

Greenbook
LSC Analysis of Enacted Budget

Auditor of State

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ATTACHMENT:

Budget Spreadsheet By Line Item

Auditor of State

- Total of \$166.3 million for the FY 2018-FY 2019 biennium
- Budget is 63.6% supported by fees and 36.4% supported by GRF
- LEAP Funds to be used to offer feasibility study grants to local entities

OVERVIEW

Agency Overview

The Auditor of State is an elected official responsible for auditing all public offices in Ohio. This includes state departments, commissions, and offices of the state's political subdivisions, such as cities and villages, counties and townships, schools and universities, and libraries. The Auditor of State also provides consulting services to local governments and training for public officers. As of June 2017, the office employed approximately 815 people among three divisions: Audit, Legal, and Administration. Most employees are full-time audit staff who work from headquarters or one of the eight regional offices. These offices are located in Canton/Akron, Cincinnati, Cleveland, Columbus, Dayton, Southeast, Toledo, and Youngstown. Each regional office is staffed by a Chief Auditor and an Assistant Chief Auditor.

Audits conducted by the Auditor of State's office take a variety of forms. Financial and compliance audits identify critical issues related to financial reporting, legal compliance, reportable conditions, systems of internal control, and irregular or illegal activities. Audits are either conducted on an annual or biennial basis. Performance audits of selected state agencies; school districts under fiscal caution, watch, or emergency; as well as local governments under fiscal watch or emergency, identify areas where operational efficiencies or enhanced program results can be achieved. The Auditor of State also performs special audits for private entities that receive public funding (i.e., institutions, associations, boards, foster care organizations, companies, and nursing homes) as well as public entities upon their request or the Auditor of State's own initiative.

Appropriations Overview

Appropriations by Fund Group, FY 2018-FY 2019					
Fund Group	FY 2017	FY 2018	% change, FY 2017-FY 2018	FY 2019	% change, FY 2018-FY 2019
General Revenue	\$31,170,935	\$29,991,460	(3.8%)	\$29,991,460	0.0%
Dedicated Purpose	\$48,000,122	\$52,402,573	9.2%	\$53,902,573	2.9%
TOTAL	\$79,171,057	\$82,394,033	4.1%	\$83,894,033	1.8%

As the table above shows, H.B. 49 provides the Auditor of State with funding of nearly \$82.4 million in FY 2018 and almost \$83.9 million in FY 2019. Overall, there is a \$3.2 million (4.1%) increase between FY 2017 spending and FY 2018 appropriations, a rise primarily attributable (nearly \$5.9 million increase) to increased spending in the area of state agency and local government auditing. This is offset by an approximate \$1.8 million decrease in Uniform Accounting Network (UAN) spending, primarily attributable to hardware upgrades for UAN users that occurred later in FY 2017. About 63.6% of the recommended funding (\$52.4 million in FY 2018 and \$53.9 million in FY 2019) is derived from audit fees paid by state agencies and political subdivisions, as well as local government users of UAN. A small portion also comes from fees charged for training sessions. These revenues are deposited into four separate funds under the Dedicated Purpose Fund Group. The remaining 36.4% of funding (\$29.9 million in each fiscal year) is from the GRF.

ANALYSIS OF ENACTED BUDGET

Category 1: Auditing Services

The line items included within this category are used to fund various auditing functions, including financial audits of state agencies and local governments, as well as performance, healthcare provider, and special audits. Slightly more than one-third of the overall funding devoted to auditing services over the biennium comes from the GRF.

Appropriation Amounts for Auditing Services				
Fund	ALI and Name		FY 2018	FY 2019
General Revenue Fund				
GRF	070321	Operating Expenses	\$28,242,431	\$28,242,431
General Revenue Fund Subtotal			\$28,242,431	\$28,242,431
Dedicated Purpose Fund Group				
1090	070601	Public Audit Expense – Intrastate	\$10,803,057	\$10,803,057
4220	070602	Public Audit Expense – Local Government	\$37,306,649	\$38,806,649
5JZ0	070606	LEAP Revolving Loans	\$410,952	\$410,952
Dedicated Purpose Fund Group Subtotal			\$48,520,658	\$50,020,658
Total Funding: Auditing			\$76,763,089	\$78,263,089

Operating Expenses (070321)

Under H.B. 49, the appropriation for this GRF line item is \$28.2 million in both FY 2018 and FY 2019, amounts that are 4.7% below actual FY 2017 spending of \$29.6 million. This line item is used to pay the personnel, maintenance, and equipment costs throughout the agency. Additionally, all IT costs for the Columbus headquarters and field offices are paid from this line item. The funding also covers the expenses of the Division of Administration, which oversees the office's human resources, training and recruitment, fiscal, and IT operations. The financial management system that assists local governments in handling their accounting and payroll responsibilities, the Uniform Accounting Network (UAN), is also under the purview of the Division, but is paid for from other sources. UAN is described in more detail under "**Category 2: Local Government Services.**"

Public Audit Expense – Intrastate (070601)

This line item is used to pay for the costs of annual, biennial, and special audits the Auditor of State performs on state agencies. The appropriation is supported by fees paid by state agencies for the costs of performing these audits and deposited into the Public Audit Expense – Intrastate Fund (Fund 1090). The billable hourly rate for state agencies is a flat rate established by the Statewide Cost Allocation Plan (SWCAP). The

current hourly rate under this plan is \$68.00. Fund 1090 took in approximately \$9.9 million in FY 2017. The closing FY 2017 cash balance was about \$8.2 million. Overall, the appropriation for this line item is \$10.8 million in both FY 2018 and FY 2019, an increase of approximately 15.3% compared to FY 2017 spending of just under \$9.4 million.

Public Audit Expense – Local Government (070602)

The amount appropriated for this line item in FY 2018 is \$37.3 million, an increase of nearly 13.5% over FY 2017 spending of \$32.9 million. The amount appropriated for FY 2019 is \$38.8 million. This funding is used to pay for the costs of annual, biennial, and special audits of political subdivisions and is supported by fees paid by fees that these entities pay for the costs of performing these audits. The billable hourly rate for local government entities is \$41 per hour. The proceeds from these billings are deposited into the Public Audit Expense – Local Governments Fund (Fund 4220). Fund 4220 collected approximately \$33.4 million in fees in FY 2017. The current cash balance of the fund is approximately \$19.9 million.

LEAP Revolving Loans (070606)

This line item is used to distribute loans to state agencies and local governments from the Leverage for Efficiency, Accountability, and Performance (LEAP) Fund (Fund 5JZ0). Specifically, the money is used by the recipient to pay for performance audits required under S.B. 4 of the 129th General Assembly. As of this writing, no state agencies have requested to receive a loan from Fund 5JZ0 to pay for a performance audit. However, in the previous biennium, two local government entities received loans from the LEAP Fund.

The appropriation amounts for the LEAP Program in both FY 2018 and FY 2019 is \$410,952, an increase of 264.7% over the \$112,693 distributed for LEAP loans in FY 2017. A portion of this increase is attributable to the anticipated use of the LEAP Fund for grants to local entities requesting feasibility studies into the efficacy of sharing equipment or services through the ShareOhio Portal.

Category 2: Local Government Services

This category of spending funds various other services the Auditor of State offers to local governments, including auditing services to political subdivisions in fiscal watch or emergency, training for political subdivision employees, and the Uniform Accounting Network. Approximately \$3.9 million in each fiscal year (68.9%) of the funding in this category is derived from fees charged to the political subdivisions using these services. The remainder of funding is from the GRF.

Appropriation Amounts for Local Government Services				
Fund		ALI and Name	FY 2018	FY 2019
General Revenue Fund				
GRF	070403	Fiscal Watch/Emergency Technical Assistance	\$789,029	\$789,029
GRF	070409	School District Performance Audits	\$960,000	\$960,000
General Revenue Fund Subtotal			\$1,749,029	\$1,749,029
Auditor of State Fund Group				
5840	070603	Training Program	\$483,564	\$483,564
6750	070605	Uniform Accounting Network	\$3,398,351	\$3,398,351
Auditor of State Fund Group Subtotal			\$3,881,915	\$3,881,915
Total Funding: Local Government Services			\$5,630,944	\$5,630,944

Fiscal Watch/Emergency Technical Assistance (070403)

This GRF line item is used to pay the costs of providing performance audits, accounting reports, annual forecasts, and supervisory, accounting, or auditing services for municipal corporations, counties, townships, and school districts in the determination or termination of fiscal watch or fiscal emergency. The costs of these services largely depend upon how many local governments and school districts are in fiscal watch or fiscal emergency. As of this writing, there are 22 local governments in fiscal emergency and one local government in fiscal watch. There are two school districts in fiscal emergency and zero school districts in fiscal watch. The budget appropriates \$789,029 in FY 2018 and an equal amount in FY 2019, an increase of 14.8% from FY 2017 expenditures for these activities.

School District Performance Audits (070409)

This GRF line item is to be used to cover expenses incurred by the Auditor of State in conducting performance audits of school districts under fiscal watch, fiscal caution, and fiscal emergency. Previously, performance audit costs for school districts in fiscal caution, fiscal watch, or fiscal emergency have been paid from GRF appropriation item 200422, School Management Assistance, used by the Department of Education.

In performing performance audits paid for through this line item, the Auditor of State is required to consult the Department of Education and the Office of Budget and Management in the selection process. There are four school districts that are currently in fiscal emergency but none in fiscal watch as of this writing. H.B. 49 provides an appropriation of \$960,000 in both FY 2018 and FY 2019, an increase of 11.9% when compared to FY 2017 expenditures for these activities.

Training Program (070603)

H.B. 49 provides funding of \$483,564 in both fiscal years for local government training services, an increase of 17.3% over FY 2017 spending of \$412,353 on these activities. Specifically, this line item is used to pay for training of newly elected local fiscal officials and ongoing training of county treasurers and village clerks. The primary use of this funding is for hosting the Auditor of State's annual fraud conference. As with other training services hosted by the Auditor of State, the conference is paid for primarily through registration fees of participating members, money that is deposited into the Auditor of State Training Fund (Fund 5840). The fund collected \$377,532 in FY 2017.

Uniform Accounting Network (070605)

This line item is used to pay for computer maintenance, upgrades, consulting, and other costs associated with maintaining the Uniform Accounting Network (UAN). As of this writing, UAN services 1,185 townships, 479 villages, 150 libraries, and 120 special districts with essential auditing and payroll functions. The system is supported by subscriber fees ranging from \$8 per month for entities with annual revenues under \$50,000 to \$325 per month for entities with revenues higher than \$10.0 million in annual revenues. All users pay a monthly hardware surcharge of \$50. These amounts are deposited into the Uniform Accounting Network Fund (Fund 6750). As is the case with other service funds used by the Auditor of State, the financial status of participating local governments affects the amount of fees received. Receipts for FY 2017 were approximately \$4.9 million.

The budget provides funding of just under \$3.4 million in both FY 2018 and FY 2019 for the UAN; a decrease of 34.9% when compared to FY 2017 expenditures of \$5.2 million. The decline between FY 2017 and FY 2018 is a result of the Auditor of State requesting supplemental appropriations of \$3.0 million from the Controlling Board in December 2016 for UAN system upgrades. Generally, the Auditor of State makes such purchases for UAN hardware updates every three to four fiscal years. The Auditor of State also spent approximately \$975,000 to acquire 1,950 printers for UAN users in FY 2017. Before these latest upgrades, the last significant UAN upgrade was in FY 2013.

FY 2018 - FY 2019 Final Appropriation Amounts

All Fund Groups

Line Item Detail by Agency

			FY 2016	FY 2017	Appropriation FY 2018	FY 2017 to FY 2018 % Change	Appropriation FY 2019	FY 2018 to FY 2019 % Change
Report For Main Operating Appropriations Bill			Version: As Enacted					
AUD Auditor of State								
GRF	070321	Operating Expenses	\$ 29,339,232	\$ 29,625,952	\$ 28,242,431	-4.67%	\$ 28,242,431	0.00%
GRF	070403	Fiscal Watch/Emergency Technical Assistance	\$ 632,953	\$ 687,055	\$ 789,029	14.84%	\$ 789,029	0.00%
GRF	070409	School District Performance Audits	\$0	\$ 857,929	\$ 960,000	11.90%	\$ 960,000	0.00%
General Revenue Fund Total			\$ 29,972,185	\$ 31,170,935	\$ 29,991,460	-3.78%	\$ 29,991,460	0.00%
1090	070601	Public Audit Expense - Intrastate	\$ 8,469,520	\$ 9,370,591	\$ 10,803,057	15.29%	\$ 10,803,057	0.00%
4220	070602	Public Audit Expense - Local Government	\$ 30,703,206	\$ 32,881,709	\$ 37,306,649	13.46%	\$ 38,806,649	4.02%
5840	070603	Training Program	\$ 408,030	\$ 412,353	\$ 483,564	17.27%	\$ 483,564	0.00%
5JZ0	070606	LEAP Revolving Loans	\$ 6,525	\$ 112,693	\$ 410,952	264.66%	\$ 410,952	0.00%
6750	070605	Uniform Accounting Network	\$ 3,515,964	\$ 5,222,776	\$ 3,398,351	-34.93%	\$ 3,398,351	0.00%
Dedicated Purpose Fund Group Total			\$ 43,103,245	\$ 48,000,122	\$ 52,402,573	9.17%	\$ 53,902,573	2.86%
Auditor of State Total			\$ 73,075,431	\$ 79,171,057	\$ 82,394,033	4.07%	\$ 83,894,033	1.82%