



DAVE YOST
Ohio Auditor of State



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Dave Yost

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Audit Update

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Chief Auditor-East Region
jjones@ohioauditor.gov

What We Will Be Covering

Participants may learn the following

- Upcoming GASB Statements
- OCS Update
- Segregation of Duties
- Common Citations and Internal Control Comments
- New Bulletins
- Where to find help!



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GASB Pronouncements

GASB 75: OPEB

- Fiscal years beg after 6/15/17
- Postemployment Benefits Liability – Healthcare, etc.
- Similar to GASB 68

GASB 84: Fiduciary Activity

- Fiscal years beg after 12/15/18
- Agency now Custodial Funds
- OCBOA/GAAP Operating Statement

<http://gasb.org/>



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GASB Pronouncements/Other

GASB 87: LEASES

- Fiscal years beg after 12/15/19
- Provides Lease Guidance

Financial Reporting Model

- Reexamination
- Late 2018 PV document for comment



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<http://gasb.org/>

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Compliance-OCS



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Ohio Compliance Supplement

The OCS uses double underlining to indicate new or revised legislative or accounting standard requirements.

words

The OCS uses waved underlining to highlight:

- Pre-existing laws we have now determined auditors should test (i.e. requirements not appearing in former OCS editions).
- New or amended guidance. Most of these changes represent information we believe will enhance understanding compliance auditing or reporting.

The OCS uses strike-out font to indicate replaced or omitted legislative requirements. We have not deleted these sections since they may still apply to part of an audit period. Also, retaining this information will help users better understand the changes.



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Ohio Compliance Supplement

- Where is it located?
 - Auditor of State's website
 - Resources / Publications & Manuals



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



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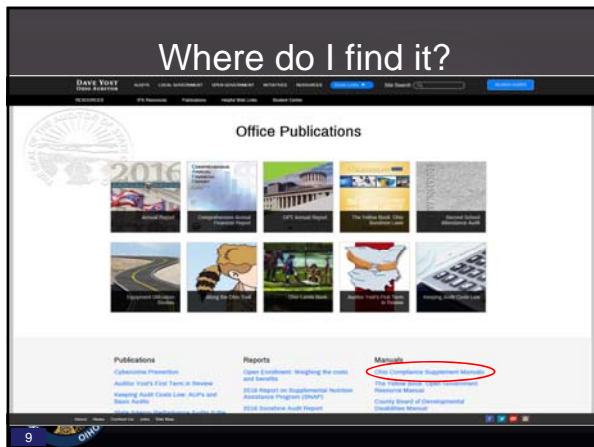
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Where do I find it?

Resources / Publications & Manuals



Where do I find it?



The screenshot shows the Dave Yost website's 'Reference Materials' section. The main heading is 'Ohio Compliance Supplement Manuals'. Under the year '2018', there is a red-bordered box containing the following links:

- Ohio Compliance Supplement Implementation Guide (PDF)
- Exhibit 3 Compliance ACE (Microsoft Word)
- Ohio Compliance Supplement Manual (PDF)
- Chapter 1 - Direct Laws (PDF) (Microsoft Word)
- Chapter 2 - Indirect Laws and Statutorily Mandated Tests (PDF) (Microsoft Word)
- Chapter 3 - Stewardship (PDF) (Microsoft Word)
- Optional Procedures Manual (Microsoft Word)

 Below the 2018 section are sections for 2017 and 2016, each with similar links. A left-hand navigation menu includes categories like 'Clients of IPA Firms', 'IPAs', 'Public Accounting Firms', and 'Financial Reports'.

[Ohio Compliance Supplement Implementation Guide \(PDF\)](#)

- [Exhibit 3 Compliance ACE \(Microsoft Word\)](#)



[Ohio Compliance Supplement Manual \(PDF\)](#)

- [Chapter 1 - Direct Laws \(PDF\) \(Microsoft Word\)](#)
- [Chapter 2 - Indirect Laws and Statutorily Mandated Tests \(PDF\) \(Microsoft Word\)](#)
- [Chapter 3 - Stewardship \(PDF\) \(Microsoft Word\)](#)

[Optional Procedures Manual \(Microsoft Word\)](#)

OCS Implementation Guide

- Guide for Legal Compliance Auditing in Ohio
- Includes a lot of information and guidance

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2018 Chapter 1 Changes

1-6: Transfer of Funds - 1-6 Taxing authority of any political subdivision, with the approval of the Tax Commissioner (effective 6/30/17), may transfer from one fund to another any public funds under its supervision. Forms for the approval of the Tax Commissioner are available at <http://www.tax.ohio.gov/Government/forms.aspx>

1-17 : Annual financial reporting – clarified testing for AOS Annual Financial Statement Filing Inquiry Form (refile)

1-24: Definitions, rates of contributions, etc. – clarified guidance regarding PERS earnable salary. PERS withholdings should be computed on earnable (i.e. usually gross) salary, that is computed on gross pay before-deducting medical, dental, vision, and flexible spending



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2018 1-25 UPMIFA

- Obtain supporting documentation for any material endowments. The activity may be recorded in
 - Private Purpose Trust Fund
 - Permanent Fund
 - Special Revenue Fund
 - General Fund



- If the government wants to release or modify more than 5% of any of the "non-spendable" portions
 - Review any applications/approvals from appropriate courts
 - Determine if limitations on time and/or totals were adhered to
 - Determine if the uses are consistent with expressed purposes



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2018 Chapter 2 Changes

- **2-16,17,18: Force Accounts** – clarifications to guidance.
 - Force accounts undertaken as part of a Federally-Funded Local Project Agreement with ODOT
 - Force Accounts undertaken strictly by the Local (i.e., NOT as part of a Federally-Funded Local Project Agreement with ODOT)



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2018 Chapter 2 Changes

- **2-22: Fraud, Abuse, Conflict of Interest, Ethics** – The Attorney General maintains a listing of incompatible public offices.
- **2-23: Availability of public records – added some exempt items**
 - Certain competitive bid information
 - Certain public depository information



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2018 Chapter 3 Changes

3-5: Bonding Requirements

Exhibit 2 in the OCS Implementation Guide includes:

- Table 1: Those required by statute to give bond (minimum specified),
- Table 2: Those required by statute to give bond (with no amount specified), and
- Table 3: Those for which the board may require to give bond



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2018 Chapter 3 Changes

3-15: Reimbursement of Township insurance premiums- See OCS for changes

Note: Can't be reimbursed for immediate dependents if they elect not to participate in the plan (2017 Op. Atty. Gen. No. 2017-007)

– Possible FFR 2018



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2018 Chapter 3 Changes

3-17: Fiscal Integrity Act-clarified testing

- Newly elected or appointed fiscal officer
- Completed the first year of their term during the years being reviewed
- Obtain evidence received required training
- Applies to fiscal officers whose term begins after 3-23-2015



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Optional Procedure Manual

The Auditor of State intends to select a few audits randomly each year, to test requirements listed in the OCS Optional Procedures Manual (OPM). The omission of these requirements from testing does not lessen a government's responsibility for compliance and for instituting controls it believes are necessary to assure compliance with any laws and regulations that apply to the government.



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Sample OPM

- O-3 allocating interest
- O-13 Township expenditures and competitive bidding
- O-19 Bids and Contracts required for buildings and other structures
- O-22 Various – use of government credit/ purchasing cards
- O-23 Municipal securities
 - The term *Municipal Security* refers to any local government security, not just those municipalities issue, pursuant to 15 U.S.C. § 78c(a)(29).




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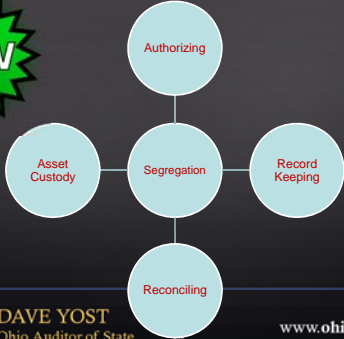
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Segregation of Duties



NEW






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How AOS will evaluate SOD

- Tool/practice aid to systematically evaluate SOD
- Spreadsheet which documents all processes in a given cycle along with the auditee staff individual responsible for completing it
- Primary cycles it will be used for include:
 - Self-assessed Taxes
 - Charges for Services
 - Over the Counter Receipts
 - Payroll Disbursements
 - Non-Payroll Disbursements
 - Capital Assets/Inventory
 - Bank/Investments





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Audit Finding

Conclusion of fact an auditor *finds* as part of the audit process

- Noncompliance citations
- Findings for abuse
- Findings for adjustment
- Findings for recovery





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Note

I am not a licensed attorney-these violations were noted from our executive summary portal based on information input-I can't attest to the accuracy or the applicability to your particular entity type. If you have legal related questions-they need addressed to your legal counsel.

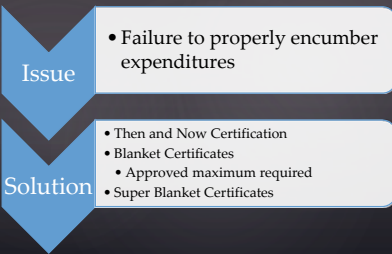


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1-Ohio Rev. Code § 5705.41(D)



- Failure to properly encumber expenditures

- Then and Now Certification
- Blanket Certificates
- Approved maximum required
- Super Blanket Certificates



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2-Ohio Rev. Code § 149.43



- Availability of public records and related policies
- Missing public records

- Public records policy needs displayed
 - Needs to be displayed in each branch
- Policy needs adopted by Board
- Maintain records according to retention

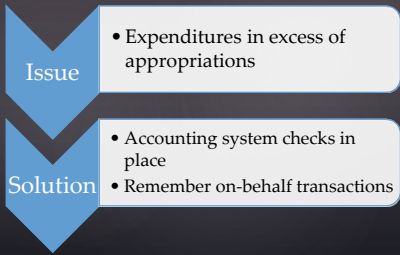


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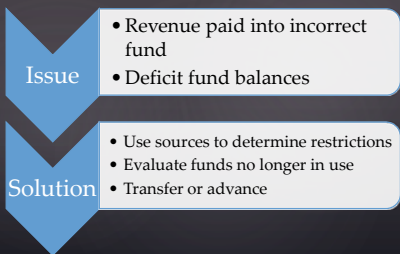
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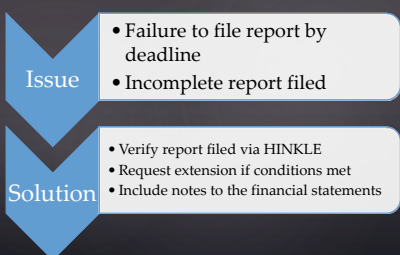
3-Ohio Rev. Code § 5705.41(B)



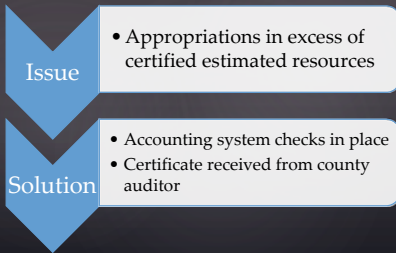
4-Ohio Rev. Code § 5705.10



5-Ohio Rev. Code § 117.38



6-Ohio Rev. Code § 5705.39

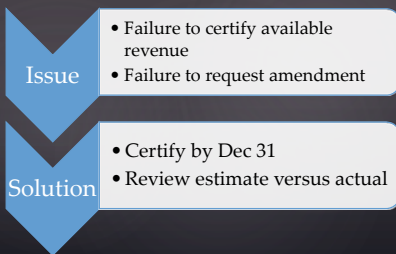


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7-Ohio Rev. Code § 5705.36

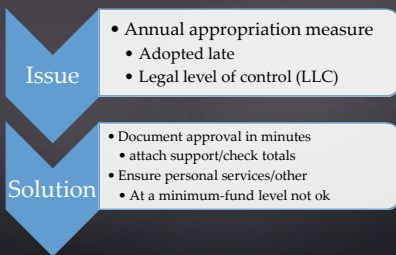


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8-Ohio Rev. Code § 5705.38

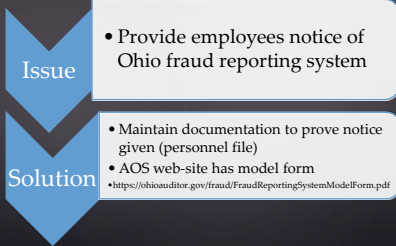


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9-Ohio Rev. Code § 117.103 (B) (1)

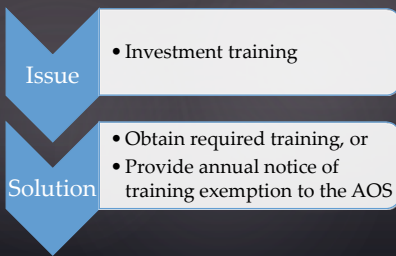


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10-Ohio Rev. Code § 135.22



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Note

I have not audited these clients or can attest to the accuracy of these issues-these issues were noted from our executive summary portal based on the information input to capture the results-actual results may vary.



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1-Audit Adjustment / Reclassification

Issue

- GASB 54: Fund balance classifications
- Reclassify receipts
- Revenues recorded net of expenditures

Solution

- Review AOS Bulletin 2011-004
- Use shells/guidance on AOS web-site
- Book at gross receipts and book the exp



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2-Budgetary accounting system

Issue

- System amounts did not match approved amounts

Solution

- Make sure appropriations passed agree to system amounts
- Make sure county certified resources agree to system amounts



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3-Cash-Bank Reconciliation

Issue

- Bank reconciliation not timely
- Some accounts missing
- Old outstanding items

Solution

- Complete monthly reconciliations
- Make sure all accounts included in reconciliation
- Clear outstanding items and possibly have board approve write-offs



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4-Payroll deficiency

Issue

Solution

- Withholdings paid late
- Hours paid did not agree to support
- Pay rates not approved

- Pay withholdings timely
- Ensure pay supported
- Authorize pay rates



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5-Non payroll deficiency

Issue

Solution

- No policy for travel or meals
- Expenditures not supported
- Did not certify expenditures

- Adopt and follow policy
- Maintain invoices
- Certify expenditures



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6-Debt accountability deficiency

Issue

Solution

- Payment not timely
- Activity not recorded
- No debt schedule

- Maintain and follow schedule
- Record receipts & disbursements
- Record principal and interest



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7-Financial monitoring

Issue

- Financial statement errors

Solution

- Have a review process in place
- Monthly report and yearly f/s reviews



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8-Policy Deficiencies

Issue

- No policies for credit card, cash overage/shortage, proper public purpose, etc.
- Not following policies

Solution

- Establish written policies
- Verify compliance with written policies



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9-Fund classification deficiency

Issue

- Major fund error
- Fund balance classification

Solution

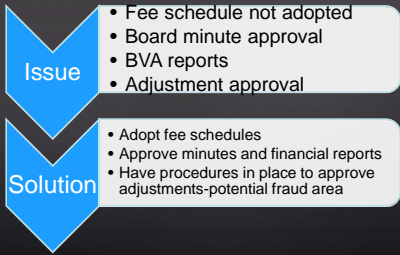

- Complete spreadsheet (assets)
- Review GASB 54 Bulletin 2011-004



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10-Board oversight / review


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Help?


- Other fiscal officers
- Your legal counsel
- Handbooks
- Associations
- UAN helpline
- AOS regional offices
- AOS web site

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- AOS Regional Office Numbers
- Southeast 800-441-1389
 - East 800-443-9272
 - Southwest 800-368-7419
 - Northeast 800-626-2297
 - Central 800-443-9275
 - West 800-443-9274
 - Northwest 800-443-9276

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AOS Bulletins


- No Bulletins issued since 4/21/17
- This space reserved to discuss any new Bulletins issued after Feb 9, 2018



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Best Practices

December 2017

Based on a survey that the Auditor of State conducted earlier this year, there are many red flags that indicate government entities are at risk for credit card misuse by employees. In this issue 2017, the office has investigated at least 10 cases of employee credit card misuse and their results. In this issue of "Best Practices" we share policies recommended by Issue 2017-1, identified in 2017, that could reduce local government credit card misuse to prevent an audit.

November 2017

Each year one of thousands of audits are either through payroll fraud or that's governments because employees are looking for better and opportunities to receive an employee will need their share. Not a business all the frequently. Government officials need to make sure they have the control controls to their payroll fraud and bring it to light quickly when it occurs. This edition of "Best Practices" is aimed at helping local officials with the top flags.

October 2017

Increasingly local governments are becoming victims of cyberattacks, in fact, in recent years. Linking County, DeWitt County and Wayne Township in Western Ohio have all had credit card misuse. The Auditor's office has made helping government entities prevent such attacks a priority and in this issue of Best Practices, office issues tips and suggestions to do just that, as well as what to do if you have been attacked.

September 2017

In this issue issue 2017, we provide information on credit card misuse -- such as Payment Plan -- provided by local Auditor of State Dave Yost in cooperation of government entities to prevent such misuse in a Payment Plan program as well as a type of government in their accounts. Included in this issue are results from the Auditor's office survey of more than 100 local officials regarding Payment Plan and other such services.

September 2017

Article: Ohio's Ethics Law: Get The "Right" Letter From Auditor of State Dave Yost: Identifying a Reason for Income, Unethical Government Local Government Traffic, A New Way of Doing Business: The Ohio Performance Team: Improving Performance in Ohio Government: Local Government Performance Audits: Auditing Local Government.

October 2017

Article: Performance Audit Legislation: A Priority for 2018: Several Audits: Letter From Auditor of State Dave Yost: Performance Audits: Improving Government Efficiency & Accountability: Annual Local Government Ethics Conference.

Fall Issue 2017

Article: Transforming the Audit Process: 241 Million in Total Findings for Recovery: 2017: Personal Audit Process: Audit Open: Performance Audit: Agreements: Savings.

Summer Issue 2017

Article: 2017: Finding Leads in Big Changes: State Confidential: State Performance.

Special Fraud Issue 2017

Article: Prevention of Fraud: Theft: Embezzlement and Anticorruption: Issue 2017 Update: Bringing Fraud into Focus: Strengthening the Government.

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BEST PRACTICES

How to minimize the risk of credit-card abuse

Fraud is a crime of opportunity, more likely to occur when financial controls and oversight are lax. Local governments can protect themselves by adopting practices that reduce the opportunities for dishonest employees to abuse government credit and debit cards. There are a number of steps which can, and should, be taken to ensure that credit cards are not abused. Some of those steps are described below:

Credit cards should only be issued in the name of the government responsible for the account. Every local government should have a formal credit card policy that, at a minimum, includes:

Designation of the






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2017 – Best Practices

- ✓ December
 - ✓ Credit Card
 - ✓ 10 items every policy shall contain
- ✓ November
 - ✓ Payroll Fraud
 - ✓ Internal Controls are Vital
- ✓ October
 - ✓ Cyber attack
 - ✓ Definitions
 - ✓ Do you pay the Ransom?





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2016 – Best Practices

- ✓ September
 - ✓ Check Fraud
 - ✓ Positive Pay
 - ✓ Check/Debit Block
 - ✓ ACH Positive Pay
 - ✓ Masking UPIC





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2011 – Best Practices

- Summer 2011
 - Ohio ethics law
 - SkinnyOhio.org
- Winter 2011
 - Performance audit
 - LEAP Fund





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2010 – Best Practices

- Fall 2010
 - 60 day school projects
- Summer 2010
 - ARRA
- Fraud Issue 2010
- Spring 2010
 - Do we qualify for AUP?



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2009 – Best Practices

- Winter 2009-2010
 - Lesson Learned-Strengthened Practices and Policies in the Aftermath of Fraud
- Fall 2009
 - Performance audits how to measure up when the economy is down
- Spring 2009
 - Open meetings and open records laws



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2008 - Best Practices

- Winter 2008/2009
 - The face of fraud-who commits it and why
- Fall 2008
 - Got GAAP
- Spring 2008
 - What is strategic budgeting
- Winter 2008
 - Performance measurement and management



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2007- Best Practices

- Winter 2007
 - Disaster Recovery Plans
 - Sample Recovery Plans
- Fall 2007
 - Accountability for public money
 - Cash handling policies




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2006 - Best Practices

- Spring & Winter 2006
 - Fraud Indicators & Red Flags
 - Occupational Fraud & Abuse
 - Ethics Policies






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2005 - Best Practices

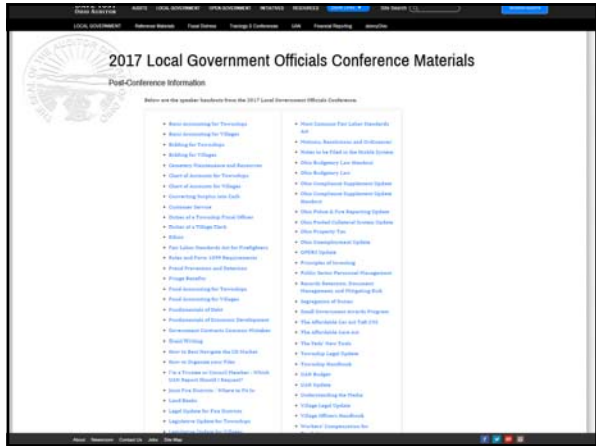
- Spring
 - Audit Committees
 - Public Records
 - Identity Theft






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