



Auditor of State of Ohio Performance Audit with Supplemental Reports

November 10, 2011

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Auditor of State of Ohio Performance Audit

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Letter from Independent Auditor

To Auditor Yost and the Residents of the State of Ohio:

To ensure that the Ohio Auditor of State Office (AOS) is serving its clients and the taxpayers of Ohio in the most efficient and effective manner possible, AOS engaged Plante & Moran, PLLC in May 2011 to conduct a performance audit of select operations. The purpose of the performance audit was to focus on objectives related to the AOS business operations and processes, as well as AOS revenue and expenditures, in order to assess the AOS usage of available resources and best practices in the audit field. Accordingly, the areas analyzed in the performance audit included the following:

- Nature and scope of work performed by AOS
- Organization and structure of AOS
- Financial issues related to the operating revenue/expenditures and administrative costs of AOS
- Audit processes, procedures and costs, including comparisons to selected peer states and private sector audit firms

These areas were selected based on discussions with Auditor Yost, AOS administration and staff because they are critical components in fulfilling the responsibility of managing over 5,000 financial statement audits for public offices throughout Ohio. These areas address the various services for which AOS has responsibility, including performance audits and special audits, as well as the accounting, financial and consulting services to local governments through the Local Government Services (LGS) and Uniform Accounting Network (UAN).

We conducted our performance audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The performance audit contains recommendations that identify the potential for revenue enhancements, cost savings and efficiency improvements. Improvements in these areas can assist AOS in elevating its performance and contributions to the state of Ohio. While the recommendations contained in the audit report are intended to assess and improve the overall performance of AOS, we encourage the AOS to continue its own assessment of operations and alternatives to complement the recommendations contained in the performance audit report.

An executive summary has been prepared which includes the project background, the methodology and scope, and the summary of comments and recommendations. This report has been provided to AOS and discussed with Auditor Yost and AOS administration. AOS has been encouraged to use the results of the performance audit as a resource in further improving its overall operations, service delivery, and mission.

Additional copies of this report can be accessed by calling the AOS office at (614) 466-4514 or by visiting the AOS website at <http://www.auditor.state.oh.us>.

A handwritten signature in black ink that reads "Plante & Moran, PLLC".

Plante & Moran, PLLC

November 10, 2011

Section 1: Executive Summary

Project Background

To ensure that the Ohio Auditor of State's Office (AOS) is serving its clients and the taxpayers of Ohio in the most efficient and effective manner possible, the Auditor solicited proposals from qualified firms to conduct a comprehensive performance audit of AOS operations. This audit focus was related to AOS business operations and processes as well as AOS revenue and expenditures to ensure the Office optimizes the use of available resources and reflects best practices in the audit field.

The Auditor of State is the constitutional officer responsible for financial audits of more than 5,000 public offices in Ohio, including all cities, towns, villages, schools, universities, counties, fire districts, townships, cemeteries, libraries, state and county agencies and commissions, among other entities. In addition, the Auditor is responsible for the provision of numerous other audit and audit-related services, including performance audits and special audits as well as accounting, financial and consulting services to local governments through its Local Government Services and Uniform Accounting Network Departments. To provide these services, the AOS employs approximately 810 (in FY 2011) and approximately 860 (in FY 2010) staff in its Columbus headquarters and eight regional offices: Akron/Canton, Cleveland, Youngstown, Athens, Cincinnati, Dayton, Toledo, and Columbus. An additional Columbus-based office, the State Region, audits all state offices, boards, commissions and agencies. Collectively, these nine regions comprise the Office of the Auditor of State.

The Auditor of State has also conducted performance audits of more than 285 local and state government entities since 1996. The State Legislature has expanded the role of the Auditor to include a greater emphasis on performance audits of state government agencies. The Auditor believes that his office should set an example by voluntarily undergoing one of the first state agency performance audits.

Government Auditing Standards preclude auditors from auditing their own work to avoid conflicts of interest and impairments to independence. For that reason, the Auditor has engaged the professional services of an external firm with the requisite qualifications and expertise to perform an independent performance audit of the AOS.

Goals of this performance audit are to assess AOS operations and provide comparisons to specifically identified peer states as well as private sector auditing firms. The audit considered performance measures and audit industry leading practices for the purpose of providing recommendations to improve the efficiency, effectiveness and outcomes of the AOS.

Methodology and Scope

Performance audits are defined as engagements that provide assurance or conclusions based on evaluations of sufficient, appropriate evidence against stated criteria, such as specific requirements, measures, or defined business practices. Performance audits provide objective analysis so that management and those charged with governance/oversight can use the information to improve program performance and operations, reduce costs, and facilitate communication, decision-making, corrective actions and public accountability.

The performance audit was conducted in accordance with *Government Auditing Standards*. Those standards require that Plante & Moran, PLLC plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the comments and recommendations based on the audit objectives.

The initial scope of the performance audit was outlined in the AOS Request for Proposal issued in February 2011. Upon engagement by AOS in May 2011, Plante & Moran, PLLC and the AOS further discussed the scope and extent of testing desired from the performance audit. The areas addressed in this audit are as follows:

- Nature and scope of work performed
 - Statutory authority
 - Book of business

- Organization and Structure
 - Staffing
 - Talent management
 - Support services
 - Policies and procedures

- Finance
 - Revenue
 - Expenditures

- Audit costs
 - Billable rates
 - Audit efficiency

- Audit processes and procedures
 - Client selection
 - Independent Public Accountants (IPA)
 - Quality assurance and A&A departments
 - Audit planning
 - Audit follow-up

Methodology and Scope (continued)

The performance audit work was primarily conducted between May 1, 2011 and September 30, 2011. Plante & Moran, PLLC conducted the performance audit through a series of data requests, surveys, interviews and site visits. These steps were performed in collaboration with the AOS staff, and the AOS information was compared with selected peer states and the private sector. In addition, Plante & Moran, PLLC has significant knowledge and experience in both public and private sector financial statement auditing, accounting consulting services, and practice management. This information provided the methodology and basis for the audit objectives, work performed, and comments and recommendations contained in the performance audit report.

Plante & Moran, PLLC has issued separate reports with comprehensive data and information obtained in the performance audit. The data included in these reports support some of the comments and recommendations and should be read in conjunction with the performance audit.

- Peer State Benchmark Review dated November 10, 2011
- Customer Satisfaction Survey dated November 10, 2011

Summary Comments and Recommendations

Overall, Plante & Moran, PLLC found that Auditor Yost and the AOS staff, professionally and competently, fulfill the mission and obligations of the office. The staff appear focused on the financial integrity of services to their clients. The AOS has the systems and practice management information available to adequately manage the operations. The client satisfaction surveys generally indicate that the quality and professionalism of services from AOS staff are appreciated.

The audit approach used by the AOS is a risk-based approach and is consistent with the selected peer states and private sector. The recent adoption of electronic audit workpapers is a favorable step toward the improved efficiency and effectiveness of financial statement audits.

The Ohio Revised Code places a high responsibility for audits of the Auditor of State. As a result of this heightened responsibility and the number of local governmental agencies in the State of Ohio, the AOS operation is large in comparison to the other peer states surveyed. The Ohio Auditor performs more audits and services than any other state in the United States. The work of AOS is consistent with the responsibility assigned by the Ohio Constitution and Statutory Authority.

The following is a summary of the key comments and recommendations from the performance audit.

Nature and Scope of Work

- **Statutory Authority** – The AOS is responsible for issuing more than 5,000 financial statement audit reports primarily based on generally accepted accounting principles (GAAP) and *Government Auditing Standards*. The audit reports are primarily under the authority of the Ohio Revised Code – Chapter 117 and the Ohio Administrative Code – Chapter 117.
 - **Recommendation** – There are no specific changes noted for the Ohio Revised Code or the Ohio Administrative Code regarding the statutory authority of AOS. However, as AOS considers changes to its business operations, it may be necessary to consider changes to the code and statutory authority.
- **Book of Business** – The AOS is responsible for the audits of all public offices. This includes (but is not limited to) State agencies, counties, local governments and school districts. The services offered by AOS include financial statement audits, special audits, information system audits, Medicaid contract audits, performance audits, Local Government Services (LGS) and the Uniform Accounting Network (UAN). Compared to the selected peer states, Ohio has broader statutory responsibility/authority and thus a more extensive range of services.
 - **Recommendation** – The AOS needs to evaluate whether it can be efficient and effective in providing all the services currently offered. Specifically, the AOS should consider the needs/users of financial statement audits and whether GAAP audits should be required of certain public offices. For certain public offices, cash basis financial statements could be acceptable and eliminate the need to perform a GAAP conversion.
 - **Economic Impact** – The revenue for LGS services was approximately \$3 million and the expenditures for Fund 4220 (representing GAAP conversions) were slightly above \$3 million for FY 2011. These expenditures could be reduced if the GAAP audits/conversions were no longer required for certain local government agencies. GAAP conversion services are available through the private sector. The consideration for revisions to the GAAP requirements that would result from legislative action is discussed elsewhere in this audit. There will continue to be a need for General Fund resources for LGS services due to the assistance provided to local governments for fiscal caution, watch and emergency.

Summary Comments and Recommendations (continued)

Organization and Structure

- **Staffing by position and classification** – The AOS employs approximately 650 practice staff. The practice staff has primary responsibility to provide direct client service, including financial audit and consulting services. While AOS has the largest staff as compared to the peer states, it also has the highest work load. The classification of practice staff has various titles including chiefs, senior managers, managers, upper level auditor, mid-level auditor and entry-level auditor. The percentage of the various classifications and positions is generally consistent with the peers and the private sector. We also evaluated the average annual charge hours per practice staff which approximated 1,448 hours with total hours of approximately 2,080. While this is generally consistent with peer states, the private sector auditing firms average annual charge hours of 1,660 on 2,500 total hours. The AOS averages 69.6% overall of chargeable hours, while the private sector averages 66.4% overall of chargeable hours.
 - **Recommendation** – Consider whether charge hour expectations for AOS practice staff can be increased by evaluating non-charge hours. Total hours expectations could remain at approximately 2,080 annually. AOS should evaluate the administrative hours and although the hours may be appropriate, there may be an opportunity to determine if these hours can be converted to charge hours which could represent additional revenue from audit services or the need for fewer practice staff.
 - **Economic impact** – The opportunity cost for every 1% increase in charge hours for non-financial audits at the new billable rate of \$41 per hour for approximately 70 staff would be approximately \$32,000. The opportunity cost for every 1% increase in charge hours for financial audits for approximately 560 staff would be approximately \$370,000. The opportunity for financial audit staff would be more difficult to achieve since their average charge hours are 1,590.
- **Talent management** – The AOS has a competent, professional staff, many of whom have significant experience at the AOS. There are structured recruiting, training and development programs that are designed to hire appropriate staff and provide the necessary education and training needed to perform the AOS services. The percentage of AOS practice staff with a CPA license is 20%, which is less than the peer average that ranges from 23% to 51%, or the private sector measure of 51%. The staffing model is split between classified and unclassified staff. Compensation (excluding benefits) for AOS practice staff ranges from approximately \$44,000 at entry level to \$77,000 for a senior manager, with a weighted average of \$56,000. The peer states compensation would range from \$41,000 to \$89,000, with a weighted average ranging from \$57,000 to \$71,000. Private sector compensation ranges from \$48,000 to \$117,000, with a weighted average of \$67,000 to \$74,000.
 - **Recommendation** – AOS should evaluate its performance management system and look for opportunities to provide incentives for staff that show the capability/desire for advancement.
 - **Recommendation** – AOS should evaluate the need to enhance staff retention-related policies which could include flex time, work from home and reduced work schedules. Although reduced work schedules may reduce the number of hours worked by individuals, this could allow opportunities to attract and retain highly qualified staff.
- **Support services** – Plante & Moran, PLLC reviewed the purchasing and general services functions of the AOS. The expenditures for general services for fiscal year 2011 were approximately \$3.5 million, including \$1.4 million of facilities/rentals and \$1.2 million in payroll. The General Services Department has 18 staff. We also reviewed the process of distributing and printing copies of financial reports. AOS has seen a reduction in the number of print copies required. The AOS website contains electronic copies of all audit reports.

Summary Comments and Recommendations (continued)

- **Recommendation** – AOS should evaluate the current level of activity through an operational review in the General Services Department. At June 30, 2011, there were 6 managers and 12 staff. Due to the implementation of electronic systems and reduction in mailroom, the activity has been reduced. Some of the other responsibilities related to purchasing and fixed asset oversight may be appropriate in the Finance Department. Consider reallocation of the remaining general service activity to other departments of AOS.
- **Economic Impact** – General Services has 18 staff with payroll costs of \$1.2 million, and the services handled in this department have changed. Other savings may be achieved by outsourcing printing of business cards and other graphic requirements.

Finance

- **Revenue** – Plante & Moran, PLLC reviewed the revenue cycles and processes including billings, collections and billing rates. Revenue is not tracked by regions or departments and although overall the processes are in place, opportunities exist to create more accountability and better outcomes.
 - **Recommendation** – AOS should consider requesting advance payments from charter schools and other fiscally challenged agencies. In addition, AOS should evaluate the services provided to the local agencies and determine if there is a more effective audit process that would meet the needs of the agency and accomplish the mission of AOS. This could include expansion of cash basis audits.
 - **Recommendation** – AOS could require that all payments are sent to a lockbox, eliminating the need to process payments within the office. In addition, payments requiring research could still be processed immediately by the bank, without handling the physical check.
 - **Economic Impact** – This recommendation could reduce future accounts receivable balances and improve collectibility especially as it relates to charter schools and fiscally challenged agencies. Further, this could also reduce the unbilled hours which represent hours on engagements that were not billed to clients for various reasons.

Audit costs

- **Billable rates** – AOS completed a comprehensive rate study which identified a rate of \$58.67 to cover costs of audits and concluded to adjust its rates to a flat \$41 per hour.
- **Audit Efficiency** – AOS has an opportunity to decrease the average cost of performing audits across all services. AOS's average cost to perform an audit is higher compared to a similar peer.
 - **Recommendation** – There is not enough data to support a conclusion that peers perform audits more efficiently than AOS; however, AOS should consider reducing the average cost of audits while maintaining appropriate audit quality and compliance with auditing standards. This can be accomplished by focusing on consistent practices throughout all regions on risk assessments, sample sizes, and analytical procedures. Further, there could be efficiencies gained with changes in the type of services performed (i.e., cash basis audits).
 - **Economic Impact** – By reducing the average cost of an audit through types of audits performed and consistent practices, AOS could achieve a favorable impact. The hours saved can be reverted to auditing more agencies or reduction of staff.

Summary Comments and Recommendations (continued)

Audit processes and procedures

- **Independent Public Accountants (IPA)** – The AOS currently uses IPA firms to perform audits of various public offices. The approximate allocation of IPA audit engagements is 35% of the over 5,000 audits. The AOS subcontracts with IPA firms for all hospitals, insurance pools, metropolitan housing providers and higher education financial audits. The AOS may also use IPA firms based on scheduling constraints or public office request. The process of selecting IPA firms for engagements is decentralized and time consuming. The IPA policy allows an audit to be outsourced for up to 10 consecutive years, after which AOS is encouraged to perform the audit for at least a year before outsourcing to another IPA. The peer states do not have an IPA policy or practice that seemed to correlate or be relevant to the Ohio AOS usage of IPA firms.
 - **Recommendation** – The AOS should consider developing an overall strategy for the use of IPA firms based on audit risk, staff expertise/capacity and location of the public office requiring the service. The AOS should consider steps to streamline the IPA process related to RFPs and selection, including a potential “pre-qualification” of IPA firms. The IPA contracting process could be centralized, reducing the burden on the regions and creating greater consistency throughout the State. In addition, the AOS should evaluate the 10-year rule as to whether it creates inefficiencies and transition costs that can be avoided, while still maintaining appropriate objectivity/independence of an IPA firm and staff performing the audit.
 - **Economic Impact** – It is difficult to estimate any savings to AOS for changes in the use of IPA firms without understanding the desired allocation and strategy for using IPA firms. However, we expect there could be savings and productivity gains with a more consistent, streamlined approach to IPA selection and engagement processes.

- **Quality Assurance and A&A Departments** – AOS has competent and professional Quality Assurance and Accounting/Auditing departments. The QA department is responsible for external quality control review, the internal regional peer reviews, and the review of audit engagements with IPA firms. The A&A group is responsible for keeping AOS staff current with the accounting and auditing standards, as well as being available for staff consultations re: technical issues. These departments both provide important technical support for the audit teams and drive efficiencies throughout the audit process based on enforcement of risk assessment and sample size guidelines. The combined payroll expenditures for the two departments are approximately \$1.5 million with 16 staff. The information collected from the peer states and the private sectors indicates that the QA and A&A departments are generally part of the same group.
 - **Recommendation** – Consider combining the QA and A&A departments with focus on maintaining high audit quality, compliance with accounting/auditing standards and being a training/consultative resource to AOS staff and public offices. In addition, we recommend that the combined group be responsible for monitoring best practices in respect to sample sizes, risk assessments and audit time budgets. Consider opportunities for leaders in this group to interact with technical experts in peer states and IPA firms on a consistent basis.

Section 2: Performance Audit Results

Nature and Scope of Work

STATUTORY AUTHORITY

Audit Objective #1:

Review the scope of services provided by AOS. Is the scope of services consistent with the statutory authority?

Work Performed:

Plante & Moran, PLLC collected and reviewed the relevant Ohio statutes and services provided by AOS. The services appear consistent with the authority and obligations established in the Ohio code.

Comments:

The Auditor of State is responsible for issuing more than 4,000 audit reports per year, deriving authority primarily from Ohio Revised Code (“ORC”) Chapter 117 and from Ohio Administrative Code (“OAC”) Chapter 117.

Chapter 117 of the ORC defines “public offices” as any state agency, public institution, political subdivision, other organized body, office, agency, institution, or entity established by the laws of this state for the exercise of any function of government. “Public office” does not include the nonprofit corporation formed under Section 187.01 of the Revised Code. “State agencies” are defined as every organized body, office, agency, institution, or other entity established by the laws of the state for the exercise of any function of state government. AOS may audit the accounts of private institutions, associations, boards, and corporations receiving public money for their use and may require of them annual reports in such form as the Auditor of State prescribes.

In addition, AOS shall provide, operate, and maintain a uniform and compatible computerized financial management and accounting system known as the “Uniform Accounting Network” (UAN). The network shall be designed to provide public offices, other than state agencies and the Ohio education computer network and public school districts, with efficient and economical access to data processing and management information facilities and expertise.

The services offered by AOS include:

- Financial, Compliance and Agreed-upon Procedures Audits
- Special Audits
- Information Systems Audits
- Medicaid Contract Audits
- Performance Audits
- Local Government Services
- Uniform Accounting Network (automated accounting system used by local governments)

STATUTORY AUTHORITY

Recommendation:

At this time, no recommendation; however, as AOS considers change to its business operations, it may be necessary to consider changes to the statutes.

Management Response:

We are aware that changes to certain statutes may be necessary if substantial changes to our business operations are implemented.

Audit Objective #2:

Compare the statutory authority to peers. Compile client types and determine if required by statute or if discretionary.

Work Performed:

Plante & Moran, PLLC collected and reviewed the statutory requirements for peers.

Comments:

The statutory requirements for peers vary considerably. Plante & Moran, PLLC reviewed each peer's authority, considering such items as whether the statute:

- Defines subsets of public agencies
- Explicitly states which subsets are required to be audited
- Defines types of audits
- Requires audits to be conducted
- Requires duties beyond audits and established uniform accounting and auditing standards

Peer 'A' is not responsible for auditing or providing audit oversight to agencies below the state level.

Peer 'D' does not audit local governments or school districts. However, it reviews the financial statements and work papers of these audits that are conducted by the private sector.

Client Data	Ohio	A	B	C	D	E
State Agencies	Yes	Yes	Yes	Yes	Yes	Yes
Counties	Yes	No	Yes	Yes	Yes	Yes
Local Gov't.	Yes	No	Yes	Yes	Review	Yes
School Districts	Yes	No	Yes	Yes	Review	Yes

Statutes of AOS and Peers 'A', 'B', and 'D' contain language regarding the various types of audit engagements that are performed, such as performance and Information Systems (IS) audits. The table below shows the services that the peers provide or oversee, as indicated by an 'S' for statutorily required and 'D' for discretionary, with 'N/A' indicating that the peer does not provide or oversee this service.

STATUTORY AUTHORITY

Statutorily Required vs. Discretionary Services	Ohio	A	B	C	D	E
Financial and Attestation	S	S	S	S	S	S
Performance	D/S	S	S	N/A	S	D
IT Audits	S	N/A	S	N/A	D	N/A
Fraud / Investigative	S	N/A	S	S	S	S
Uniform Accounting Network	S	N/A	S	S	N/A	N/A
Medicaid Contract Audits	S	N/A	N/A	N/A	S	N/A
Local Government Services	D/S	N/A	N/A	N/A	N/A	N/A

Each peer's statutory authority allows the use of Independent Public Accountants (IPAs), although the practice of outsourcing to IPAs varies.

The information is based on interpretations from the peer's statutes. These interpretations were developed without the use of legal counsel, and are not meant to provide a legal opinion. Rather, the interpretations are provided as a guide.

Recommendation:

At this time, no recommendation; however, as AOS considers changes to its business operations, it may be necessary to consider changes to the statutes.

Management Response:

To ensure accountability and transparency among public offices and certain other agencies, the ORC places a high responsibility on the Office to conduct audits and provide other types of services, such as UAN and fiscal watch and emergency determinations. The AOS continues to look at areas to streamline our business operations, while still complying with our main statutory duties.

Audit Objective #1:

Review service types and the number of clients receiving each service. Is the makeup of the services similar to its peers?

Work Performed:

The AOS provides a more extensive range of services than the peers. Plante & Moran, PLLC reviewed the listing and compared it to the services of its peers as identified through surveys and interviews.

Comments:

The AOS provides the following services:

- Financial statement and compliance audits
- Performance audits
- Agreed-upon procedures engagements
- Information Technology (IT) audits
- Fraud/Investigative engagements (referred to as “special audits” by the AOS)
- Information technology support for the Uniform Accounting Network
- Medicaid Contract Audits
- Local Government Services

Local Government Services (LGS) acts as a consulting and fiscal advisory group to all government agencies. LGS provides technical expertise, training, consulting services, GAAP conversion assistance, financial forecasts, fiscal watch and emergency analysis, and records reconstruction and reconciliation. Its 57 staff performed 464 projects for the fiscal year ended June 30, 2010.

AOS is required to conduct a performance audit of a minimum of four state agencies every two years, according to ORC §117.46. AOS also shall conduct a performance audit of a school district under fiscal caution, watch or emergency if requested by the state superintendent of public instruction. Any performance audits in addition to these are discretionary.

The following table shows the number of audits by type. These figures do not include engagements completed by the private sector.

Peer ‘A’ audits only state agencies and other agencies that are explicitly named in its statutory authority.

Peer ‘B’ had a total of 880 Fraud/Investigative cases comprised of citizen hotline, whistleblower and fraud investigation cases in which most of these cases were closed without significant action or the investigation only resulted in a letter. Only 43 fraud/investigative public reports were written. Peer ‘B’ performs 1,171 accountability audits (audits performed for small agencies) which is included in the 2,556 financial and attestation.

Peer ‘C’ provides 2,846 financial and 1,889 attestations. Of the financial audits, 99% are cash basis.

Peer ‘D’ audits only state agencies and counties.

Number of Completed Audits (In-house)	Ohio	A	B	C	D
Financial, Medicaid, Attestation	2,431	36	2,556	4,735	124
Performance	16	4	7	N/A	13
IT Audits	28	N/A	24	N/A	0
Fraud / Investigative	21	N/A	43	61	0
<i>Total</i>	<i>2,496</i>	<i>40</i>	<i>2,630</i>	<i>4,796</i>	<i>137</i>

Recommendation:

AOS has an opportunity to review and modify the type of audit service required for the local agencies. Some of these considerations would include understanding the needs/users of the financial statements and determine if cash-basis financial statements would be more acceptable (vs. GAAP). Local Governmental Services (LGS) is unique to Ohio and provides GAAP conversion assistance. By allowing cash-basis financial statements or other types of engagements, GAAP conversion services would not be necessary. If eliminated, this could reduce the cost to the local agency. AOS should consider evaluating the cost/benefit of these services.

Economic Impact: The revenue for LGS services was approximately \$3 million and the expenditures for Fund 4220 (representing GAAP conversions) were slightly above \$3 million for FY 2011. These expenditures could be reduced if the GAAP audits/conversions were no longer performed for certain local government agencies. There will continue to be a need for General Fund resources for LGS services due to the assistance provided to local governments for fiscal caution, watch and emergency.

Management Response:

The AOS recognizes that cash basis statements are less costly to prepare and audit. However, GAAP financial statements allow for a complete understanding of an entity’s financial condition, and facilitate accountable and transparent government to officials and taxpayers. Counties, cities, schools, ESCs, and charter schools are currently required to prepare GAAP statements, while townships, villages, and libraries may prepare cash basis statements. The AOS is in the process of analyzing the cost of preparing GAAP financial statements to the benefit that officials and taxpayers receive from them.

GAAP conversions are a non-statutory service the AOS provides to local governments that need assistance in preparing their GAAP financial statements.

Organization and Structure

STAFFING

Audit Objective #1:

Review staffing by roles. Is the staffing by roles efficient and effective?

Work Performed:

Management provided Plante & Moran, PLLC with staffing by level. Plante & Moran, PLLC evaluated the efficiency and effectiveness of staffing by comparing to peers and the private sector. Staffing for the private sector is based on data from the *Inside Public Accounting National Benchmarking Report 2010*. For purposes of comparison to peers, total number of staff is from FY 2010. For FY 2011, AOS had approximately 810 staff; however, this does not change the overall recommendations.

Comments:

	2011 Ohio	2010 Ohio	2010 Peers	2011 Private Sector
Total Staff	100%	100%	100%	100%
Practice	78%	76%	87%	75%
Support / Overhead	22%	24%	13%	25%

Practice staff are defined as those staff whose primary responsibility is to provide direct client services, including auditors and consultants. The ratio of practice staff to support staff is reasonable when compared with peers and the private sector.

Practice Staff Levels	2011 Ohio	2010 Ohio	2010 Peers	2010 Private Sector
Partners	4%	5%	4%	20%
Managers	34%	35%	31%	37%
Auditors	62%	60%	65%	43%
Total Practice Staff	100%	100%	100%	100%

The public sector tends to report fewer partner equivalents than the private sector. The AOS staffing mix appears reasonable when compared with peers and private sector staffing.

Recommendation:

None

Management Response:

None

STAFFING

Audit Objective #2:

Compare staffing by role to peers and the private sector. Is the makeup of the staffing similar?

Work Performed:

Plante & Moran, PLLC obtained staffing by level for peers from the 2010 edition of the National Association of State Auditors, Comptrollers, and Treasurers (NASACT) benchmark report. Staffing for the private sector is based on data from the *Inside Public Accounting National Benchmarking Report 2010*.

Comments:

Plante & Moran, PLLC evaluated the similarity of staffing based on the data in the following tables.

Average Percentage	2011 Ohio	2010 Ohio	2010 Peers	2010 Private Sector
Chiefs/Partners	4%	3%	3%	14%
Audit Senior Manager	9%	10%	13%	14%
Audit Manager	17%	17%	14%	14%
Upper-level Auditor	25%	24%	27%	11%
Mid-level Auditor	12%	11%	18%	11%
Entry-level Auditor	11%	11%	12%	11%
<i>Subtotal, Audit Staff</i>	<i>78%</i>	<i>76%</i>	<i>87%</i>	<i>75%</i>
Support Staff	22%	24%	13%	25%
<i>Total</i>	<i>100%</i>	<i>100%</i>	<i>100%</i>	<i>100%</i>

Number of Employees	2011 Ohio	2010 Ohio	A	B	C	D	E	Private Sector
Chiefs/Partners *	29	30	5	5	13	5	8	228
Audit Senior Manager	76	85	21	44	30	29	10	216
Audit Manager	138	146	4	71	51	40	15	216
Upper-level Auditor	204	206	17	144	90	95	12	170
Mid-level Auditor	100	94	25	34	32	59	23	170
Entry-level Auditor	88	94	13	3	34	21	24	170
<i>Subtotal, Audit Staff</i>	<i>635</i>	<i>655</i>	<i>85</i>	<i>301</i>	<i>250</i>	<i>249</i>	<i>92</i>	<i>1170</i>
Support Staff	178	207	15	82	11	28	14	391
<i>Total</i>	<i>813</i>	<i>862</i>	<i>100</i>	<i>383</i>	<i>261</i>	<i>277</i>	<i>106</i>	<i>1561</i>

NOTE: AOS has the highest number of staff, but also has the largest workload. Staffing by role appears consistent with peers and the private sector.

STAFFING

Recommendation:

None

Management Response:

None

Audit Objective #3:

Collect charge hour statistics.

Work Performed:

Management provided Plante & Moran, PLLC with the charge hour data for fiscal year 2011.

Comments:

<u>Region</u>	<u>Chargeability Percentage</u>	<u>Average Charge Hours-Practice Staff</u>
<u>Financial Audits</u>		
Athens	75%	1,533
Canton	78%	1,561
Cincinnati	77%	1,576
Cleveland	78%	1,652
Columbus	76%	1,562
Dayton	79%	1,564
Information Systems Audit	79%	1,618
State Audit	78%	1,634
Toledo	79%	1,638
Youngstown	76%	1,559
Average - Financial Audits	76%	1,590
<u>Non-Financial Audits</u>		
Medicare Contract Audit	66%	1,273
Quality Assurance	70%	1,479
Special Audit	43%	774
Performance Audit	57%	854
Average - Non-Financial Audits	52%	1,095
AOS Average	69%	1,448

Recommendation:

Consider whether charge hour expectations for AOS practice staff can be increased by evaluating non-charge hours. Total hours expectations could remain at approximately 2,080 annually. AOS should evaluate the administrative hours and although the hours may be appropriate, there may be an opportunity to determine if these hours can be converted to charge hours which could represent additional revenue from audit services or the need for fewer practice staff.

STAFFING

Economic impact – The opportunity cost for every 1% increase in charge hours for non-financial audits at the new billable rate of \$41 per hour for approximately 70 staff would be approximately \$32,000. The opportunity cost for every 1% increase in charge hours for financial audits for approximately 560 staff would be approximately \$370,000. The opportunity for financial audit staff would be more difficult to achieve since their average charge hours are 1,590. The opportunity is as follows:

- Increased revenue if more available audit hours were performed by existing staff
- Need for fewer practice staff

Management Response:

Appropriate administrative time used by practice staff, various types of paid leave, and training are all non-charge hours that affect chargeability. We will continue to monitor and evaluate the administrative time used by our staff to identify opportunities to convert administrative time to charge hours.

TALENT MANAGEMENT

Audit Objective #1:

Collect compensation data and compare to market data for the Ohio region. Is the staff compensation within the range of market compensation for the Ohio region?

Work Performed:

Management provided Plante & Moran, PLLC with compensation data by staff level. Plante & Moran, PLLC collected compensation data for peers through a survey and interviews. Plante & Moran, PLLC also obtained private sector data for non-national accounting firms from *Inside Public Accounting National Benchmarking Report 2010*. The average compensation data from peers and the private sector were adjusted based on a Cost of Living (COL) by state index, as found at <http://www.top50states.com/cost-of-living-by-state.html>.

Relative to the three peers that provided data, the average compensation for AOS is lower for all staff levels.

Comments:

Staff Salaries	Ohio	A	B	D	Private Sector - All Non-National Firms*	Private Sector - Non-National Great Lakes Firms*
Audit Senior Manager	\$ 76,552	\$ 79,996	\$ 89,031	\$ 75,888	\$ 116,881	\$ 96,951
Audit Manager	\$ 64,224	\$ 64,917	\$ 84,792	\$ 69,435	\$ 95,870	\$ 81,582
Upper-level Auditor	\$ 57,543	\$ 59,299	\$ 66,092	\$ 63,537	\$ 77,867	\$ 69,221
Mid-level Auditor	\$ 52,258	\$ 53,775	\$ 54,827	\$ 61,161	\$ 61,885	\$ 57,477
Entry-level Auditor	\$ 43,591	\$ 43,141	\$ 41,443	\$ 56,524	\$ 50,335	\$ 48,462
Weighted Average	\$ 56,103	\$ 57,093	\$ 71,240	\$ 63,492	\$ 74,089	\$ 67,446

* Although the private sector typically would not have an equivalent to the Upper-level Auditor ("Assistant Auditor 3"), compensation data provided in this table is based on similar years of experience.

According to the *Inside Public Accounting National Benchmarking Report 2010*, average pay per professional for all non-national firms is \$74,089. The average pay per professional for firms in the Great Lakes Region is \$66,757.

Recommendation:

AOS could explore opportunities for incentives to reward high performing staff. We recognize the challenges in compensating staff with the current budgetary constraints; however, other incentives could include additional training to achieve CPA certification, flexible work schedules and work at home opportunities.

Economic Impact: Incentives provided to high performing staff may have minimal cost savings, but provide a high return on staff morale. These incentives, such as work at home policies, could generate some cost savings in travel and potentially reduce the need for certain satellite offices. The satellite office costs are \$71,000 in total. However, a reduction in square footage of office space could generate more significant savings.

TALENT MANAGEMENT

Management Response:

Currently, flex time is permitted that allows employees to set their own work hours within specified limits. In addition, a compressed work week is offered that allows employees to work their usual number of hours in fewer days.

The AOS encourages staff to achieve the CPA certification by providing course study materials for the CPA exam and paying for costs associated with the exam.

Audit Objective #2:

Collect personnel procedures for the following items.

- Recruiting
- Training & Development
- Retention

Work Performed:

Management provided its procedures for recruiting, training and development, and retention through interviews and as documented in the *Policies and Procedures Manual (Revised September 27, 2010)*, and its *2011 Transition Manual*.

Comments:

Recruiting

AOS employs a Director of Recruitment and recruits from accredited colleges and universities during the fall semester. AOS prioritizes geographic availability over talent of the individual in some of the regions.

Best practices for recruiting include evaluating hiring needs, which typically heavily weigh talent and abilities. Talent and abilities are evaluated through assessments and behavioral-based interviewing. According to the *Inside Public Accounting National Benchmarking Report 2010*, non-national firms in the Great Lakes Region spend 0.2% of their net revenue on recruiting.

Training & Development

AOS develops and provides its own trainings. This internal training is provided twice per year to meet the 40 hours of continuing education per year requirement for public accounting firms. The cost of this training is approximately **\$388** per staff per year.

The private sector typically provides internal and external trainings. The external trainings enable staff to pursue training unique to their circumstances, network, learn peers' practices, and stay abreast of industry developments. Delivery methods for regional firms tend to be 72% classroom study, 17% virtual, and 11% self-study, according to the *EDMAX Learning Metrics & Operations 2010 Benchmarking Survey Results (Data Relates to 2009-2008)*.

TALENT MANAGEMENT

According to the *Inside Public Accounting National Benchmarking Report 2010*, on average, non-national firms in the Great Lakes Region spend **\$1,923** per staff per year on training costs which represents 1.1% of net revenue. According to the *EDMAX Benchmarking Survey*, on average, training costs are 2.8% of payroll expenses. In addition, 94% of non-national firms in the Great Lakes Region reimburse an average of 99% of travel expenses related to continuing professional education (CPE).

CPAs

The table below provides data submitted to the 2010 edition of the National Association of State Auditors, Comptrollers, and Treasurers (NASACT) benchmark report providing the staff that are licensed Certified Public Accountants. AOS has the lowest percentage of CPAs as compared to peers and the private sector.

Number and Percent of CPAs	Ohio	A	B	C	D	E	Private Sector
Number of CPAs	129	25	69	128	88	42	91
Number of Audit Staff	655	85	301	250	249	92	178
<i>Percentage of Audit Staff</i>	20%	29%	23%	51%	35%	46%	51%

Retention

AOS does not have documented programs related to retention. The average years of experience by role are shown in the table below, along with peers and the private sector. AOS has not focused significant attention on policies for retention based on the longevity of staff.

Best practices for retention include creating a workplace environment with healthy morale and work/life balance for staff. Best practices also include evaluating staff performance and severing the employment of underperforming individuals, and actively striving to maintain an appropriate mixture of staffing levels and years of experience.

Years of Experience of Audit Staff	Ohio	A	B	C	D	E	Peer State Average
Audit Senior Manager	17	18	18	28	20	13	19
Audit Manager	14	8	16	24	15	13	15
Upper-level Auditor	12	6	11	22	11	5	11
Mid-level Auditor	5	3	7	9	4	2	5
Entry-level Auditor	1	1	1	6	1	1	2

Recommendation:

The following recommendations could contribute to the value of the AOS's services:

- Recruiting staff and interest in advancement opportunities
- Evaluate professional staff retention-oriented policies, such as working from home and flexible or reduced work schedules
- Incorporate incentives for CPA certifications (i.e., advancement opportunities)

TALENT MANAGEMENT

Future Consideration: The AOS has a qualified, professional staff. Over time, consideration should be given toward increasing certifications and qualifications that lead to a higher competency level and greater productivity. The potential could exist to perform the services with fewer practice staff who are compensated at a higher level.

Management Response:

The data presented above appears to indicate that the AOS retention of experienced staff is consistent with peer states. Currently, flex time is permitted that allows employees to set their own work hours within specified limits. In addition, a compressed work week is offered that allows employees to work their usual number of hours in fewer days. The AOS has recently reevaluated its hiring practices and is implementing a more effective and efficient approach to hiring qualified staff.

The AOS sends a number of staff to external trainings such as the GFOA, AGA, and Fraud Investigation and Prevention conferences.

SUPPORT SERVICES

Audit Objective #1:

Review the purchasing and general services functions.

Work Performed:

Plante & Moran, PLLC discussed the purchasing and general services process with management and reviewed its policies and procedures in its *Policies and Procedures Manual (Revised September 27, 2010)* and its *2011 Transition Manual*.

General services include:

- Purchasing
- Supplies, Inventory, and Fixed Asset Recordkeeping
- Records Retention, Reproduction, and Imaging
- Digital Publishing
- Communications
- Mailroom Services

Comments:

AOS does not purchase significant supplies, inventory, etc.

The total expenditures for the General Services Department for the fiscal year ended June 30, 2011 were \$3.5 million, including \$1.4 million for facilities/rentals, \$1.2 million for payroll, and \$80,000 for vehicles.

Recommendation:

AOS should evaluate the current level of activity through an operational review in the General Services Department. At June 30, 2011, there were six managers and 12 staff. Due to the implementation of electronic systems and reduction in mailroom, the activity has been reduced. Some of the other responsibilities related to purchasing and fixed asset oversight may be appropriate in the Finance Department. Consider reallocation of the remaining general service activity to other departments of AOS.

Economic Impact: General Services has 18 staff with payroll costs of \$1.2 million and the services handled in this department have changed. Other savings could be achieved by outsourcing printing of business cards and other graphic requirements.

Management Response:

There has been a reduction of three managers in general services that were not replaced since the staffing information was presented to Plante & Moran, PLLC for General Services. Since the initiation of this performance audit, the AOS has renegotiated a lease on the office at 88 East Broad Street, Columbus, that included a reduction of total space.

SUPPORT SERVICES

Audit Objective #2:

Review the records retention policy and compare to best practices.

Work Performed:

Plante & Moran, PLLC reviewed the records retention policies.

Comments:

The record retention policy was comparable to best practices.

Recommendation:

None

Management Response:

None

Audit Objective #3:

Review the process for report distribution.

Work Performed:

AOS distributes hardcopies of financial reports to entities that do not have access to receive reports electronically. The ORC states that the governing body, audited public office, and legal counsel should receive certified copies of completed audit reports. Audit reports are posted online to the Auditor of State's website and distribution lists are used to inform clients of the upcoming publication and to distribute the final report.

Comments:

The peers and the private sector also distribute hardcopies and post reports online.

Recommendation:

Evaluate ability to move to 100% electronic distribution considering necessary statutory changes.

Management Response:

Effective January 1, 2010, the AOS began distributing certified copies of audit reports electronically with each of the required recipients in accordance with state law. For those recipients that do not have the ability to receive their reports electronically, hard copies continue to be sent to them. With the surge in technology, we believe that the need to send hard copies will significantly decrease. Electronic distribution may be an option for the future, but would require a statutory change. In the meantime, ensuring the audit reports are provided to the appropriate people outweighs the costs.

POLICIES AND PROCEDURES (NON-AUDIT)

Audit Objective #1:

Review the procedures for non-audit items, such as travel and expense reimbursements.

Work Performed:

Plante & Moran, PLLC reviewed the procedures for travel and expense reimbursements, as documented in the *Policies and Procedures Manual (Revised September 27, 2010)*. AOS has extensive policies related to travel and expense reimbursements. For example, AOS requires that receipts are submitted for all expenses, and stipulates exact items that may be reimbursed under various scenarios.

Comments:

Expense-related policies are detailed. Best practices incorporate an understanding that expenses under a certain threshold are common and expected, and thus do not require receipts for amounts under this threshold. Aside from the purchase of alcohol, typical policies do not stipulate types of foods or beverages that are reimbursable. Typical policies allow for the reimbursement of gratuities.

Recommendation:

AOS may wish to review its policies related to travel and expense reimbursements, which could reduce the effort required to review travel and expense reimbursements.

Management Response:

AOS follows Ohio's Office of Budget and Management (OBM) travel and reimbursement policies in almost all instances.

Audit Objective #2:

Review the use of technology and compare to peers and the private sector.

Work Performed:

Plante & Moran, PLLC discussed the use of technology with management. AOS makes extensive use of several industry-standard tools and technologies.

Comments:

AOS uses CCH Group's TeamMate for its audit management software and Microsoft's Sharepoint for internal purposes. The IT Department has pilot-tested Microsoft's Office Communicator. Peers and the private sector are using the following systems:

- CCH Group's TeamMate or ACL
- Microsoft Sharepoint for online file transfer and storage
- Remote access solution
- Microsoft's Office Communicator for instant messaging

POLICIES AND PROCEDURES (NON-AUDIT)

Accordingly, the use of technology is consistent with industry trends. AOS could increase its efficiencies and reduce its costs by continuing to seek optimal utilization of CCH Teammate and using Microsoft Sharepoint for transferring files with clients. AOS could also increase its remote access capabilities, enabling staff to work more efficiently when outside of the office. The use of Microsoft's Office Communicator can greatly increase information flow between staff and departments.

Recommendation:

AOS may benefit from the development of a comprehensive strategic technology plan to focus on expanding worker mobility options. One of the areas to consider is using Microsoft Sharepoint for a document depository for client files.

Management Response:

The AOS has a comprehensive strategic technology plan that we are in the process of updating. The AOS is continually reviewing the mobility options for our staff and we believe that AOS already has very good mobility options in place that allow our auditors to perform their duties effectively and efficiently. Any specific recommendations mentioned above come at an increase in cost at a time when budgets are tight and the cost of implementing these recommendations must be weighed in relation to the benefits received from them. Because there was a no-cost option with instant messaging, we are currently in the process of implementing instant messaging for all staff. In addition, AOS uses a very low-cost secure file transfer tool called "sendthisfile."

Finance

REVENUE

Audit Objective #1:

Review the billing process and collections (accounts receivable) policies. Are the processes efficient and effective?

Work Performed:

Plante & Moran, PLLC discussed the processes and policies with management and reviewed the same in the *Policies and Procedures Manual (Revised September 27, 2010)*, the *2011 Transition Manual* and the documentation the AOS's *Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2010 (CAFR)*.

Clients are billed based on actual hours generated from the initial budget. Invoices for audit services are sent by the Finance Department at the end of each month.

Payments may be sent to either a lockbox or the Columbus office. If the bank with the lockbox is missing information related to the payment, the check is sent to AOS for proper information. The audit teams monitor the billings; however, the audit teams are not involved with the collection process.

Plante & Moran, PLLC obtained the billing and collection policies and procedures from peers through a survey and interviews. The billing procedures for AOS are similar to the majority of the peers.

Comments:

According to the CAFR, AOS charges local governments for audit expenses and accounting services. The billings are recorded as accounts receivable when services are provided. Accounts receivable are tracked through the Auditor's payroll and billing system. As payroll is submitted, the hours worked by each employee, by engagement, are recorded and the hours are tracked by the billing system to charge the entity for the services performed. Most of the charges billed by AOS are considered fully collectible since state law allows the Office to certify outstanding balances to the Director of Budget and Management (OBM) for collection. According to the *2011 Transition Manual*, the AOS uses Dynamics-GP as its information system for accounts receivable. Clients receive statements that include all relevant projects. GP is also used for posting payments and tracking past due amounts.

The outstanding accounts receivable over 120 days are \$2.4 million at June 30, 2011. The outstanding receivable balances have increased significantly over the past few years. This has been attributed to charter schools that are no longer in existence and other agencies that are unable to pay on a timely basis for their services.

AOS should consider the following two questions:

- Is AOS getting paid for services performed?
- Is AOS collecting for services billed?

REVENUE

Recommendation:

AOS should consider requesting advance payments from charter schools and other fiscally challenged agencies.

AOS should evaluate the services provided to the local agencies and determine if there is a more effective audit process that would meet the needs of the agency and accomplish the mission of AOS. This could include expansion of cash basis audits.

AOS could require that all payments are sent to a lockbox, eliminating the need to process payments within the office. In addition, payments requiring research could still be processed immediately by the bank, without handling the physical check.

Economic Impact: This recommendation could reduce future accounts receivable balances and improve collectibility especially as it relates to charter schools and fiscally challenged agencies. Further, this could also reduce the unbilled hours which represent hours on engagements that were not billed to clients for various reasons.

Management Response:

Closed Charter Schools are by far the largest portion of the \$2.4 M of debt outstanding longer than 120 days. AOS is encouraging legislative changes to require Charter Schools to carry insurance or surety bonds to cover audit costs. This requires statutory changes. All invoices have a remittance address to the lock box.

Audit Objective #2:

Review the billing rates and compare the average cost per hour to its average billing rates. Does the billing rate cover costs?

Work Performed:

Plante & Moran, PLLC created a financial statement to include the “allocated revenue”, cost of payroll, and other costs for each department. The billing rates cover the audit staff’s compensation and a portion of their benefits. The average revenue generated per employee is \$49,942 and the average cost per employee is \$83,273.

Comments:

AOS engaged a firm to complete an independent comprehensive rate study which identified a rate of \$58.67 to cover costs of the audits. As a governmental agency, AOS does not seek a profit. This approach creates a reliance on the state appropriations. AOS reviewed the independent rate study and received approval to adjust rates to a flat \$41 per hour.

Recommendation:

None

REVENUE

Management Response:

The \$41 rate was developed to begin the process of reducing the reliance on the General Fund budget. We recognize that all audit costs could not be recouped immediately because of the financial burden it would cause our local government clients.

Audit Objective #3:

Compare the billing rates to peers. Are the billing rates consistent with peers?

Work Performed:

The rates for AOS are not based on actual costs. In comparison with peers, other considerations appear to consistently influence the rate-setting process.

Plante & Moran, PLLC obtained the billing rates of peers through a survey and interviews. The billing rates differ substantially between peers, primarily as a result of the various budget and funding sources. Each peer varies in the types of clients it bills and the amount of benefits and administrative support included in billing rates. Peers B, C, D, and E charge billing rates that are expected to cover their staff's full cost of service, including salaries, benefits, and administrative support. Accordingly, their rates are higher. The private sector charges rates that cover full cost of service plus profit. Accounting firms located in the Great Lakes Region have an average billing rate per hour of \$149.56, which is considerably higher than the rates charged by peers.

The following table shows the average staff billing rates for 2010. Some peers charge a flat rate per staff. If that is the case, this rate is shown for all staff members. Effective in April, AOS increased its rate to \$61.23 for state agency audits.

Staff Billing Rates - State Agencies	Ohio	A	B	C	D	E
Audit Senior Manager		\$ 59.00			\$ 105.00	
Audit Manager		\$ 43.00			\$ 87.00	
Upper-level Auditor	\$ 58.79	\$ 40.00	\$ 82.00	\$ 68.00	\$ 74.00	\$31.25 - \$93.50
Mid-level Auditor		\$ 34.00			\$ 62.00	
Entry-level Auditor		\$ 32.00			\$ 51.00	

In addition, some peers charge lower rates for local government agencies, as shown in the following table:

Staff Billing Rates - Local Government Agencies	Ohio	A	B	C	D	E
Rates for Local Government	\$36.60 (Average Rate)	N/A	\$78.50	\$45 per staff per day	\$0.30 per capita	\$31.25 - \$75.25

Comments:

The peers vary in the amount of funding received through state appropriations and audit fees. The following table provides the 2010 annual budget and provides the respective revenue mix between state appropriations and fees for services. Every peer receives some support from the State; however, they vary in the amount of funding they receive and in the fees charged for auditing services.

REVENUE

Budget for Audits	Ohio	A	B	C	D	E
Total Budget	\$ 71,781,583	\$ 26,800,000	\$ 38,454,000	\$ 21,000,000	\$ 24,624,400	\$ 9,500,000
State Appropriations	40%	see note	13%	see note	73%	10%
Fees for Service	60%	see note	87%	see note	27%	90%

AOS performs more audits than its peers. Consequently, AOS has the largest annual budget which is approximately \$33 million greater than the next highest annual budget and \$48 million greater than the peer average (approximately \$24 million annually). Ohio's annual state funding appropriation is approximately \$28 million, which is \$4 million greater than the average budget of the peers.

Note: Peers 'A' and 'C' were unable to provide a breakout of the revenue received through audit fees because their fee revenue is collected at the State level and collection detail is not provided to the State Auditor's office. Peers 'A', 'C', and 'D', are primarily funded through state appropriations. AOS has considered the recent rate study and the information of its peers to determine the new rate of \$41 per hour. The state agency rate will increase to \$64.36 during this fiscal year.

Recommendation:

None

Management Response:

The \$41 rate was developed to begin the process of reducing the reliance on the General Fund budget. We recognize that all audit costs could not be recouped immediately because of the financial burden it would cause our local government clients.

Audit Objective #4:

Review the bad debt process.

Work Performed:

Plante & Moran, PLLC discussed the bad debt process with management and reviewed the policies as documented in the *Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2010* (CAFR) and its *2011 Transition Manual*.

Comments:

According to the CAFR, "[t]here are a certain number of entities that because of their financial condition are unable to pay their full invoices, and consequently a request is sent to the entity asking them to enter into a monthly payment plan with the Office. If the entity refuses to enter into a payment plan and it is determined that the amount is uncollectible through the certification process, portions of the outstanding balance may be written off as uncollectible. The Office currently does not have statutory authority to write off debt. This requires action by the Attorney General or a statutory change. During fiscal year 2010, the Office recorded \$192,718 in allowance for doubtful accounts shown as a reduction in operating revenue in the financial statements."

REVENUE

According to the Transition Manual, accounts with balances over 120 days past due are reviewed quarterly. The Finance Director recommends actions to take on each account to the CFO and Chief Deputy Auditor. Decisions are based on the amount owed, the engagement, and payment history. Actions include:

- sending a monthly invoice regarding the past due balance
- writing off the account to bad debt expense
- certifying the amount owed to the Department of Education (for charter schools), the Attorney General's Office (for charter schools that have closed,) or the Office of Budget and Management (for all others pursuant to ORC §117.13(D))
- no action taken. Typically no action is taken if the entity is in Fiscal Watch or Emergency or if it is making payments

Less than 1% of the AOS's revenue is written off each year; however, the accounts receivable balances have increased significantly over the past years.

Recommendation:

None

Management Response:

As discussed previously, a large portion of accounts receivable balances is due to closed Charter Schools.

Audit Objective #5:

Review practice management reporting and key metrics. Do effective practice management reporting and key metrics exist?

Work Performed:

Plante & Moran, PLLC discussed practice management reporting and key metrics with management. Plante & Moran, PLLC also obtained monthly reports disseminated from the Finance Department.

The Finance Department provides "Budget to Actual" reports to each department on a monthly basis. These reports only provide information regarding expenditures.

Comments:

Comprehensive practice management and key metrics should incorporate comparisons of revenue to expenditures and performance metrics such as chargeability. The information systems are capable of calculating and providing useful metrics for practice management.

Recommendation:

REVENUE

AOS should consider enhancing management capabilities by utilizing its information system to provide key metrics and adapting operations based on the results. Metrics should be aligned and monitored at an individual and regional and project level. A “dashboard concept” can be created and used as a tool for specific metrics. Plante & Moran, PLLC has shared the “dashboard concept” and will provide a more detail overview, as requested.

To implement key metrics within the organization, AOS must identify key benchmarking metrics. Some metrics could include:

- Staff hours include chargeable and total hours
- Establish and challenge hour budgets based on engagement type
- Comparison of actual hours vs. budget including analysis of any unbilled time
- Payroll costs as a % of revenue

In order to achieve the metrics, monitoring and control should be assigned to the chief auditors. This would include the authority to make personnel changes based on performance and staffing needs. In addition, decisions regarding work schedules, travel, and other considerations would be the responsibility of the chief auditor in each region.

Management Response:

The AOS recognizes that key metrics are an important aspect of any practice management system and is reviewing what we currently measure to determine if more specific measurements would be beneficial to the Office. In addition, chief auditors are given the responsibility to monitor and control these measurements. While chargeability, backlog of audits, and quality control are measurements already in place, we will be considering enhancements that could be made to these measurements that would be more meaningful to set goals and adapt operations based on results. AOS does have a project started that would compare “similar” financial audit entities and set benchmarks for audit hours that would identify any budgets that appear to be outliers.

EXPENDITURES

Audit Objective #1:

Review the process for time charges. Is the process efficient and effective?

Work Performed:

Plante & Moran, PLLC discussed the process for time charges with management and reviewed the process in the *2011 Transition Manual*.

According to the *Transition Manual*, "employees in the Audit Department enter hours into timesheets by projects that are uploaded into GP and then used for billing purposes. All other employees enter their time into a generic Administrative project that is not billed."

The process for time charges appears efficient and effective.

Comments:

None

Recommendation:

None

Management Response:

None

Audit Costs

BILLABLE RATES

Audit Objective #1:

Compare the average cost per hour and average billing rate to peers. Do the average costs and billing rates compare to peers?

Work Performed and Comments:

The peer staffing data was provided to the 2010 edition of the National Association of State Auditors, Comptrollers, and Treasurers (NASACT) benchmark report. Using this data and the budget data gathered in the benchmark review, the project team calculated a total cost per employee for each of the peers. The following table lists the total number of employees for each peer and the total cost per employee:

Cost per Employee	Ohio	A	B	C	D	E
# of Employees	862	100	383	261	277	105
Average Cost per Employee	\$83,273	\$268,000	\$100,402	\$80,460	\$88,897	\$90,133

Average revenue generated per employee is a common metric used among the private sector. For example, the private sectors in the Great Lakes Region average approximately \$173,092 in revenue per employee.

For comparison purposes, the project team calculated the average revenue per employee for each of the peers. The results are included in the following table:

Revenue per Employee	Ohio	B	D	E
Total Fee Revenue	\$ 43,050,283	\$ 33,307,500	\$ 6,536,000	\$ 8,550,000
# of Employees	862	383	277	105
Avg. Revenue per Employee	\$ 49,942	\$ 86,965	\$ 23,596	\$ 81,120

The peers varied considerably in their average revenue per staff. Peers 'B' and 'E', which receive the majority of their funding through audit fees, had the highest revenue per employee metric. AOS and Peer 'D' have lower revenue per employee metrics; however, 'D' receives the majority of its funding from state appropriations, while AOS is primarily funded through fees. Peer 'A' and 'C' are not included because they did not provide the amount of their funding from fees. AOS has considered the recent rate study and the information of its peers to determine the new rate of \$41 per hour.

Recommendation:

None

Management Response:

While the average cost per employee is second lowest to the peers, the AOS recognizes that the average revenue per employee is lower due to the rate structure that we chose to implement for local governments which is lower than what most of the peers use.

AUDIT EFFICIENCY

Audit Objective #1:

Calculate average cost per audit and compare to peers.

Work Performed:

Plante & Moran, PLLC calculated a total cost per audit by including total budget costs and the number of audits completed in-house.

Comments:

Audits can vary greatly in scope and complexity. Each peer state appears to have a significantly different mix of audit services and types of services (i.e., cash basis). As such, direct comparisons between peers may not be valid.

AOS has an opportunity to decrease the average cost of performing audits across all services by evaluating the types of services performed. This evaluation could drive cash basis or other types of services.

Recommendation:

There is not enough data to support a conclusion that peers perform audits more efficiently than AOS; however, the AOS should consider reducing the average cost of audits while maintaining appropriate audit quality and compliance with auditing standards. This can be accomplished by focusing on consistent practices throughout all regions on risk assessments, sample sizes, and analytical procedures. Further, there could be efficiencies gained with changes in the type of services performed (i.e., cash basis).

Economic Impact – By reducing the average cost of an audit through efficiencies and changes in the type of services performed, the hours saved can be reverted to auditing more agencies or reduction of staff.

Management Response:

Over the last two years, the Office has concentrated on implementing efficiencies for financial audits based on the risk-based approach and has trained staff on how to implement them. In addition, the AOS now provides AUPs to smaller governments that qualify for them rather than performing a financial statement audit. These AUPs have reduced audit costs for those entities by as much as 50%. A recent study on sampling has been completed and staff have been trained to implement this new guidance. Based on the guidance, in many cases, sample sizes will be smaller, producing audit efficiencies. In addition, the Office should begin recognizing some additional efficiencies with the implementation of Electronic Workpapers (TeamMate) that was introduced in the spring of 2010.

Audit Process

CLIENT SELECTION

Audit Objective #1:

Compare the client selection policies and procedures to peers. Do the client selection policies and procedures compare to peers?

Work Performed and Comments:

Plante & Moran, PLLC compared the client selection policies and procedures to peers. The following table shows the types of audit clients serviced by peers.

Client Data	Ohio	A	B	C	D	E
State Agencies	Yes	Yes	Yes	Yes	Yes	Yes
Counties	Yes	No	Yes	Yes	Yes	Yes
Local Gov't.	Yes	No	Yes	Yes	Review*	Yes
School Districts	Yes	No	Yes	Yes	Review*	Yes

*Peer 'D' does not perform any local government audits, except counties; however, it conducts work paper and audit report reviews for these engagements, which are completed by IPAs.

The following table shows the percentage of in-house audits vs. audits contracted to IPAs.

Percentage of Audits	Ohio	A	B	C	D
% of In-house Audits	63%	27%	99%	100%	9%
% of Contracted Audits	37%	73%	1%	n/a	91%

Peer 'B' performs 1,171 accountability audits. Peer 'E' did not provide this breakout for comparison.

The peers generally rely on statutory authority as the source for client selection, placing a greater emphasis on identifying which clients not to audit. Peer 'E' is the most unique since it submits bids for all local government audits it chooses to pursue, in competition with Independent Public Accountants.

IPAs tend to be hired for:

- Lack of available state resources
- Industry expertise that is unavailable
- Value provided by IPAs

Recommendation:

AOS should evaluate the public offices to audit based on audit risk, staffing, and available expertise.

Management Response:

Audits to be contracted to IPAs are determined by the Region Chief Auditors based on audit risk, staffing and available expertise. The AOS is in the process of finalizing new procedures for IPA contracting.

CLIENT SELECTION

Audit Objective #2:

Review the audit frequencies and compare to peers. Are the audit frequencies similar to its peers?

Work Performed:

Plante & Moran, PLLC reviewed the audit frequencies as stipulated in the Ohio Revised Code and obtained peers' audit frequencies through a survey and interviews. The audit frequencies are similar to its peers.

Comments:

Audit frequency varies between peers. While single audits are completed annually, as required, the frequency of the audits of other state and local agencies vary as shown in the following table:

Audit Frequency	Ohio	A	B	C	D
State Agencies	1- 2 yrs	1- 2 yrs	1 - 5 yrs	1 yr	1 - 8 yrs*
Counties	1- 2 yrs	n/a	1 - 2 yrs	1 yr	1 - 5 yrs
Local Gov't.	1- 2 yrs	n/a	1 - 3 yrs	1 - 2 yrs	1 yr
School Districts	2 yrs	n/a	1 - 3 yrs	2 yrs	1 yr

*Four-year universities are performed annually and community colleges are performed every two years. Other state agencies must be completed at least once every 8 years.

While audit frequencies vary, it appears that most of the peers are required to complete the majority of their audits every one to two years. Only 'B' has a truly variable audit schedule that varies by type of agency, whereby small local governments and school districts must be audited every three years depending on the results of risk assessments.

Recommendation:

None

Management Response:

Ohio Rev. Code Section 117.11 requires the auditor of state shall audit each public office at least once every two fiscal years. The auditor of state shall audit a public office each fiscal year if that public office is required to be audited on an annual basis pursuant to "The Single Audit Act of 1984." In the chart above, all of the counties and several of the state agencies and schools are audited annually due to the single audit requirements.

INDEPENDENT PUBLIC ACCOUNTANTS (IPA)

Audit Objective #1:

Review the process for Independent Public Accountants (IPAs).

Work Performed:

Plante & Moran, PLLC discussed the IPA policies and practices with management and reviewed statutes regarding IPAs in the Ohio Revised Code and Ohio Administrative Code.

AOS subcontracts IPAs for all hospitals, insurance pool, metropolitan housing provider, and higher education financial audits; and for engagements that AOS is not capable of performing based on scheduling constraints or engagements for which the client requested the use of an IPA.

The process of selecting IPAs is decentralized by region and is very time consuming. IPAs are evaluated and scored by local region and government agency and subsequently approved by AOS.

The IPA policy allows the audit to be outsourced for up to 10 consecutive years. After 10 consecutive years, the AOS is encouraged by policy to audit the agency for a year before outsourcing again. This policy can create issues with staffing availability when exchanging audits with different complexities and size.

Comments:

Through interviews with management it was determined that IPAs are used for multiple reasons, including:

- Lack of available state resources
- Industry expertise that is unavailable
- Value provided by IPAs

Through interviews, it was determined that peers use IPA firms as follows:

- Peer 'A' only performs services for State agencies, with the remainder of governmental audits contracted to IPAs
- Peer 'B' and 'C' rarely, if ever, have IPAs perform services for government agencies
- Peer 'D' contracts all local government and school district audits to IPAs and conducts work paper and audit report reviews for these engagements
- Peer 'E' uses IPAs for the majority of its counties, local governments, and school districts

Recommendation:

AOS should develop a consistent strategy for the outsourcing of audits to IPAs. In order to develop a consistent strategy, AOS should identify the current practice by all of the regions on the number and type of local agencies outsourced to IPAs. AOS should have an IPA strategy based on audit risk, staff expertise/capacity, and location.

INDEPENDENT PUBLIC ACCOUNTANTS (IPA)

AOS could evaluate steps to streamline the IPA process, such as establishing a listing of approved auditors (“pre-qualified”), which could reduce the time required by regions to evaluate IPAs. At a minimum, this process could be centralized, reducing the burden on the regions and creating consistency throughout the state.

The practice of requiring a 10-year rotation could be revised to require that the public agencies seek proposals periodically, but allow IPAs to continue serving the client for more than 10 years if they continue to be qualified and take other measures to ensure that the audit opinions remain objective.

Management Response:

None

QUALITY ASSURANCE AND A&A DEPARTMENTS

Audit Objective #1:

Review the Quality Assurance and A&A Departments and compare to peers and the private sector.

Work Performed:

Plante & Moran, PLLC obtained information regarding the responsibilities of the departments through interviews and other documentation provided by AOS.

Comments:

The Quality Assurance Department administers the external quality control review, the annual internal regional peer reviews, and reviews of reports and working papers for audits contracted with IPAs.

The Accounting and Auditing Support Group is responsible for assuring that AOS remains current with the ever-changing accounting and auditing standards. AOS policies also require all financial audit staff consult with A&A for approval of all audit findings and opinion qualifications. Audit staff must also consult with A&A whenever they encounter unusual accounting or auditing issues.

Peers A', 'D', and 'E' do not have Quality Assurance Departments. Rather, they each have a Quality Assurance Coordinator. Responsibilities include: 1) reviewing financial audit reports for compliance with standards, 2) contributing to the development of internal policy manuals, audit programs, and report formats, 3) updating staff on new accounting and auditing standards, and 4) contributing to internal and external peer review processes.

In the private sector, the responsibilities of Quality Assurance would include the peer review process, oversight of technical support staff, monitor audit theory, and provide both training and program updates on auditing and accounting updates.

Recommendation:

AOS could strengthen the department by combining the Quality Assurance Department and Accounting and Auditing Support Group. This combined department could be responsible for monitoring best practices in respect to sample sizes and risk assessments. In addition, one of the peers had this department focus on the audit hours for each engagement. Since this department was responsible for audit programs and audit theory, they had a deep understanding of the expected hours on each engagement type.

These departments provide a critical technical support for the audit teams and drive efficiencies throughout the audit process based on enforcement of risk assessments and sample size guidelines.

Management Response:

None

AUDIT PLANNING

Audit Objective #1:

Review risk assessments and compare to peers. Is the process for risk assessments efficient and effective?

Work Performed:

Plante & Moran, PLLC discussed the audit process with management. AOS is using a risk-based approach in the audit process.

Comments:

Risk assessments are performed prior to fieldwork, by auditors under proper supervision depending on each auditor's level of knowledge and experience. Results of risk assessments impact the amount of auditing required. In interviews with peers, it also uses risk assessments to determine the audit plan.

Recommendation:

None

Management Response:

None

Audit Objective #2:

Review the process for pre-audit communication and compare to peers and the private sector.

Work Performed and Comments:

Plante & Moran, PLLC reviewed the process for pre-audit communication and compared it to peers and the private sector through interviews and surveys.

Recommendation:

The pre-audit communications are similar to peers and the private sector.

Management Response:

None

AUDIT PLANNING

Audit Objective #3:

Review the process for staffing and scheduling audits and compare to peers and the private sector.

Work Performed:

Plante & Moran, PLLC interviewed the peers and the private sector to identify their processes for scheduling.

Comments:

AOS does not use a scheduling system. Audits are scheduled based on historical hours and the senior audit managers are responsible for assigning staff to engagements. Staff is assigned based on training and experience, availability, and geographic location.

Peers and the private sector use either Excel or a software scheduling system. Staff scheduling is generally based on staff availability, staff experience, and engagement complexity.

Recommendation:

None, but if staffing models change, a scheduling system may be necessary to efficiently schedule engagements.

Management Response:

Agreed. If our staffing model would change, the recommendation would be taken into consideration.

AUDIT FOLLOW-UP

Audit Objective #1:

Review the process for client satisfaction surveys and compare to peers and the private sector.

Work Performed:

Plante & Moran, PLLC discussed the process for client satisfaction surveys with management, and obtained peers' and the private sector's information through a survey and interviews.

Comments:

According to the survey of the peers and subsequent interviews, only one of the peers conducted client satisfaction surveys as a means to maintain client relationships. The remaining peers indicated that they respond to client concerns as a way to maintain good client relationships.

The following table shows the peers that complete client satisfaction surveys:

Benchmark Participants	Ohio	A	B	D	E
Are client satisfaction surveys conducted?	Y	N	Y	N	N

Peer 'A', which is primarily state funded, has only one official client, the state's legislative assembly. This peer receives organizational feedback through legislative hearings and interactions with the legislature.

Recommendation:

None

Management Response:

When audits are released, clients have the opportunity to respond to a client survey. The results of these surveys are made available through a data base for Division Chiefs to review and to monitor services provided to our clients.

AUDIT FOLLOW-UP

Audit Objective #2:

Review the process and timing for client reporting and compare to peers.

Work Performed and Comments:

Plante & Moran, PLLC discussed client reporting practices with management. Ohio Revised Code 117.38 requires financial reports that adhere to generally accepted accounting principles to be filed with its office within 150 days, or five months, of the close of the entities' fiscal year; and within 60 days for financial reports that file cash basis reports. The financial statements are due within 180 days of the entity's fiscal year. These deadlines result in a limited amount of time to complete the audited financial statements.

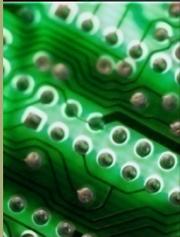
Recommendation:

AOS should consider the following:

- Accepting cash-basis and other comprehensive bases of accounting financial statements
- Discuss the 150-day deadline to allow more time to complete the audited financial statements, which would require statutory change.

Management Response:

AOS is currently reviewing the GAAP reporting requirements. Any change in the requirements will require a change to Ohio Administrative Code 117-2-03.



Auditor of the State of Ohio Peer State Benchmark Review

Supplement to Performance Audit, dated November 10, 2011

SECTION 1: INTRODUCTION

1.1 SCOPE OF REVIEW

Plante Moran administered a benchmark survey to six distinct state-run audit departments (peers) with similarities to the Ohio Office of the Auditor of the State (AOS). Five of the six peers participated in the benchmark review and are as follows:

- Illinois, Office of the Auditor General
- Indiana, State Board of Accounts
- Iowa, Office of the Auditor of State
- Tennessee, Office of the Comptroller of the Treasury
- Washington, Office of the State Auditor

Plante Moran also compiled benchmark data from comparable private sector accounting firms that provide similar services. In order to maintain a level of anonymity, the benchmark results from the peer states were blinded.

1.2 PROJECT APPROACH

The peers were asked a series of questions to gain an understanding of the size, complexity, and auditing characteristics of each organization to compare them with AOS. The results of this benchmarking analysis are to provide AOS with comparable information about its peers.

Benchmark participants were asked a series of questions related to the operating structure of their respective departments. Plante Moran then conducted a phone interview with each of the participating benchmark peers to review the items and to further discuss their organizational and operational structure. Survey questions were divided into the following categories:

- Auditor of State Budget
- Auditing Fees and Billing Rates
- Audit Client Characteristics
- Audit Offices
- Staff Member Experience and Salary

SECTION 2: SUMMARY OF FINDINGS

2.1 BUDGET

- AOS performs more audits than its peers.
- AOS's annual state funding appropriation is approximately \$28 million, which is \$4 million greater than the average budget of the peers included in the benchmark survey.
- AOS's average cost per employee (total budget divided by number of employees) is \$83,273, which is approximately \$5,400 below the average per employee cost of the peers.

2.2 AUDITING FEES AND BILLING RATES

- In some cases, the benchmark peers charge billing rates that cover their direct cost of service (salaries, benefits, and administrative overhead expenses), while private sector firms include the full cost of service, plus profit.
- AOS's billing rate does not represent the full cost to perform services to the audit clients, and is approximately \$91 less per hour than private sector accounting firms located in the Great Lakes region.
- AOS's average revenue per employee, based on audit fee revenue, is \$49,942, which is approximately \$7,000 lower than the peer state average.
- AOS's revenue per employee is \$123,150 lower than the revenue per employee figure of private sector accounting firms located in the Great Lakes region.
- All but one of the peers charge lower auditing fees for services provided to local government agencies than for services provided to state agencies.

2.3 CLIENT CHARACTERISTICS

- AOS appears to have similar client service responsibilities as compared to its peers.
- Of the peers, two peers basically performed all the audit work in the state. The remaining peers outsourced over 50% of the total audits that are under the oversight of the Auditor of State.
- AOS performs the most audits of the peers, approximately 22% more than the next highest. The annual budget is 87% greater than that of the next highest mainly because the AOS provides other types of services that the peers do not, such as fiscal emergencies, GAAP conversions, UAN, and MCA.
- AOS's audit frequency is similar to its peers.

2.4 AUDIT OFFICES

- Peers tend to extensively utilize "free lease" satellite offices, space provided by the local government.
- To further reduce expenses AOS could implement a "work from home" policy and possibly reduce the number and size of its regional and satellite offices.

2.5 STAFF EXPERIENCE AND SALARY

- The salaries for AOS positions are lower than the peers benchmark averages at every level (from Senior Audit Manager to Entry-level Auditor).
- AOS's salaries are considerably lower than salaries at private sector accounting firms.

SECTION 3: PEER BENCHMARKING RESULTS

3.1 AUDITOR OF STATE BUDGET

3.1.1 TOTAL BUDGET

- The benchmark peers all have varying budgets and funding sources. Every peer receives some support from the state.
- AOS has the largest budget of all the peers at approximately \$72 million; the average budget of the peers is approximately \$24 million annually.
- The following table details the annual budget of each peer and the respective revenue mixture between state appropriations and fees for service.

Budget for Audits	Ohio	A	B	C	D	E
Total Budget	\$ 71,781,583	\$ 26,800,000	\$ 38,454,000	\$ 21,000,000	\$ 24,624,400	\$ 9,500,000
State Appropriations	40%	see note	13%	see note	73%	10%
Fees for Service	60%	see note	87%	see note	27%	90%

- Note: Peers 'A' and 'C' were unable to provide a division of the revenue received through audit fees because their fee revenue is collected at the state level and the collection detail is not provided to the state auditor's office. Peers 'A', 'C', and 'D' are primarily funded through state appropriations.

3.1.2 COST PER EMPLOYEE

- Each of the participating peers provided staffing data to the 2010 edition of the National Association of State Auditors, Comptrollers, and Treasurers (NASACT) benchmark report. Using this data and the budget data gathered in the benchmark review, the project team calculated a total cost per employee for each of the benchmark peers. (Note: AOS had approximately 810 staff during 2011; however, for comparisons to peers, the 2010 staff number was used.)
- The following table lists the total number of employees for each peer and the total cost per employee:

Cost per Employee	Ohio	A	B	C	D	E
# of Employees	862	100	383	261	277	105
Avg. Cost per Employee	\$83,273	\$268,000	\$100,402	\$80,460	\$88,897	\$90,133

3.2 AUDITING FEES FOR SERVICE AND BILLING RATES

3.2.1 FEES FOR SERVICE

- The peers vary in the amount of funding received through audit fees, as identified in Section 3.1.1; therefore, it is not surprising that the fees for service/billing rates differ between peers.
- In our discussions with the peers, all have different methods of determining what is included in the billing rates as follows:

AOS

- Audit fees are based on hourly rates for staff members. Billing rates are calculated to cover salaries and a portion of benefits and overhead expenses.

Peer 'A'

- The majority of audits, which are state agencies, are not charged any fees. Only audits that are conducted as part of the statewide single audit are billed for services, thus audit fee revenue is a small portion of total revenue for the peer.

Peer 'B'

- Audit fees are based on hourly rates for staff members. Billing rates are calculated to cover salaries, benefits, and administrative overhead.
- Some special audit services, like performance audits, are not billed to the local agencies.

Peer 'C'

- Audit fees are limited to a maximum rate of \$45 per day per person on the job.
- Fees are charged a "full cost" billing rate for some special services, which includes salaries, benefits, and administrative overhead.

Peer 'D'

- Audit fees are based on hourly rates for staff members. Billing rates are calculated to cover salaries, benefits, and administrative overhead.
- Fees are limited to county government at a rate of \$0.30 per capita. Billings for county clients tend to cover approximately 10% of total audit expenses.

Peer 'E'

- Audit fees are based on hourly rates for staff members. Billing rates are calculated to cover salaries, benefits, and administrative overhead.

3.2.2 PEER BILLING RATES

- In some cases, the benchmark peers charge variable costs, including salaries, benefits, and administrative overhead.
- Private sector accounting firms charge billing rates that cover the full cost of service plus profit. Accounting firms located in the Great Lakes Region have an average billing rate per hour of \$149.56, which is considerably higher than the rates charged by peers.
- The following table shows the average staff billing rate for each staff member that is charged to state agencies (local governments receive discounted rates in many states) for 2010. Some peers charge a flat rate per employee. If that is the case, this rate is shown for all staff members. Effective in April 2011, the AOS increased its rate to \$61.23 for state agency audits.

Staff Billing Rates - State Agencies	Ohio	A	B	C	D	E
Audit Senior Manager		\$ 59.00			\$ 105.00	
Audit Manager		\$ 43.00			\$ 87.00	
Upper Level Auditor	\$ 58.79	\$ 40.00	\$ 82.00	\$ 68.00	\$ 74.00	\$31.25 - \$93.50
Mid-Level Auditor		\$ 34.00			\$ 62.00	
Entry-level Auditor		\$ 32.00			\$ 51.00	

3.2.3 LOCAL GOVERNMENT BILLING RATES

- Local government agencies, i.e., counties, cities, and school districts, are generally billed at lower rates than the state agencies, as noted in the following table:

Staff Billing Rates - Local Government Agencies	OHIO	A	B	C	D	E
Rates for Local Government	\$36.60 (Average rate)	N/A	\$78.50	\$45 per staff per day	\$0.30 per capita	\$31.25 - \$75.25

3.2.4 AVERAGE REVENUE PER EMPLOYEE

- Average revenue generated per employee is a common metric used among private sector accounting firms. For example, private sector accounting firms who have a base in the Great Lakes Region average approximately \$173,092 in revenue per employee.
- For comparison purposes, the project team calculated the average revenue per employee for each of the peers; the results are included in the following table:

Revenue per Employee	Ohio	B	D	E
Total Fee Revenue	\$ 43,050,283	\$ 33,307,500	\$ 6,536,000	\$ 8,550,000
# of Employees	862	383	277	105
Avg. Revenue per Employee	\$ 49,942	\$ 86,965	\$ 23,596	\$ 81,120

- The peers varied considerably in their average revenue per employee. Peers 'B' and 'E', which receive the majority of their funding through audit fees, had the highest revenue per employee metric. AOS and Peer 'D' have lower revenue per employee metrics; however, 'D' receives the majority of its funding from state appropriations, while AOS is 60% funded through fees. Peers 'A' and 'C' are not included because they did not provide the amount of their funding from fees.

3.3 AUDITOR OF STATE CLIENT DATA

3.3.1 CLIENT VARIETY

- The benchmark peers all have the authority to perform auditing services for state agencies, with some differences at the local level:

Client Data	Ohio	A	B	C	D	E
State Agencies	Yes	Yes	Yes	Yes	Yes	Yes
Counties	Yes	No	Yes	Yes	Yes	Yes
Local Gov't	Yes	No	Yes	Yes	Review*	Yes
School Districts	Yes	No	Yes	Yes	Review*	Yes

*Peer 'D' does not perform any local government or school district audits other than counties; however, it reviews the financial statements and work papers of these audits which are completed by IPAs.

- The majority of the benchmark firms provide auditing services to all levels of government, including counties, local governments (cities, villages, and townships), and school districts.

- Of the benchmark peers, only 'A' had no responsibility to perform auditing or oversight services of local government agencies below the state level.

3.3.2 PERCENTAGE OF AUDITS COMPLETED BY STATE AUDITORS

- The peers have auditing responsibilities for a wide variety of clients; the following table shows the percentage of audits completed by the state auditors as compared to the percentage of audits completed by private accounting firms (IPAs).
- Note: these percentages are based solely on the number of audits completed by the peers and do not take into account the complexity of audits that are completed in-house versus those completed by private sector accounting firms.

Percentage of Audits	Ohio	A	B	C	D
% of In-house Audits	63%	27%	> 99%	100%	9%
% of Contracted Audits	37%	73%	< 1%	n/a	91%

- Peer 'A' represents a breakdown of audits completed for state agencies. 100% of all counties, local governments, and school districts are completed by private accounting firms.
- Peer 'E' did not provide an overall breakdown of its percentage of audits performed in-house, however, it provided a breakdown of audits completed by the type of agency, as follows:

% of 'E' In-house Audits	E
State Agencies	100%
Counties	40%
Local Gov't	25 -30%
School Districts	1%

- The peers vary greatly in the number of audits performed in-house as compared with private accounting firms. 'B' and 'C' rarely, if ever, have a private accounting firm perform services for government agencies.
- AOS, 'A', 'D', and 'E' utilize the services of private sector accounting firms to complete audits. Private sector firms are used for multiple reasons including:
 - Lack of available state resources
 - Industry expertise that is unavailable
 - Value provided by IPAs
- Peer 'E' indicated that it is in direct competition for audit clients at the county, local government, and school district levels with private sector accounting firms.

3.3.3 NUMBER OF AUDITS COMPLETED IN-HOUSE BY AOS STAFF

- The peers perform a wide variety of audit services and complete a large number of audits. The following table shows the number of audits by type that were conducted and completed. The following table does not include audits completed by private sector accounting firms and overseen by the state auditors' office.
- Peer 'A' audits only state agencies and other agencies that are explicitly named in its statutory authority.

- Peer 'B' had a total of 880 Fraud/Investigative cases comprised of citizen hotline, whistleblower and fraud investigation cases in which most of these cases were closed without significant action or the investigation only resulted in a letter. Only 43 fraud/investigative public reports were written. Peer 'B' also conducted 1,171 accountability audits which are included in the 2,556 financial and attestations.
- Peer 'C' provides 2,846 financial and 1,889 attestations. Of the financial audits, 99% are cash basis.
- Peer 'D' audits only state agencies and counties.

Number of Completed Audits (In-House)	Ohio	A	B	C	D
Financial, attestation, medicaid	2,431	36	2,556	4,735	124
Performance	16	4	7	N/A	13
IT Audits	28	N/A	24	N/A	0
Fraud / Investigative	21	N/A	43	61	0
<i>Total</i>	<i>2,496</i>	<i>40</i>	<i>2,630</i>	<i>4,796</i>	<i>137</i>

Audits can vary greatly in scope and complexity. Each peer state appears to have a significantly different mix of audit services and types of services (i.e., cash basis). As such, direct comparisons between peers may not be valid.

3.3.4 COST PER AUDIT

- The following table shows the total number of audits completed in-house and their average cost to complete (when including all costs of the organization based on total budget).

Cost per Audit	Ohio	B	C	D
# of Audits Completed In-house	2,496	2,630	4,796	137
Cost per Audit	\$28,758	\$14,621	\$4,310	\$179,740

- Peer 'A' is excluded since their responsibility is oversight and not specifically related to the number of audits performed.
- Peer 'C' provides 2,846 financial and 1,889 attestations. Of the financial audits, 99% are cash basis.
- Peer 'D' provides auditing services primarily to large state and county agencies, and has a division dedicated to reviewing the audits completed by private sector accounting firms for local governments and school districts, which are not included in the total number of audits completed in-house; therefore, it is expected that their average cost per audit would be greater than the other peers.
- AOS and Peer 'B' are relatively similar in that they complete a large number of audits. By comparison, Peer 'B' has a lower per audit cost than AOS; however, there is not enough data to make a conclusion as to whether peer 'B' performs audits more efficiently than AOS. The annual budget is 87% greater than that of the next highest mainly because AOS provides other types of services that the peers do not, such as fiscal emergencies, GAAP conversions, UAN, and MCA.

3.3.5 CLIENT AUDIT FREQUENCY

- Audit frequency varies slightly between peers. (Peer 'E' did not provide audit frequency.)

Audit Frequency	Ohio	A	B	C	D
State Agencies	1- 2 yrs	1- 2 yrs	1 - 5 yrs	1 yr	1 - 8 yrs*
Counties	1- 2 yrs	n/a	1 - 2 yrs	1 yr	1 yr
Local Gov't	1- 2 yrs	n/a	1 - 3 yrs	1 - 2 yrs	1 yr
School Districts	2 yrs	n/a	1 - 3 yrs	2 yrs	1 yr

*Four-year universities are performed annually and community colleges are performed every two years. Other state agencies must be completed at least once every 8 years.

- While audit frequencies vary, it appears that most of the peers are required to complete the majority of their audits every one to two years. Only 'B' has a truly variable audit schedule that varies by type of agency, where small local governments and school districts must be audited every three years depending on the results of risk assessments every three years depending on the results of risk assessments.

3.4 AUDIT OFFICES

3.4.1 PHYSICAL LOCATIONS

- The benchmark peers vary greatly with regard to philosophy and physical office locations.
- Every peer has a main office located in its respective state capital, and some form of a regional or satellite office where staff members can report for work located in another city within the state.
- These regional or satellite offices vary between the different peers. In some cases, these buildings are owned or leased by the state.
- In other instances, "free" office space is provided to another state or local government building.
- The following table shows the number of central and regional offices by peer, the number of satellite offices where rent is paid, and the number of "free lease" satellite offices.

Office Characteristics	Ohio	A	B	C	D	E
# of Central and Regional Offices	8	2	21	1	2	1
# Leased Satellite Offices	5	0	0	0	2	0
# of Free Lease Satellite Offices	0	0	0	16	4	3
<i>Total</i>	<i>13</i>	<i>2</i>	<i>21</i>	<i>17</i>	<i>8</i>	<i>4</i>

AOS

- 1 central office and 7 regional offices throughout the state. Regional offices are leased by AOS and have at least 4,000 square feet of space.
- In addition to the regional offices, AOS has 5 satellite offices, which are leased throughout the state. The purposes of these satellite offices are for staff to have a location where they can work and pick up supplies. Generally, these offices are located in areas to help reduce travel expenses. These leased satellite offices have between 1,000 and 1,800 square footage of office space.

Peer 'A'

- 1 central office located in the state capitol and a regional office located in the state’s largest city.
- The majority of staff members are located in the central office, as well as almost all administrative personnel. Staff members who work in the regional offices are primarily client-facing staff members performing auditing services.

Peer 'B'

- 1 central office and 20 regional offices spread throughout the state.
- Each regional office houses between 14 and 20 staff members who are led by a regional manager.
- Staff members are located regionally to be closer to their respective auditing locations, and while staff members can be shared across regions this does not happen often.

Peer 'C'

- 1 central office and 16 satellite offices located throughout the state, mostly in county buildings.
- The satellite offices are provided free of charge by the local government agency, and are led by a Field Supervisor.
- Each satellite office covers a 5 to 6 county district.

Peer 'D'

- 1 central office and 1 regional office for personnel responsible for state audits. The regional office for state audits is located in the City of the state’s largest public university.
- There are six satellite offices located throughout the state. Four of these are designated “local unit” regional offices, which provide staff members with an office near their working region. Two of these offices are leased and the other two are located in state-owned buildings.
- The remaining two satellite offices are located at large state agencies, and there is no lease expense for these locations.

Peer 'E'

- 1 central office located in the state capitol. This is where the majority of staff members are housed.
- They have 3 satellite office locations at their 3 largest audit clients. The satellite office locations are provided at no cost to the client.

3.4.2 WORK FROM HOME POLICIES

- Many peers have regional or satellite office locations for staff to have a physical work location.
- In order to reduce the number of and size of regional or satellite offices, some peers have instituted policies allowing employees to work from home when they are not needed at a client site. The following table details the peers who have a work from home policy.

Work from Home?	Ohio	A	B	C	D	E
Work from home policy?	No	Yes	No	No	Yes	No

- Peers 'A' and 'D' have instituted true “work from home” policies. The goal of this is to allow staff the ability to work from home unless they are needed on-site at a client.

- Both peers report that staff members appreciate the “work from home” policy and that the policy has been working well for their organizations.
- Peer ‘C’ allows staff members to work a 4 day work week to reduce travel expenses and time spent to and from regional or satellite offices.

3.5 STAFF MEMBERS EXPERIENCE AND SALARY

3.5.1 STAFF EXPERIENCE

- The average years of experience by role is shown in the table below, along with peers and the private sector.

Years of Experience of Audit Staff	Ohio	A	B	C	D	E	Peer State Avg
Audit Senior Manager	17	18	18	28	20	13	19
Audit Manager	14	8	16	24	15	13	15
Upper Level Auditor	12	6	11	22	11	5	11
Mid-Level Auditor	5	3	7	9	4	2	5
Entry-level Auditor	1	1	1	6	1	1	2

3.5.2 STAFF SALARY LEVELS

- Peers were asked to provide average salary information by staff level for auditing staff. The average compensation data from each state and the private sector were adjusted based on a Cost of Living (COL) by state index, as found at <http://www.top50states.com/cost-of-living-by-state.html>. These averages are also compared to the average of private sector accounting firms across the nation.

Staff Salaries	Ohio	A	B	D	Private Sector - All Non-National Firms*	Private Sector - Non-National Great Lakes Firms*
Audit Senior Manager	\$ 76,552	\$ 79,996	\$ 89,031	\$ 75,888	\$ 116,881	\$ 96,951
Audit Manager	\$ 64,224	\$ 64,917	\$ 84,792	\$ 69,435	\$ 95,870	\$ 81,582
Upper Level Auditor	\$ 57,543	\$ 59,299	\$ 66,092	\$ 63,537	\$ 77,867	\$ 69,221
Mid-Level Auditor	\$ 52,258	\$ 53,775	\$ 54,827	\$ 61,161	\$ 61,885	\$ 57,477
Entry-level Auditor	\$ 43,591	\$ 43,141	\$ 41,443	\$ 56,524	\$ 50,335	\$ 48,462
<i>Weighted Average</i>	<i>\$ 56,103</i>	<i>\$ 57,093</i>	<i>\$ 71,240</i>	<i>\$ 63,492</i>	<i>\$ 74,089</i>	<i>\$ 67,446</i>

* Although the private sector typically would not have an equivalent to the Upper Level Auditor (“Assistant Auditor 3”), compensation data provided in this table is based on similar years of experience.

- Peer ‘C’ and ‘E’ did not provide data.

Best Practices

The project team spoke with the peers about their policies and philosophies around a number of tasks that are completed during the course of an audit. Based on these conversations, the project team developed a list of best practices that are being executed by peers and then compared them with AOS's practices.

3.5.3 WORKPAPER RETENTION

- Best Practices:
 - Peers' retention of audit workpapers range from 5 – 10 years.
- AOS:
 - AOS retains its audit workpapers for up to 7 years.

3.5.4 SAMPLING METHODOLOGY

- Best Practices:
 - Peers 'B' and 'D' create specific sampling guidance for staff members, which are incorporated into audit manuals or standard work programs. Peer 'B' follows guidance from the AICPA's Audit Sampling Guide, using templates and formulas to determine sample sizes.
 - Within remaining peers, sample sizes are determined by the auditor after reviewing potential risk and materiality of the sample.
 - Minimum sample sizes for peers were 3, with larger sample sizes of 60 or greater.
- AOS:
 - AOS is using some forms of best practices in sampling.

3.5.5 BUDGETING/AUDIT TIME BUDGETS

- Best Practices:
 - Peers create budgets prior to audit engagements based on risk assessments, prior year hours, and standard audit guidelines. These initial estimates may be changed based on risk assessment guidelines, changes in audits steps, programs, or other factors.
 - Peer 'B' requires staff members to request advance approval for any additional audit hours above the budgeted plan, while Peer 'D' provides backup for significant budget overruns within their workpapers.
 - Budgets are generally reviewed at the manager level within the peers, but they often receive oversight from administrative or director level positions.
 - Peer 'C' evaluates staff members on their adherence to budgeted hours.
 - Within the private sector, in the event that additional audit hours are a result of the clients' delays or unpreparedness, these additional hours are charged to the client.
- AOS:
 - Time budgets are prepared for each audit based on prior years' experience, risk assessments, and the scope of the audits. These budgets are entered into the accounting software, Great Plains, and maintained in the respective audit file. Time spent in addition to budgeted time is recorded as "unbilled", unless there is a scope change to the audit.
 - Additional time resulting from AOS, such as rework, is not charged to the client.

3.5.6 RISK ASSESSMENT

- Best Practices:
 - Risk assessments are performed prior to fieldwork, by auditors under proper supervision depending on each auditor's level of knowledge and experience. Results of risk assessments impact the amount of auditing required.
 - Risk assessments are conducted using professional standards. Some peers follow procedures that are set forth within their electronic workpaper file management system.
 - Peer 'B' devises a specific risk assessment annually for every goal or objective within its strategic plan.

- AOS:
 - Risk assessments are performed prior to fieldwork by auditors under proper supervision depending on each auditor's level of knowledge and experience. The result of the risk assessments impacts the amount of auditing required.

3.5.7 QUALITY

- Best Practices:
 - Peers and the private sector ensure quality through appropriate supervision and staffing of engagements (as determined by hiring qualified staff, continued trainings, evaluations of staff competence), internal reviews, a quality assurance coordinator or committee, and external peer reviews.
 - Peers 'A,' 'D,' and 'E' do not have Quality Assurance Departments. Rather, they each have a Quality Assurance Coordinator. Responsibilities may include, for example: (1) reviewing financial audit reports for compliance with standards, (2) contributing to the development of internal policy manuals, audit programs, and report formats, (3) updating staff on new accounting and auditing standards, and (4) contributing to internal and external peer review processes.

- AOS:
 - AOS ensures quality work is performed through its Quality Assurance Division and Accounting and Auditing Support Group.

3.5.8 SCHEDULING AUDITS AND STAFF

- Best Practices:
 - Depending on the complexity of the schedules, peers and the private sector use either Excel or a software scheduling system.
 - Staff scheduling is generally based on staff availability, staff experience, and engagement complexity.

- AOS:
 - Audits are scheduled based on the previous year's timing. Senior audit managers are responsible for assigning staff members to engagements.

3.5.9 WORK FROM HOME POLICY

- Best Practices:
 - Some peers and many private sector firms allow staff to work from home, when appropriate. Peers that have implemented work-from-home policies have had the policies for 8-10 years and feel that the policies are working well and have not been misused.
- AOS:
 - AOS does not have a formal work-from-home policy.

3.5.10 SOFTWARE SYSTEMS

- Best Practices:
 - Peers and private sector firms are tending toward paperless systems, using the following systems:
 - CCH TeamMate or ACL for electronic workpapers
 - Microsoft Sharepoint for online file storage
 - Citrix for remote access
- AOS:
 - AOS uses CCH TeamMate for its electronic workpapers, but does not take full advantage of TeamMate's capabilities for certain types of audits.

3.5.11 PRE-AUDIT COMMUNICATION

AOS sends standard pre-audit communication letters.

3.5.12 AUDIT SCOPE CHANGES

- Best Practices:
 - Peers review scope changes and the related additional costs or savings with clients, and changes are agreed upon with the client.
- AOS:
 - AOS changes audit scopes as necessary, with approvals from appropriate levels of management. Public agencies are billed for changes to audit scopes when the additional work causes the audit time to exceed the original budget.

3.5.13 DISTRIBUTING AUDIT REPORTS

- Best Practices:
 - Audit reports are posted online, to the Auditor of State's website. Distribution lists may be created to inform clients of the upcoming publication and to distribute the final report.
 - Some peers allow other interested parties, in addition to the clients on the distribution list, to add themselves to the distribution list.
 - Distribution of reports is done both through a central office with support staff or can be decentralized and distributed by the audit team.

- AOS:
 - AOS is using some forms of best practices for report distributions.

3.5.14 CLIENT SATISFACTION METRICS

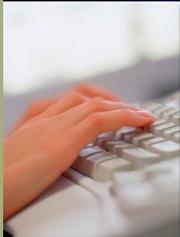
- Peer 'B' is the only peer that conducted client satisfaction surveys as a means to maintain client relationships. The remaining peers indicated that they respond to client concerns as a way to maintain good client relationships.
- The following table shows the peers that complete client satisfaction surveys:

Benchmark Participants	Ohio	A	B	D	E
Are client satisfaction surveys conducted?	Y	N	Y	N	N

- Peer 'A', which is primarily state funded, has only one official client, the state's legislative assembly. This peer receives organizational feedback through legislative hearings and interactions with the legislature.

3.5.15 STAFF PERFORMANCE FEEDBACK

- Best Practices:
 - Peers and the private sector provide ongoing feedback during audit engagements to staff members. Formal appraisals are generally performed at least annually; some peers track staff feedback within TeamMate.
 - Peer 'E' provides formal written feedback to staff members for all engagements lasting over 80 hours. They utilize these evaluations when conducting annual staff evaluations and calculating merit increases.
- AOS:
 - AOS provides ongoing feedback during engagements and formal annual appraisals.



Auditor of the State of Ohio Client Satisfaction Survey

Supplement to Performance Audit, dated November 10, 2011

plante
m
moran

SECTION 1: INTRODUCTION

1.0 SCOPE OF REVIEW

Plante Moran administered a client satisfaction survey to a representative sample of Auditor of State clients to obtain their objective feedback on the services of the Auditor's Office. Two separate surveys were issued in order to ensure responses were received related to the appropriate services provided – General State Auditor Services and Local Government Services. The following services were evaluated in the client survey responses:

- Financial Audit
- Performance Audit
- Information Technology Audit
- Special Audit
- Local Government Service – GAAP Assessment, Record Reconstruction, Fiscal Distress Assessment, Other

Data was also collected in the areas of “type of entity” receiving the service and “region” from which the service was provided to afford additional key data elements for analysis.

1.1 PROJECT APPROACH

The clients were asked to respond to a series of questions to gain an understanding of their satisfaction with the Auditor of State's Office and to identify areas for continuous improvement within the Office. Areas covered in the survey questionnaire included the following:

- Staff/Advisors
- Work Quality
- Auditor of State's Office Overall Services
- Uniform Accounting Network
- Price/Value
- Overall Satisfaction and Impact

The survey requests were delivered via email to all participants and it was left open for a period of 26 days, from Thursday, June 16, 2011, through Monday, July 11, 2011. During that time period, several reminders were provided to prospective survey participants to encourage their participation.

Overall, the survey was sent out to 858 AOS clients, with 346 responses, for an overall response rate of 40%, which is considered excellent.

Breakdown of survey responses by General State Auditor Services and Local Government Services is as follows:

General Services – 806 surveys sent, with 326 responses – 40% response rate

Local Government Services – 52 surveys sent, with 20 responses – 38% response rate

SECTION 2: CLIENT SATISFACTION SURVEY QUESTIONS

1. Staff/Advisors, Relationship — Think about the Auditor of State’s Office staff who worked with you, and please rate them on a scale from 1 to 5, where 1 means Poor and 5 means Excellent.
2. Work Quality — Now please think about the services provided by the Auditor of State’s Office team. On a scale from 1 to 5, where 1 means Poor and 5 means Excellent, please rate the Auditor of State’s Office.
3. AOS Office Overall Services — Now, thinking about the Ohio Auditor of State’s Office overall services, please rate them on a scale from 1 to 5, where 1 means Poor and 5 means Excellent.
4. UAN — Considering the fees you pay and value provided by the Uniform Accounting Network system and staff, please rate them on a scale from 1 to 5, where 1 means Poor and 5 means Excellent.
5. Price/Value — Considering the fees you pay and value provided by the Auditor of State’s Office, please rate them on a scale from 1 to 5, where 1 means Poor and 5 means Excellent.
6. Overall Satisfaction and Impact — Using a scale from 1 to 5, where 1 means Very Dissatisfied and 5 means Very Satisfied, what is your overall satisfaction with the Auditor of State’s Office as of today?
7. Expectations — Again using a scale from 1 to 5, where 1 now means Falls Short of Your Expectations and 5 means Exceeds Your Expectations, how well has the Auditor of State’s Office met your expectations?

SECTION 3: CLIENT SATISFACTION SURVEY RESULTS

The responses were received on a scale from 1 to 5. In order to provide a more detailed analysis, the average responses were spread over a scale from 0 to 100% by dividing the average score by 5.

Average Score	%
5	100%
4	80%
3	60%
2	40%
1	20%

The overall rating represents the entire results of the 346 responses. The ratings by type of service, type of entity and region are selected based on the number of responses received and are not expected to total the overall ratings. The client satisfaction survey results begin on the next page.

AVERAGE PERCENTAGES

		TYPE OF ENTITY						
DESCRIPTION	OVERALL	CITY	VILLAGE	TOWNSHIP	COUNTY	SCHOOL DISTRICT	LIBRARY	
STAFF/ ADVISORS	Effectively communicating with you	88%	89%	89%	89%	94%	87%	88%
	Responsiveness	90%	91%	92%	90%	95%	88%	91%
	Professionalism	92%	94%	91%	93%	97%	92%	94%
	Courteousness	93%	96%	93%	91%	98%	90%	94%
	Earning your respect for the advice they provided	87%	87%	89%	89%	91%	85%	89%
	Having technical expertise in their discipline	88%	86%	89%	88%	89%	86%	92%
	Investing time to build a relationship with your organization	86%	87%	89%	85%	92%	84%	84%
	89%	90%	90%	89%	94%	87%	90%	
WORK QUALITY	Work performed meets your technical requirements	88%	89%	89%	88%	94%	90%	89%
	Work is completed within appropriate time frames	80%	87%	83%	81%	88%	77%	82%
	Changes to work schedules are properly communicated	86%	86%	86%	86%	91%	87%	86%
	Recommendations addressed your business issues	84%	85%	88%	84%	87%	84%	81%
	Relevance of solutions recommended	83%	81%	86%	85%	85%	81%	83%
	Recommendations are innovative	75%	71%	81%	82%	75%	75%	72%
	Solutions demonstrate technical expertise	82%	81%	85%	86%	85%	81%	80%
Solutions are reasonably implemented	82%	80%	86%	88%	85%	78%	80%	
	82%	83%	85%	85%	86%	82%	82%	
AOS OFFICE OVERALL	Putting your interest's ahead of their own	80%	81%	83%	84%	80%	77%	78%
	Being honest and trustworthy	93%	96%	93%	93%	97%	92%	88%
	Understanding your organization's needs	85%	88%	85%	86%	88%	86%	81%
	Knowledge of the government industry	89%	93%	89%	90%	91%	89%	82%
	Matching the right people and resources to your need	86%	88%	88%	88%	88%	84%	87%
	Providing services to meet the majority of your needs	85%	86%	86%	86%	89%	85%	81%
	Being proactive to your needs	83%	85%	86%	85%	88%	82%	80%
Delivering on its promises	86%	89%	86%	86%	91%	85%	86%	
	86%	88%	87%	87%	89%	85%	83%	
UAN	Fees are appropriate for the services provided	76%	NOT APPLICABLE	77%	78%	NOT APPLICABLE	85%	
	The UAN system is appropriate for my needs	86%		95%	89%		91%	
	The Help Desk is helpful to my organization	87%		93%	87%		91%	
	83%		88%	85%		89%		
PRICE/FEES	Fees are appropriate for the services provided	72%	74%	75%	77%	69%	70%	76%
	Hours are appropriate for the work that is performed	76%	78%	78%	85%	71%	70%	88%
	Provides valuable information for your organization	81%	81%	85%	85%	88%	77%	82%
	Overall value of Auditor of State's Office services	82%	82%	85%	87%	85%	78%	83%
		78%	79%	81%	83%	78%	74%	82%
OVERALL SATISFACTION	81%	81%	81%	84%	90%	78%	81%	
EXPECTATIONS	76%	75%	75%	79%	85%	75%	74%	

Colors indicate highest to lowest values, where: Highest values Lowest values

AVERAGE PERCENTAGES

		TYPE OF SERVICE					
DESCRIPTION		OVERALL	FINANCIAL	PERFORMANCE	IT	SPECIAL	LGS
STAFF/ ADVISORS	Effectively communicating with you	88%	88%	87%	100%	93%	94%
	Responsiveness	90%	90%	87%	100%	97%	93%
	Professionalism	92%	92%	93%	100%	100%	99%
	Courteousness	93%	92%	96%	100%	100%	100%
	Earning your respect for the advice they provided	87%	87%	87%	100%	97%	93%
	Having technical expertise in their discipline	88%	87%	87%	100%	96%	92%
	Investing time to build a relationship with your organization	86%	86%	84%	100%	97%	92%
		89%	89%	89%	100%	97%	95%
WORK QUALITY	Work performed meets your technical requirements	88%	88%	82%	100%	93%	88%
	Work is completed within appropriate time frames	80%	80%	84%	93%	96%	89%
	Changes to work schedules are properly communicated	86%	85%	88%	100%	96%	90%
	Recommendations addressed your business issues	84%	84%	80%	100%	93%	88%
	Relevance of solutions recommended	83%	83%	78%	100%	90%	88%
	Recommendations are innovative	75%	75%	76%	90%	80%	83%
	Solutions demonstrate technical expertise	82%	82%	78%	100%	84%	90%
Solutions are reasonably implemented	82%	82%	73%	90%	88%	88%	
		82%	82%	80%	97%	90%	88%
AOS OFFICE OVERALL	Putting your interest's ahead of their own	80%	80%	80%	100%	80%	79%
	Being honest and trustworthy	93%	93%	87%	100%	97%	96%
	Understanding your organization's needs	85%	85%	80%	100%	87%	95%
	Knowledge of the government industry	89%	89%	80%	100%	90%	96%
	Matching the right people and resources to your need	86%	86%	82%	100%	90%	91%
	Providing services to meet the majority of your needs	85%	85%	78%	100%	90%	91%
	Being proactive to your needs	83%	83%	80%	100%	93%	88%
Delivering on its promises	86%	86%	82%	100%	83%	91%	
		86%	86%	81%	100%	89%	91%
UAN	Fees are appropriate for the services provided	76%	76%	Not Applicable			
	The UAN system is appropriate for my needs	86%	86%				
	The Help Desk is helpful to my organization	87%	87%				
		83%	83%				
PRICE/FEES	Fees are appropriate for the services provided	72%	72%	62%	73%	73%	76%
	Hours are appropriate for the work that is performed	76%	76%	73%	87%	80%	78%
	Provides valuable information for your organization	81%	81%	73%	87%	88%	84%
	Overall value of Auditor of State's Office services	82%	81%	73%	100%	87%	86%
		78%	78%	71%	87%	82%	81%
OVERALL SATISFACTION		81%	81%	78%	100%	87%	85%
EXPECTATIONS		76%	76%	76%	100%	83%	81%

Colors indicate highest to lowest values, where: Highest values Lowest values

AVERAGE PERCENTAGES

DESCRIPTION	OVERALL	REGION								
		AKRON/ CANTON	ATHENS	CINCINNATI	CLEVELAND	COLUMBUS/ STATE	DAYTON	TOLEDO	YOUNGSTOWN	
STAFF/ ADVISORS	Effectively communicating with you	88%	86%	91%	94%	88%	89%	86%	89%	87%
	Responsiveness	90%	88%	93%	95%	89%	90%	88%	90%	89%
	Professionalism	92%	90%	94%	95%	92%	93%	91%	92%	93%
	Courteousness	93%	91%	94%	97%	92%	94%	90%	91%	93%
	Earning your respect for the advice they provided	87%	83%	90%	94%	87%	84%	85%	89%	89%
	Having technical expertise in their discipline	88%	83%	90%	94%	89%	84%	87%	87%	90%
	Investing time to build a relationship with your organization	86%	85%	89%	95%	86%	85%	83%	85%	84%
	89%	87%	92%	95%	89%	88%	87%	89%	89%	
WORK QUALITY	Work performed meets your technical requirements	88%	86%	93%	93%	86%	84%	88%	90%	90%
	Work is completed within appropriate time frames	80%	76%	77%	86%	82%	80%	75%	83%	84%
	Changes to work schedules are properly communicated	86%	83%	88%	91%	83%	86%	84%	88%	87%
	Recommendations addressed your business issues	84%	80%	89%	88%	85%	80%	83%	86%	87%
	Relevance of solutions recommended	83%	80%	87%	86%	83%	77%	82%	81%	88%
	Recommendations are innovative	75%	74%	80%	81%	71%	68%	77%	73%	79%
	Solutions demonstrate technical expertise	82%	79%	89%	83%	81%	75%	81%	84%	88%
Solutions are reasonably implemented	82%	78%	86%	83%	81%	78%	82%	81%	86%	
	82%	79%	86%	86%	81%	79%	81%	83%	86%	
AOS OFFICE OVERALL	Putting your interest's ahead of their own	80%	77%	83%	89%	77%	78%	79%	82%	79%
	Being honest and trustworthy	93%	92%	97%	96%	89%	92%	91%	94%	94%
	Understanding your organization's needs	85%	83%	87%	91%	85%	82%	83%	86%	85%
	Knowledge of the government industry	89%	89%	92%	92%	88%	87%	85%	91%	87%
	Matching the right people and resources to your need	86%	83%	86%	94%	87%	85%	85%	89%	84%
	Providing services to meet the majority of your needs	85%	81%	88%	90%	83%	84%	84%	86%	87%
	Being proactive to your needs	83%	81%	86%	90%	79%	86%	84%	82%	82%
Delivering on its promises	86%	86%	88%	91%	84%	82%	86%	86%	87%	
	86%	84%	88%	92%	84%	85%	85%	87%	86%	
UAN	Fees are appropriate for the services provided	76%	82%	69%	82%	80%	66%	78%	80%	70%
	The UAN system is appropriate for my needs	86%	91%	86%	78%	89%	86%	87%	88%	83%
	The Help Desk is helpful to my organization	87%	87%	83%	90%	85%	82%	90%	87%	90%
	83%	86%	79%	83%	85%	78%	85%	85%	81%	
PRICE/FEES	Fees are appropriate for the services provided	72%	75%	68%	76%	79%	67%	69%	69%	70%
	Hours are appropriate for the work that is performed	76%	76%	71%	79%	82%	67%	76%	75%	82%
	Provides valuable information for your organization	81%	80%	81%	84%	82%	78%	82%	82%	82%
	Overall value of Auditor of State's Office services	82%	81%	81%	88%	83%	78%	82%	79%	82%
	78%	78%	75%	82%	82%	72%	77%	77%	79%	
OVERALL SATISFACTION		81%	81%	79%	88%	82%	77%	79%	81%	82%
EXPECTATIONS		76%	78%	75%	79%	75%	74%	76%	75%	77%

Colors indicate highest to lowest values, where: Highest values Lowest values

Note: Survey data for the regions does not include feedback on Local Government Services (LGS) because LGS are not provided by the regional offices.