

OHIO AUDITOR OF STATE KEITH FABER



From: Auditor of State's Center for Audit Excellence

To: All IPA Firms

Subject: 2023 Ohio Compliance Supplement

Date: November 22, 2022

The 2023 OCS has been posted to the following weblink:
<http://www.ohioauditor.gov/references/compliancemanuals.html>. (If you have trouble seeing the 2023 OCS at this link, please refresh your screen.)

A summary of changes from 2022 to 2023 is attached, and the items highlighted we consider to be **significant** changes. Audit years ending 12/31/2022 must include the new 2023 OCS if compliance testing has not yet started. If you have already started your compliance testing with the 2022 compliance supplement, you must replace or add the **significant** sections applicable to your engagement. All other modified sections should be evaluated for applicability, and you may include the attached file in your work papers with cross references to updated compliance testing where applicable. A few items to note:

- New Ch. 4 - Due to our annual November release of the OCS, we have created a Chapter 4. Schools operate on a June 30 fiscal year end basis and legislative changes impacting school audits are often still occurring after our November release. For this reason, beginning with this fiscal year 2023 OCS, steps that are **only** applicable to Traditional Schools, Community Schools, ESCs, or STEM/STEAM Schools will be self-contained in Chapter 4 to allow AOS to update and release school compliance changes separately from the remainder of the Supplement when appropriate (generally in the Spring/Early Summer). Sections of the OCS which apply to schools **and** other entity types are retained in Chapters 1-3 or the OPM.
- Contract Testing Moved - The contract testing sections, previously in 3-2, O-9 – O-11, O-13, O-15 – O-20, moved to 2A-3 - 2A-12 & 4B-6.
- Renumbering – As a result of the items noted above, we have renumbered many of the sections. Each section number that has changed, contains the new number and '(Previously...)' as a crosswalk from 2023 to 2022 section numbers. In addition, we

created the crosswalk document (available on the OCS page linked to above), taking you the other way (from 2022 to 2023 section numbers). You'll also note that while Chapter 2 is retained as 1 document, the Indirect Laws are in Section A, while the Statutorily Mandated Tests are in Section B.

If you have any questions, please contact the Center for Audit Excellence.

Ohio Compliance Supplement 2023

Summary of Changes

NOTE: Red text throughout the 2023 Ohio Compliance Supplement is related to COVID-19

Sections have been renumbered from previous years throughout the 2023 OCS. Also, sections that relate specifically to schools have been moved to a newly created Chapter 4 which will be released during Spring 2023.

Highlighted items below are changes from the previous version of the OCS which are considered significant.

Chapter 1	<p>The following sections were removed from Chapter 1 and will be included within Chapter 4A (School Compliance Testing – Direct Laws) in Spring 2023: Sections previously numbered in the 2022 OCS as sections 1-10 (Board of Education conveyances and contracts), 1-11 (Permissible expenditures for school districts participating in classroom facilities programs), 1-12 (Community school debt), 1-26 (School district funding), and 1-27 (Community school funding).</p> <p>Table of Contents – added guidance related to the legal matrix and reviewing footnotes on the legal matrix.</p> <p>1-1: Annual appropriation measures – classification – modified the considerations for COVID-19.</p> <p>1-2: Restriction upon appropriation and expenditure of money – added to the considerations for COVID-19 and modified certain footnotes including adding clarification relating to blanket and super blanket certificates.</p> <p>1-4: Establishing funds and permission to establish special funds – modified the considerations for COVID-19.</p> <p>1-6: Transfer of funds – modified the considerations for COVID 19.</p> <p>1-7: Advances – modified the considerations for COVID 19.</p> <p>Section B: Contracts and Expenditures – modified and moved considerations for COVID 19 related to contracts to Sections 2A3 – 2A12 (contract testing sections which were previously part of the Optional Procedures Manual and are now included in Chapter 2).</p> <p>1-10 (Previously 1-13): Issuing or retiring bonds and notes – added clarification regarding debt issuance for qualifying partnerships (career-technical education compact). In addition added clarification to section regarding which steps apply for testing and for the testing of material debt covenants and the filing requirements of the Municipal Securities Rulemaking Board (MSRB).</p> <p>1-11 (Previously 1-14): Bond, tax and revenue anticipation notes (BAN, TAN and RAN) – added suggested audit procedure for the testing of material debt covenants.</p>
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	<p>1-12 (Previously 1-15): Additional borrowing authority for boards of library trustees – added suggested audit procedure for the testing of material debt covenants.</p> <p>1-14 (Previously 1-17): Annual financial reporting – added guidance for auditors to perform a GASB Cod. 2600 analysis for entities not mentioned in AOS Bulletin 2015-007. In addition certain modifications were made to footnotes.</p> <p>1-15 (Previously 1-18): GAAP and annual financial reporting for CICs/DCs – modified guidance regarding late filing notifications to the Secretary of State and unauditable declarations related to CICs/DCs.</p> <p>1-16 (Previously 1-19): Health care self-insurance/1-17 (Previously 1-20): Liability self-insurance – clarified the guidance related to self-insurance and establishing a “special” fund.</p> <p>1-19 (Previously 1-23): Collection of income tax at source on wages – modified the considerations for COVID-19.</p> <p>1-20 (Previously 1-24): Definitions, rates of contributions etc. – modified the considerations for COVID-19.</p>
<p>Chapter 2</p>	<p>The following sections were removed from Chapter 2 and will be included within Chapter 4B (School Compliance Testing – Indirect Laws) in Spring 2023: Sections previously numbered in the 2022 OCS as sections 2-3 (Internet or computer-based community school cannot contract with a nonpublic school for instructional space), 2-5 (Accounting for management company expenses), 2-12 (Community school contractually imposed deposit and investment requirements), 2-13 (Sponsor monitoring of community schools), and 2-14 (Operator relationship with community schools).</p> <p>The following section was removed from Chapter 2 and will be included within Chapter 4C (School Compliance Testing – Statutorily Mandated Tests) in Spring 2023: The section previously numbered in the 2022 OCS as section 2-25 (Anti-bullying provisions).</p> <p>The following sections related to tests of contracts and expenditures were moved from the Optional Procedures Manual into Chapter 2:</p> <p>2A-3 (Previously O-9): Municipal contracts</p> <p>2A-4 (Previously O-10): Altering or modifying municipal contracts</p> <p>2A-5 (Previously O-11): County competitive bidding and other requirements</p> <p>2A-6 (Previously O-13): Township’s expenditures and competitive bidding</p> <p>2A-7 (Previously O-15): Bidding procedures and purchasing policies for supplies and equipment (County Hospitals)</p> <p>2A-8 (Previously O-16): Contract procedures, bids, bonds, bid openings (Municipal Hospitals)</p> <p>2A-9 (Previously O-17): Colleges and universities – bidding required on improvement contracts</p> <p>2A-10 (Previously O-18): Library procedure for bidding and letting contracts over \$50,000</p> <p>2A-11 (Previously O-19): Separate bids and contracts required for each class of work on buildings and other structures</p> <p>2A-12 (Previously O-20): Prevailing wage rates in public work contracts</p> <p>Table of Contents – added guidance related to the legal matrix and reviewing footnotes on the legal matrix.</p> <p>2A-1 (Previously 2-1): Appropriations limited by estimated revenue – modified the considerations for COVID 19.</p>

2A-2 (Previously 2-2): Restrictions on appropriating and expending money – added to the considerations for COVID 19.

2A-3 (Previously O-9): Municipal contracts – modified considerations for COVID 19 and added guidance related to professional design services.

2A-4 (Previously O-10): Altering or modifying municipal contracts – modified considerations for COVID 19.

2A-5 (Previously O-11): County notice and other bid procedures – modified considerations for COVID 19 and added guidance related to professional design services.

2A-6 (Previously O-13): Township expenditures and competitive bidding – modified considerations for COVID 19 and added guidance related to professional design services.

2A-7 (Previously O-15): Bidding procedures and purchasing policies for supplies and equipment (County Hospitals) – modified considerations for COVID 19 and added guidance related to professional design services.

2A-8 (Previously O-16): Contract procedures; bids; bonds; bid openings (Municipal Hospitals) – modified considerations for COVID 19.

2A-9 (Previously O-17): Colleges and universities – bidding required on improvement contracts – modified considerations for COVID 19 and added guidance related to professional design services.

2A-10 (Previously O-18): Library procedure for bidding and letting contracts over \$50,000 – modified considerations for COVID 19 and added guidance related to professional design services.

2A-11 (Previously O-19): Separate bids and contracts required for each class of work on buildings and other structures – modified considerations for COVID 19.

2A-12 (Previously O-20): Prevailing wage rates in public work contracts – added considerations for COVID 19.

2A-13 (Previously 2-4): Required accounting records – added footnote related to new legislation that allows for a governmental entity to utilize distributed revenue technology, including blockchain technology, in the exercise of its authority.

2A-14 (Previously 2-6): Eligible investments – updated guidance related to the names of certain programs such as IntraFi Network Deposits (formerly CDARS) and Government Insured Deposit Program (GIDP) and added applicable section of ORC.

2A-15 (Previously 2-7): Other requirements – clarified that the GIDP would be considered a deposit which would not require a signed investment policy and added guidance related to the location of investment policies filed with AOS.

2A-17 (Previously 2-9): Security for repayment of public deposits – Updated guidance from the TOS OPCS operating policies.

2A-18 (Previously 2-10): Eligible investments – updated guidance related to the names of certain programs such as IntraFi Network Deposits (formerly CDARS) and Government Insured Deposit Program (GIDP) and added applicable section of ORC.

	<p>2A-19 (Previously 2-11): Other county and county hospital requirements – clarified that the GIDP would be considered a deposit which would not require a signed investment policy.</p> <p>2B-5 (Previously 2-20): Landfill financial responsibility and certifications; Solid waste transfer facility responsibility and certifications – updated guidance throughout section.</p> <p>2B-6 (Previously 2-21): Education requirements – updated guidance throughout section. Added a link to guidance for adding new term to the fiscal integrity portal.</p> <p>2B-8 (Previously 2-23): Ohio Sunshine Laws – clarified guidance related to trainings which qualify to meet public record training requirements and guidance to qualifications for StaRS rating. In addition, updated guidance for testing of requirements for community schools.</p> <p>2B-8 Exhibit A (Previously 2-23 Exhibit A): Star Rating System (StaRS) – clarified guidance related to trainings which qualify to meet public record training requirements</p> <p>2B-9 (Previously 2-24): CARES Act, Coronavirus Relief Fund – updated guidance throughout section.</p>
<p>Chapter 3</p>	<p>The following sections were removed from Chapter 3 and will be included within Chapter 4D (School Compliance Testing – Stewardship) in Spring 2023: Sections previously numbered in the 2022 OCS as sections 3-19 (Dropout prevention and recovery school eligibility requirements) and 3-20 (Transportation T-1 and T-2 Forms).</p> <p>Throughout – added clarification regarding the testing frequency of sections.</p> <p>Table of Contents – added guidance related to the legal matrix and reviewing footnotes on the legal matrix.</p> <p>3-2: Contracts and competitive bidding – this section was removed with testing of contracts and expenditures moved to Chapter 2, Sections 2A-3 – 2A-12 and Chapter 4, Section 4B-6 (schools).</p> <p>3-3: Appointments, compensation, contracts etc. – modified footnote related to compensation for school treasurers.</p> <p>3-14: Counties – Furtherance of Justice (FOJ) – added clarification regarding the calculation of monies to be redeposited into the county treasury.</p> <p>3-16: Cafeteria plans – updated threshold for including amounts in gross income of a participant from \$130,000 to \$135,000.</p>
<p>Implementation Guide</p>	<p>Throughout – updated references</p> <p>Audit Findings – updated language to coincide with the Yellow Book and modified opinion example to match current AOS opinion shells.</p> <p>Findings for Recovery and Responsibility for Paying Findings for Recovery: Strict Liability Laws – modified footnotes and footnote references related to strict liability due to the passage of SB 15.</p> <p>Additional Policies for Findings for Recovery for Auditor of State Audits – added clarified guidance.</p> <p>Referrals to the Ethics Commission, Other State Agencies and the IRS – clarified guidance regarding referrals to ODE and guidance regarding CIC/DC filings.</p>

	<p>Appendix A-1: Transfers and Advances – modified considerations for COVID-19.</p> <p>Appendix A-2: Direct Charges – removed considerations for COVID-19.</p> <p>Appendix E-1: Federal Agencies – removed Financing Corporation (FICO) as the securities were beyond the listed maturity range.</p> <p>Exhibits 5&6: Legal Matrix – clarified applicable OCS sections and footnotes</p>
<p>OPM</p>	<p>The following sections related to tests of contracts and expenditures were moved from the Optional Procedures Manual into Chapter 2:</p> <p>2A-3 (Previously O-9): Municipal contracts</p> <p>2A-4 (Previously O-10): Altering or modifying municipal contracts</p> <p>2A-5 (Previously O-11): County competitive bidding and other requirements</p> <p>2A-6 (Previously O-13): Township’s expenditures and competitive bidding</p> <p>2A-7 (Previously O-15): Bidding procedures and purchasing policies for supplies and equipment (County Hospitals)</p> <p>2A-8 (Previously O-16): Contract procedures, bids, bonds, bid openings (Municipal Hospitals)</p> <p>2A-9 (Previously O-17): Colleges and universities – bidding required on improvement contracts</p> <p>2A-10 (Previously O-18): Library procedure for bidding and letting contracts over \$50,000</p> <p>2A-11 (Previously O-19): Separate bids and contracts required for each class of work on buildings and other structures</p> <p>2A-12 (Previously O-20): Prevailing wage rates in public work contracts</p> <p>The following section was removed from the Optional Procedures Manual and will be included within Chapter 4B (School Compliance Testing – Indirect Laws) in Spring 2023: The section previously numbered in the 2022 OCS as section O-14 (Board of Education and Governing Board of Educational Service Centers procedures for bidding and letting contracts).</p> <p>The following sections were removed from the Optional Procedures Manual and will be included within Chapter 4E (School Compliance Testing – School Optional Procedures) in Spring 2023: Sections previously numbered in the 2022 OCS as sections O-5 (Five-year projections), O-6 (Restriction upon school district expenditures and certifying adequate revenues), O-7 (Capital and maintenance reserve account), O-8 (Community school budget requirements) and O-28 (Community school audit fee bond).</p> <p>O-1: Certification of available revenue – modified considerations for COVID-19.</p> <p>O-5 (Previously O-12): County credit and procurement cards – modified considerations for COVID-19 and updated eligible expenses.</p> <p>O-7 (Previously O-22): Establishment of policies, restrictions on use, prohibitions for government credit cards and purchasing cards – modified considerations for COVID-19</p> <p>O-8 (Previously O-23): Issuing municipal securities – updated list of material events.</p> <p>O-12 (Previously O-27): Allocating audit costs – updated section to agree with guidance in AOS Bulletin 2022-006.</p>

	<p>O-13: Continuing Professional Training (CPT) pilot program funding for law enforcement agencies (NEW) – new section to test requirements for the attorney general’s CPT program outlined in AOS Bulletin 2022-004.</p>
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