it does not impair independence and the auditors have the capacity to prepare the notes.



35

Auditing Financial Statements Filed


- How will this work?
 - For audits of periods ending in 2016 (i.e. 2015-2016, 2016 or 2016-2017):
 - The AOS and IPAs will audit the financial statements, including notes to the financial statements uploaded as part of the Hinkle System filing.
 - Therefore, an entity with a filing requirement that fails to file via the Hinkle System may be declared "unauditable" by the AOS.
 - At or before the commencement of the audit, the auditors should review the Hinkle System filing and inquire if the financial statements uploaded into the Hinkle System are the final, unaudited financial statements and notes to be audited.



36

Auditing Financial Statements Filed


- How will this work?
 - For audits of periods ending in 2016 (i.e. 2015-2016, 2016 or 2016-2017) (Cont'd):
 - If the uploaded file does not include the final, unaudited financial statements and notes to be audited, the client must contact audit@hinkle.com or www.aosauditor.gov and ask for the filing link to be re-opened in order to re-file the financial statements and notes to be audited and modify the keyed data, if applicable. The filing date and accounting basis of the re-filed annual financial report will then become the basis for determining compliance with the filing requirements.
 - If the entity did not prepare notes to the financial statements and requests the auditors to prepare the footnotes as non-audit services, the auditors can still prepare the footnotes if it does not impair independence and the audit staff has the capacity to comply with the request; HOWEVER, the footnotes will need to be prepared and included in the Hinkle System re-submission prior to the commencement of the audit substantive testing.



37

Auditing Financial Statements Filed


- How will this work?
 - For audits of periods ending in 2016 (i.e. 2015-2016, 2016 or 2016-2017):
 - For this initial audit period, the entity will not be cited for a late filing if the financial statements need to be re-filed in order to submit the final, unaudited financial statements and notes for audit, assuming the original filing was submitted by the statutory/extended due date.
 - If the original filing was not submitted by the statutory/extended due date, the entity will be cited in the management letter.



38

Auditing Financial Statements Filed

- How will this work?
 - For subsequent audit periods (2017, 2017-2018 and beyond):
 - Everything for the 2016 audits (2015-2016, 2016 and 2016-2017) applies, EXCEPT if the entity must re-file their financial statements and notes via the Hinkle System at the time of the audit, the entity will be cited for a late filing in the management letter.
 - Therefore, to avoid a late-filing citation, entities should plan sufficient time and engage any necessary assistance to prepare their annual financial statements, including notes to the financial statements by the statutory/extended filing due dates.
 - The AOS audit staff will not be available to assist with preparation of the notes to the financial statements in order to meet the statutory/extended filing due date prior to the audit.



39




Hinkle System Audit Adjustment Application

40

Hinkle System Audit Adjustment Application

- Guidance was provided in March 2016 to all IPA firms regarding AOS Bulletin 2015-007 and the Hinkle System which referenced the audit adjustment process for June 30, 2016 audits
- Additional guidance was recently provided to all IPA firms with details specific to the Audit Adjustment Application



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Hinkle System Audit Adjustment Application

- Beginning with June 30, 2016 school audits, IPAs are required to key in applicable audit adjustments for cities, counties, schools, community schools, townships, libraries and villages to Hinkle System data as part of the audit finalization process.
 - ❖ The adjustment application does not apply to other entity types since they are only required to file the PDF upload of their financial statements and notes.
- The Center for Audit Excellence will verify adjustments were entered into the Hinkle System during their IPA report review process, prior to the report certification.
 - ❖ Note: The adjustment application must be completed PRIOR to submitting the audit report to CFAE.

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Hinkle System Audit Adjustment Application

- Log into the IPA Portal
 - View Client Detail & Hinkle System Filings
 - Select the entity requiring adjustment
 - Under Adjustment Status column, select "Not Started" or "In Progress" to access the Adjustment Application
 - "Not Started" indicates the adjustment application needs to be completed
 - "In Progress" indicates information has been keyed and saved, but not yet finalized
 - "Submitted" indicates adjustment application is complete
- A message from the webpage may appear to indicate loading the adjustment may take a moment and to be patient. Select OK to continue.



43

Hinkle System Audit Adjustment Application

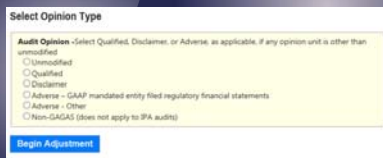
- Additional items to note:
 - The adjustment application must be completed for every applicable entity even if there were no audit adjustments so that we can ensure completion of the procedure.
 - Any staff member with an IPA Portal account may enter adjustments.



44

Hinkle System Audit Adjustment Application

- The first screen will gather information on the financial statement opinions issued.
 - Only one opinion type can be selected



45

Hinkle System Audit Adjustment Application

- Note: If multiple opinions are issued for various opinion units, select the most UNFAVORABLE opinion issued
 - Example: Based on the following Summary of Opinions, the correct selection is Adverse - Other

Opinion Unit	Opinion
Governmental Activities	Qualified
Business-Type Activities	Qualified
Aggregate Discretely Presented Component Units	Unmodified
Governmental Fund X	Qualified
Governmental Fund Y	Unmodified
Enterprise Fund A	Adverse
Enterprise Fund B	Unmodified
Aggregate Remaining Fund Information	Unmodified

46

Hinkle System Audit Adjustment Application

- Once the opinion is selected, click Begin Adjustment
- The application will move forward to allow adjustments to be entered for all opinion types selected except Adverse – GAAP mandated entity filing regulatory financial statement.
 - If this opinion is selected, the application will skip the date entry of financial statements and move directly to the GAGAS level citations/control weaknesses screen.



47

Hinkle System Audit Adjustment Application

- The Adjustment System pulls in the original data keyed by the entities and includes the following four (4) columns:
 - “Unaudited Hinkle System” – amounts keyed into the Hinkle System by the entities
 - “Adjusted Amount per Audit Report” – the column to enter any amount which differs from the original Hinkle System submission
 - “Audit Adjustment” (calculated)
 - “Final per Audit Report” (calculated)



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Hinkle System Audit Adjustment Application

- Note: The Hinkle System requires a negative sign (-) precede some financial statement amounts to reflect/calculate accurately.
 - Example:
 - Accumulate Depreciation reported on the Statement of Net Position and expenses
 - Other uses reported in the Other Financing Sources (Uses) section of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

Note

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Hinkle System Audit Adjustment Application

- Edit checks are built into the application to ensure the financial statement amounts total correctly and correspond between financial statements
 - A light red shaded box appears if there are errors
 - A green shaded box appears indicating information is saved prior to moving to next screen

Note: The Hinkle System requires LIMITED financial statement data to be keyed – not all columns of each statement will be keyed into the system.

53

Hinkle System Audit Adjustment Application

- Capital Assets
 - Hinkle System application requires GAAP entities to enter Accumulated Depreciation if an amount has been entered in Depreciable Capital Assets.
 - Auditors will need to utilize the notes to the financial statements to accurately verify of adjust the information entered by the client.



54

Hinkle System Audit Adjustment Application

- Direct and Material Non-Compliance (Budgetary Violation) / Reconciliation Issues



➤ If the Schedule of Findings includes any of the findings listed, click the check box

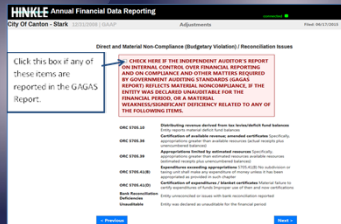


➤ If none, the box should be left unchecked

58

Hinkle System Audit Adjustment Application

- Direct and Material Non-Compliance (Budgetary Violation) / Reconciliation Issues



59

Hinkle System Audit Adjustment Application

- Final Screen



- ❖ Once the Submit button is clicked, the adjustments for the Hinkle System will lock
 - If changes are needed after completing the adjustment application, email hinkle.system@ohioauditor.gov to request the application to be re-opened.
- ❖ As a reminder – The adjustment application must be completed PRIOR to submitting the audit report to CFAE.

60

Sentencing

Defense attorney called the embezzlement a "tragic turn of events for Mr. Whitson, who unfortunately made some very poor decisions...He started gambling and [using] alcohol and, unfortunate for him and the community, did things which were totally and completely out of character for him."

Whitson told the court, "I just want to apologize for my actions. That's it. I'm sorry."

Public Integrity Assurance Team

88 East Broad Street
Columbus, Ohio 43215

Melissa Nuttall

Presenter Phone: (800) 282-0370
Presenter Fax: (614) 466-4490
Email: manuttall@ohioauditor.gov



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



DAVE YOST
Ohio Auditor of State



Public Integrity Assurance Team




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Objective

An overview of the Process
External complaint
Noteworthy
to SATF
assignments and notifications



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When PIAT Gets Involved
Public Integrity Assurance Team

For the Audit Team

For PIAT

For the IPA



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Process

- Complaint Intake
- Evaluation
- SATF
- Referral, investigation, or special audit
- Release of audit findings, grand jury packet prepared, possible prosecution



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Complaint Intake

- Fraud Hotline: 1-866-FRAUD-OH
- Mobile App: Ohio Stops Fraud
- E-mail: fraudohio@ohioauditor.gov



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Initial Evaluation

- Questions:
 - Is this appropriate for Public Integrity?
 - Preliminary investigation/audit?
- Considerations:
 - Criminal v. civil
 - Public money?
 - Jurisdiction (e.g., should the IG investigate?)



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SATF

- Deliberative body evaluates complaints and decides on course of action
- Makes recommendations for...



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Possible Outcomes

- Referral
 - IRS
 - Local police department/sheriff's office
- Special Audit
- Investigation



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Responsibilities



Who is responsible for
The audit
The investigation
Reporting



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Evidence



- What is it
- What does it look like
- How to recognize it
- How to handle it



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Audit Interviews



- How to conduct them
- How to summarize them
- Why this important



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Disclosures



- What are they
- What do you do if someone wants to tell you something in “confidence”



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If someone Confesses



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The Summary

Taken from notes and memory

Include:

1. Where the interview took place (physical address)
2. Date and time of interview
3. Who was present in the room
4. General reason for the interview
5. Written for the reader who knows nothing about the issues.



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The Release of Information

What information can be released

When can the audit be released

Exit conference Conversations

Who attends



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Document Preparation

How documents for audits differ from document for a prosecution



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Prosecution

What is the Role for
Audit
PIAT



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Special Investigations

88 East Broad Street
Columbus, Ohio 43215

Barb Cannon

Presenter Phone: (614) 314-4809
Email: BJCannon@ohioauditor.gov



DAVE YOST
Ohio Auditor of State

www.ohioauditor.gov



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



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Common report errors

Presented by: Brad Blake –
Director of Quality Assurance

Common Errors

- Problems normally fall within these 4 categories -4C's
- Clarity
- Compliance
- Completeness
- Consistency



4c's


- MD&A Clarity
 - Limited or no explanation of the "causes" of the variances between current and prior year or other significant issues in the MD&A
 - THIS WILL NOT HAVE OPINION IMPACT

4c's

- In MD&A –
 - Inappropriate discussion of speculative items that are not limited to "known facts or conditions"


4c's

- Reconciliations
 - Inappropriate reconciliation of fund financial statements to government-wide statements
 - Insufficient detail of reconciling items
 - Unclear description of reconciling items



4c's

- Statistical Section
 - No explanation of anomalies
 - Not including the source of statistical information (i.e., County Finance Department, Chamber of Commerce, County tax records, etc.)




4c's

- Basis of Accounting Missing in the Notes to the Financial Statements

4c's

- Cash flows from operating activities:
 - Cash received from customers
 - **Cash received from royalties** ←
 - Cash paid to suppliers
 - Cash paid to employees



4c's

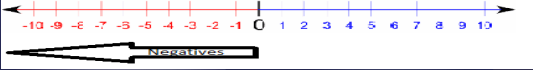
- Missing major funds
 - Governments are failing to present as major funds governmental funds and enterprise funds that clearly meet both the 10 percent test and the 5 percent test for mandatory major funds
- Major initiatives or lack thereof, especially capital projects, can alter the results of applying the 10 percent test and the 5 percent test from one year to the next
- Important that governments reapply these tests each year

4c's

- Transfer information
 - Could also be part of Clarity – assurance that all transfers are properly classified and in accordance with the revised code

4c's

- Negative Balances
 - Inappropriate negative balances
 - Could be the result of Unadjusted Prior Period Errors
 - Could have opinion IMPACT



4c's

GASB 68

- First year comparative statements with GASB 68 implemented for 2014 – If Comparative 2015 should have the opening balance restated and 2014 with no modifications
- Basically not following the AOS SHELLS
- NET PENSION ASSETS – COULD BE A PROBLEM IN THE FUTURE FOR SOME ENTITIES DEPENDING ON WHICH OPERS PLAN THEIR MEMBERS ARE A PART

4c's

- GASB 68
- Applying Materiality - -Like the Net Pension Asset Issue

4c's

- Note Disclosures
 - Omission of note disclosures for significant account balances for component units

4c's

- The Basic Inconsistencies
 - Ending balances on change statements do not agree to balance sheet/statement of net position
 - Totals from combining schedules do not agree to the combined amount in the basic financial statements
 - Amounts in MD&A tables and condensed scheduled do not agree to the basic financial statements or notes
 - Amounts that can be reconciled within the financial statements and/or between the statements and notes do not reconcile
 - Amounts in statistical section or other supplemental information do not agree or cannot be reconciled with the financial statements and schedules

Additional Edit Errors

- Independent Auditor's Report
 - Date Consistency
 - Wrong entity name/county
 - Wrong period
 - Reference to the Accountants Compilation Report
 - PDF/Formula errors
 - Reports Marked as DRAFTS
 - Omitting some of the appropriate financial statements and budgetary comparisons in the scope and opinion paragraphs in the Independent Auditor's report

Additional Edit Errors

- Using the term "Net Assets" instead of "Net Position" in reports prepared under GASB framework

Additional Items

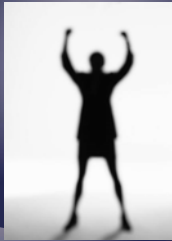
- Before printing/combining the final report:
 - Refresh all links
 - Review all schedules to ensure proper display
 - Update all pages affected by last minute changes
- Before submitting the report:
 - Review electronic/hard copy of report

Questions



REMEMBER THE 4C's

- Clarity
- Compliance
- Completeness
- Consistency





Center for Audit Excellence
88 East Broad Street
Columbus, Ohio 43215

Brad Blake
Presenter Phone: (800) 282-0370
Presenter Fax: (614) 466-4490
Email: contactus@ohioauditor.gov



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



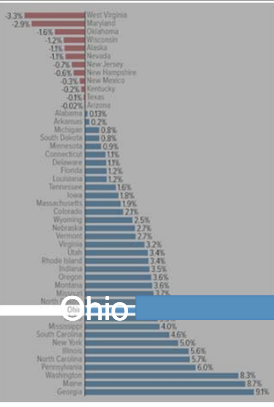
School Funding 101
 Aaron Rausch, Director
 Office of Budget and School Funding • September 2016

Ohio | Department of Education

Continued Investment in Ohio's Education System



Ohio | Department of Education



State	Funding Increase (%)
West Virginia	3.3%
Maryland	2.9%
Oklahoma	1.6%
Washington	1.2%
Arkansas	1%
Nevada	1%
New Jersey	0.2%
New Hampshire	0.6%
New Mexico	0.3%
Kentucky	0.2%
Texas	0%
Illinois	-0.02%
Alabama	0.02%
Arkansas	0.2%
Michigan	0.1%
South Dakota	0.8%
Minnesota	0.9%
Connecticut	1%
Delaware	1%
Florida	1.2%
Louisiana	1%
Tennessee	1.1%
Iowa	1.1%
Massachusetts	1.9%
Colorado	2%
Wyoming	2.5%
Nebraska	2.2%
Vermont	2.2%
Virginia	2.2%
Utah	3.2%
Rhode Island	3.2%
Idaho	3.5%
Oregon	3.6%
Montana	3.6%
Georgia	3.7%
Ohio	3.8%
Mississippi	4.0%
South Carolina	4.6%
New York	5.0%
Illinois	5.6%
North Carolina	6.7%
Pennsylvania	6.0%
Washington	8.3%
Maine	8.7%
Georgia	9.1%

How do increases in state funding this year compare to other states?

Ohio 3.8%

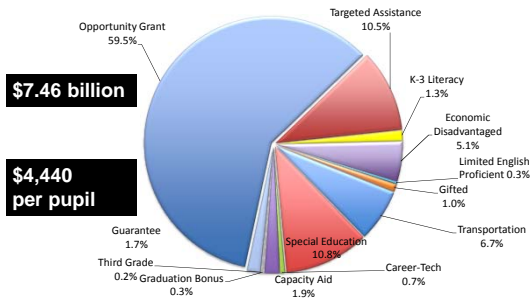
*Center on Budget and Policy Priorities. Formula funding per student, inflation adjusted, FY15 and FY16.

Ohio | Department of Education

Funding Formula Elements Traditional Districts

Opportunity grant	Economically Disadvantaged	Transportation
Targeted Assistance	Limited English Proficiency	Special Education
K-3 Literacy	Gifted Education	Career Technical Education
Capacity Aid*	Academic Performance Bonus*	Supplemental Transportation*

Foundation Formula – FY16



State Share Index

Distinguishes between higher and lower wealth districts

State Share is Fixed for FY16 and FY17

Opportunity Grant Per Pupil Funding Increase



Increase to \$5,900 in FY2016

Increase to \$6,000 in FY2017

Ohio Department of Education

Tier Two Targeted Assistance

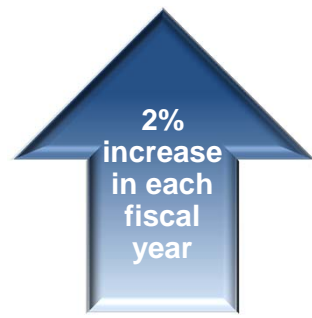


Additional Funds

Districts with more than 10% of property on agricultural land

Ohio Department of Education

Special Education Per Pupil



2% increase in each fiscal year

Ohio Department of Education

K-3 Literacy Per Pupil Funding

5% increase in each fiscal year

Ohio Department of Education

Focus

Ensure students are college and career ready

Career Tech Per Pupil Funding

Increase 4 percent in each fiscal year

Ohio Department of Education

Capacity Aid

Transportation Supplement

New Components

Third Grade Reading Proficiency Bonus

High School Grad Rate Bonus

Ohio Department of Education

Transitional Aid

Previous biennium: Guarantee prevented a district's foundation funding from falling below FY 2013 levels.

HB 64: Guarantees school districts at FY 2015 foundation funding levels



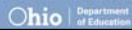
Cap



FY 2014 cap amount was 6.25 percent and FY 2015 cap amount was 10.5 percent.



HB 64 limits growth to 7.5 percent each fiscal year.



Cap



Exempt from the Cap:
Capacity Aid, Transportation Supplement, Graduation Bonus and Third Grade Reading Bonus



Career-Technical Education funding removed from the guarantee base and exempt from the cap in FY 2017.



Are we making progress?

	FY14	FY15	FY16	FY17
Total Funding	\$6.60 billion	\$7.03 billion	\$7.44 billion	\$7.75 billion
Capped Amount	\$917.4 million	\$674.8 million	\$603.9 million	\$476.2 million
# of Districts	341	236	188	141
Guaranteed Amount	\$184.4 million	\$158.8 million	\$123.6 million	\$101.1 million
# of Districts	199	191	174	133

What factors influence if a specific district will see increased or decreased aid?

What factors influence district aid?

- Student Population and Demographics
- Property Valuation
- Income
- Historical Funding – Caps and Guarantees

Deductions/Transfers



Ohio Department of Education

Open Enrollment

- \$5,900 in FY 2016 / \$6,000 in FY 2017
- Career Technical Education Supplemental Amount
- Preschool Special Education (new for FY 2016)

Ohio Department of Education

EdChoice, Autism and Jon Peterson Scholarship




EdChoice – Up to **\$4,650** for K-8 students. Up to **\$5,900 in FY 2016** and **\$6,000 in FY 2017** for high school students.




Autism and Peterson Scholarships - Maximum amount of award - **\$27,000.**

Ohio Department of Education

College Credit Plus

 Deductions for FY17 will include CC+ courses from Fall, 2015; Spring, 2016; Summer/Fall, 2016.

 Deductions for FY18 will include CC+ course from Spring, 2017; Summer/Fall, 2017.

Community and STEM Schools



Students funded based on district of residence

Community Schools have 100% State Share Index.

Funding Formula Elements Community Schools vs. Traditional Districts

Opportunity grant	Economically Disadvantaged	Transportation
Targeted Assistance	Limited English Proficiency	Special Education
K-3 Literacy	Gifted Education	Career Technical Education
Capacity Aid*	Academic Performance Bonus*	Supplemental Transportation*

**Funding Formula Elements
Community Schools vs. Traditional Districts**

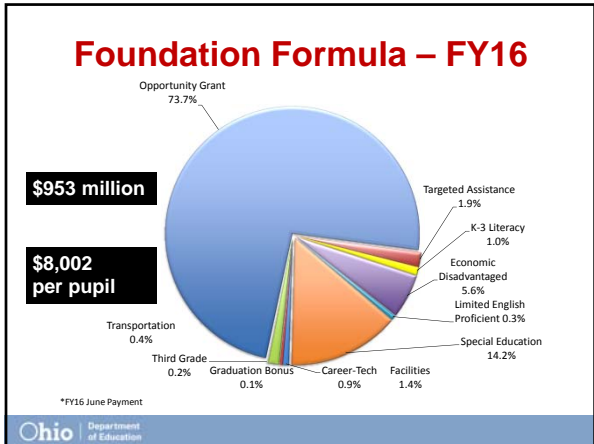
Opportunity grant	Economically Disadvantaged	Transportation
Targeted Assistance (25%)	Limited English Proficiency	Special Education
K-3 Literacy		Career Technical Education
	Academic Performance Bonus*	

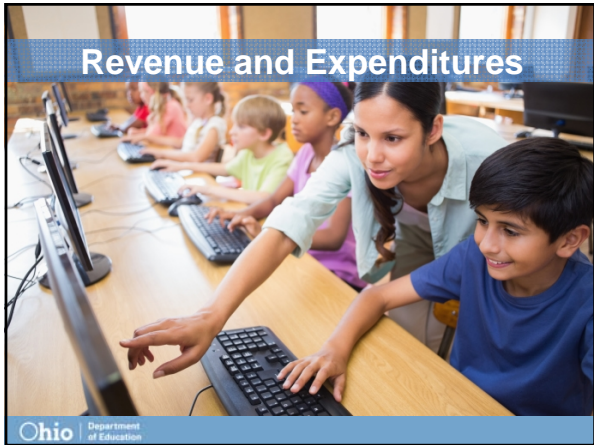
**Funding Formula Elements
Community Schools**

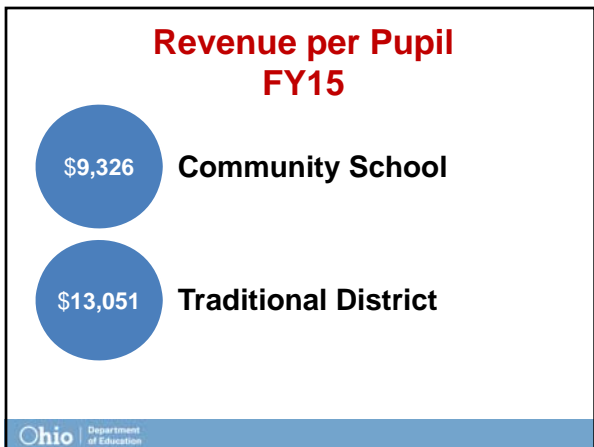
Opportunity grant	Economically Disadvantaged	Transportation
Targeted Assistance (25%)	Limited English Proficiency	Special Education
K-3 Literacy	Facilities Funding	Career Technical Education
	Academic Performance Bonus*	

**Funding Formula Elements
Brick and Mortar vs. E-School**

Opportunity grant		
		Special Education
	Facilities Funding	Career Technical Education
	Academic Performance Bonus*	





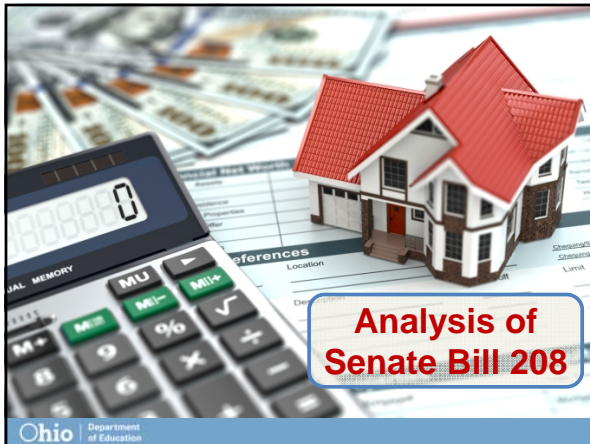


Revenue per Pupil (by Source) FY15

Source	Traditional Districts	Community Schools
Local	\$5,416	\$26
State	\$5,756	\$7,855
Federal	\$951	\$1,123
Other	\$928	\$359
Total	\$13,051	\$9,363

Operating Expenditure Per Pupil FY15





Phase-out of Tangible Personal Property (TPP) and Public Utility Tangible Property (PUTP) reimbursement

Impacts approximately 260 districts

Phase-out of Tangible Personal Property (TPP) and Public Utility Tangible Property (PUTP) reimbursement

Reimbursements are phased out between 1-2 percent of a school district's total operating resources each year.

Example: Total Operating Resources = \$10M

- FY15 TPP reimbursements = \$1M
- Phase-out percentage = 2%
- Annual TPP phase-out = \$200K
- TPP reimbursement in FY16 = \$800K
- TPP reimbursement in FY17 = \$600K, etc.

Example

5/8 mill generates \$100K

TPP reimbursement in FY18 = FY17
reimbursement - 5/8th mill or \$500K

TPP reimbursement in FY19 = \$400K, etc.

Supplement Funds

Partially restores the FY17 TPP supplement
funds that were created in temporary law.

SB 208: Restoring Supplement

Restores the TPP supplement

Districts will only be held harmless at **96%**
of FY15 total state aid.

In total, this restores \$44M of the original
estimated supplement of \$78.3M.