



Dave Yost
Auditor of State

From: Auditor of State’s Center for Audit Excellence
 To: All IPA Firms
 Subject: Ohio Compliance Supplement Section 2-9 Collateral Testing
 Date: November 18, 2016

Chapter 2, section 9 of the 2016 Ohio Compliance Supplement (OCS), requires auditors to “calculate if legal security equaled or exceeded depository balances.” However; as noted in the Summary of Requirements, the required rate for pooled collateral is 105%. House Bill (HB) 64, effective 9/29/15, also requires specific collateral be secured at 105%. ***Auditors should test to ensure entities with pooled OR specific collateral have it secured at 105% for ongoing engagements.***

In addition, please note the following upcoming changes to be included in the footnote in this OCS Section. The TOS is working on implementing an Ohio Pooled Collateral System (OPCS) which is scheduled to be effective July 1, 2017. Financial institutions, who wish to secure pooled collateral, will be required to be a member of this system. This will reduce the level or collateral required to 102%. House Bill (HB) 340, effective 12/22/15, allows this percentage to be reduced even further. While HB 340 is effective 12/22/15, those new percentages are specific to the new OPCS system implementation.

Collateral	ORC Section	Prior to HB 64	HB 64 (Effective 9/29/15)	HB 340 (Effective with OPCS Implementation)
Pooled	135.18/135.181	105%	105%*	50-102% (if OPCS member)
	135.182	N/A	102% (OPCS)	
Specific	135.18	100%	105%*	105% (if not a member)

*Rate we should be testing for compliance section 2-9.

If your entity has an agreement with their financial institution that could not be renegotiated to the minimum percentage effective with this HB, please contact Celena Yoxtheimer, Center for Audit Excellence, at CYoxtheimer@ohioauditor.gov.