

# 2016

## ANNUAL REPORT



Dave Yost | Ohio Auditor of State



# ANNUAL REPORT 2016



**DAVE YOST**

Ohio Auditor of State



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# DAVE YOST • OHIO AUDITOR OF STATE

The Honorable Governor John R. Kasich  
The Honorable Secretary of State Jon Husted  
The State Librarian Beverly Cain  
The Citizens of Ohio

Dear Citizens of Ohio,

Fiscal year 2016 has ended, and I am proud to report that our team has worked diligently to help save and recover millions of dollars for Ohio taxpayers at all levels of government in our great state. We have found efficiencies for governments in Ohio, including state agencies and departments, local communities and its schools. The work completed by this office during FY 2016 continues Ohio's governments on a path of fiscal efficiency and accountability.

This annual report offers an overview of those innovations and other accomplishments of the office during the 2016 fiscal year. Here are some highlights:

**Fraud Training For Local Government Officials:** Too often our auditors discover theft and fraud after significant financial damage has been done. To combat this problem, our Public Integrity Assurance Team held training seminars across the state to help local officials spot the earliest signs of fraud. Hundreds attended the free training program.

**Supplemental Nutrition Assistance Program (SNAP) Audit:** Our office reviewed activities in the SNAP program, also known as the food stamp program, looking for weaknesses that make the system vulnerable to fraud. We identified numerous weaknesses and some instances of fraud, even though that wasn't the mission. Auditor Yost shared the findings when he testified before the U.S. House Committee on Agriculture.

**Charter School Student Attendance Head Count II:** After an initial head count audit in the 2014-15 school year, we sent our auditors back into our charter schools to determine whether attendance had improved and if tax dollars were being spent appropriately and efficiently. We also examined attendance in comparable public schools to establish a baseline. The findings: There was progress, but room for improvement remained.

**Sunshine Audit:** Having created a program to assist Ohioans in their battles for public records in 2015, the initiative had a successful year. There were 16 instances where complaints were made to the Auditor of State's office about a government's unwillingness to provide records. While some governmental entities balked at providing records, most were compliant after we intervened. A few were more resistant to operating in the true spirit of open government.

**SkinnyOhio.org Revamp:** In January of 2016, the Auditor of State's office released the new and improved [skinnyOhio.org](http://skinnyOhio.org) – a governmental resource to help local communities learn about and share innovative practices that should reduce the cost of government.

Sincerely,

A handwritten signature in blue ink that reads "Dave Yost".

Dave Yost  
Auditor of State

The **Auditor of State's office** strives for clean, accountable and efficient governments for those we serve, **the people of Ohio**. We are professionals. We work under objective standards, driven by numbers and facts without regard to politics. Every day, we work to achieve truth in a **smarter, streamlined government**.

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# AUDITOR OF STATE



## 2016 Initiatives



The feedback was extremely positive, with some suggesting the training be mandatory for all government officials.

# Fraud Prevention and Detection Training

**T**he clues were there, but there were not enough people trained to detect them.

Too often, the auditing staff uncovers evidence of theft and misspending while reviewing the financial documents of local governments and school districts. Frustrated that the signs of theft are sometimes overlooked, Auditor Dave Yost created a statewide training program designed to help school board members, county commissioners and other public officials recognize some of the tell-tale signs of fraud.

Yost and the office's fraud fighters embarked on a seven-city training tour, providing expert tips on spotting the signs of theft and answering questions from those responsible for financial oversight. More than 600 people attended the sessions, all provided free of charge in each region of the state. The feedback was extremely positive, with some suggesting the training be made mandatory for all government officials.

"We decided to provide this training so that those running our townships, villages and schools know the warning signs of fraud," Yost said. "We know statistically the longer the fraud continues unabated, the more damage is done. We need to educate our local officials to help them be on the lookout to protect our citizens and their money."

Brendan Inscho, director of the auditor's Public Integrity Assurance Team (PIAT), which created the training program, said theft is possible when institutions do not have sufficient internal controls and multiple checks on receipts and expenditures. Inscho said local officials told him they were most appreciative of being encouraged to ask questions and demand documentation. "We all need to ask intelligent questions because at the end of the day, the public will be thankful you were good stewards of their money."

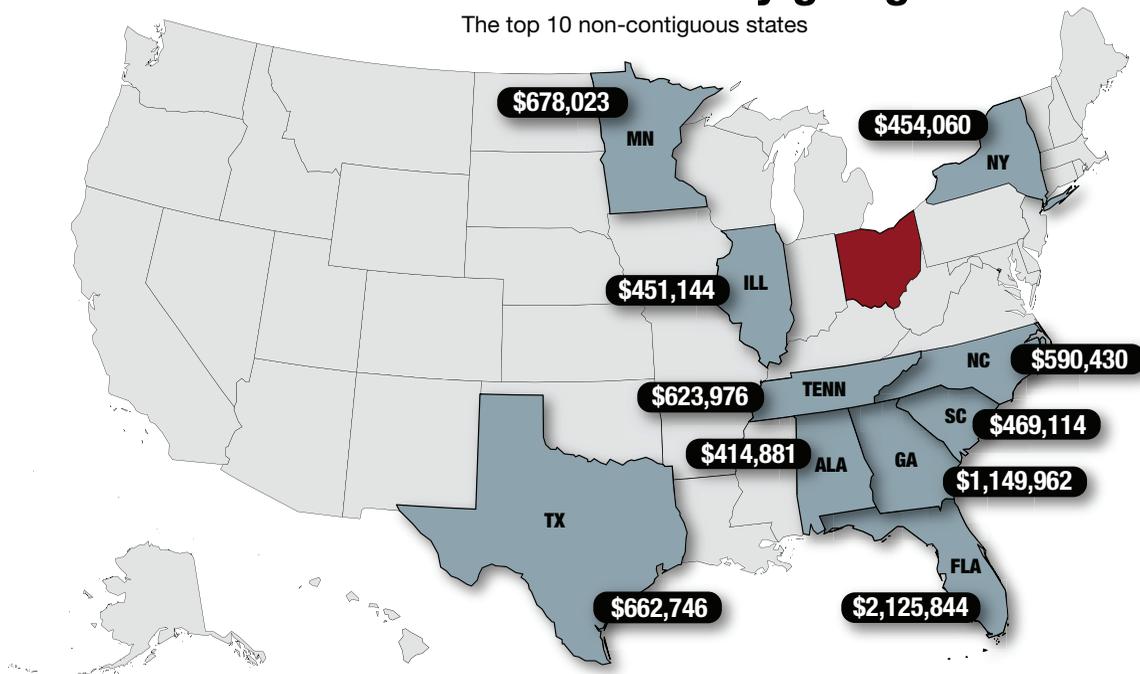
Since Yost became Auditor in 2011, the office's audits and investigations have identified more than \$22 million in stolen or illegally spent tax dollars. Some 110 people have been convicted for crimes uncovered by audit investigators during that time.

# SNAP Audit

**O**n July 6, 2016, Auditor Yost provided testimony to the U.S. House Committee on Agriculture regarding a recent audit of Ohio's \$2.5 billion Supplemental Nutrition Assistance Program (SNAP). ♦ Released on June 28, 2016, the review of SNAP, also known as the food stamp program, examined spending during the first six months of 2015 to identify structural program weaknesses but also found some instances of potential fraud.

## Where is Ohio money going?

The top 10 non-contiguous states



The audit found some cases where deceased individuals received benefits more than a year after their death, but data showed their cards were still in use. Auditors also identified 173 recipients with card balances exceeding \$5,000, including one balance of \$20,610. Those recipients collectively had balances worth more than \$1.2 million.

The audit discovered more unusual card activity at neighborhood corner stores where an entire month's benefits were spent in a single transaction. Because those stores don't typically offer the staples that families need, auditors suspect fraud is occurring.

Auditors noted more than \$28.5 million spent in "even dollar" transactions, amounts that are not typical and are indicators of fraud. Other questionable spending included multiple transactions worth hundreds of dollars that occurred within minutes of each other. In one case, a recipient made six transactions in less than an hour at two locations, spending \$1,555 worth of benefits.

According to the report, more than \$28.7 million

in SNAP funds were spent outside of Ohio by 118,316 recipients. Auditors said that excessive use of the cards out of state could indicate either the recipient does not live in Ohio, is receiving benefits in more than one state, or is selling their card and benefits.

Four recipients were flagged on all seven reports that indicate high risk for fraud; 114 were flagged on six reports; 1,091 were flagged on five. Of the retailers, 37 were flagged on five of the reports, and 1,412 were flagged on four. Additionally, more than 151,000 retailers were flagged on one or more of seven reports that identify retailers considered to be at very high risk for fraud.

This is the second examination of the SNAP program by the Auditor of State's office. The first audit, conducted in 2011, found a large number of reissued cards. At the time, only data on excessive card replacements was available. At the suggestion of the Auditor, the state began requiring its vendors provide data to allow for an extensive review and to better identify problematic trends.

# Sunshine Audits

In his never-ending push for transparency, Auditor Yost announced in March 2015 that his office would provide a path for average citizens to avoid long, expensive legal battles over public records. ♦ Sunshine Audits were created to provide limited scope reviews that determine if a public entity has violated the Ohio Public Records Act. Private citizens and organizations can initiate a Sunshine Audit by filing a complaint with the Auditor of State's Open Government Unit.

In the first year of the audits, the Auditor of State's office received 16 Sunshine Audit complaints against state agencies, counties, cities, universities and school districts from across the state. Of those, the Open Government Unit determined that eight entities were in compliance with the Ohio Public Records Act.

Five entities were found to be initially noncompliant, meaning they did not release the public records at first but did so after they were contacted by the Auditor's office. The entities involved in the remaining three public records complaints were found to be noncompliant, meaning they did not properly follow the Public Records Act.

Findings of noncompliance were forwarded to the entities' regions and included in their regularly scheduled financial audit.

The five cases in which entities ultimately turned over public records after being contacted by the Auditor's office demonstrated that entities were responsive to the Sunshine Audit findings.

Feedback received from citizens who have initiated Sunshine Audits has been positive. Several described the Sunshine Audits as being easier, less costly and less time-consuming than the courts. Complainants also said they were pleased with the option to remain anonymous throughout the process.



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# Second Student Attendance Count

*“It’s an extremely positive sign that we are seeing more students in the classrooms of our charter schools.”* — AUDITOR YOST

**A**s a follow-up to his first unannounced statewide head count of community school attendance, Auditor Yost in May reported that a second “surprise” audit found attendance among non-Dropout Recovery and Prevention (DORP) schools had improved.

Auditor Yost made numerous recommendations for improving accountability at community schools and suggested the Ohio Department of Education (ODE) be restructured. “This review makes it clear that we need to continue to strengthen our system of accountability,” Auditor Yost said.

The second unannounced count occurred on Nov. 9, 2015 and involved 44 site-based community schools. Among them were six that ranked among the lowest in the 2014 review (a seventh was not included in the 2015 review because it had suspended operations). This year’s surprise head count also included 10 traditional schools located near the community schools.

With one exception, the non-DORP community schools’ attendance rates ranged from about 73 to 99.9 percent. One community school’s attendance was 29.3 percent. The traditional school attendance in similar geographic areas ranged from 75.2 to 99.9 percent.

“It’s an extremely positive sign that we are seeing more students in the classrooms of our charter schools,” Yost said. “What continues to be concerning is there are too many empty chairs that taxpayers are paying to have



occupied, particularly at our high-risk Dropout Recovery and Prevention schools.”

During the first unannounced head count review in 2014, auditors found attendance at 23 percent of community schools (7 of 30) was severely below what was on file with ODE, while it was 7 percent (3 of 44) during the second review.

Auditors found that attendance rates for 14 DORP community schools they visited in November were at or below 50 percent, compared to a high of 66 percent a year ago when seven DORP community schools were reviewed. This year, audit staff also examined head counts at 10 traditional schools, and found attendance averaged about 91 percent on the day of the count.

The review prompted auditors to report three schools to the Ohio Department of Education for what appeared to be a violation of their operating charters.

The report made eight recommendations to ODE and the Ohio General Assembly for improvements to reporting requirements and other measures aimed at safeguarding public dollars, some of which were also part of the January 2015 report.

# skinnyOhio.org

In January of 2016, the Auditor of State's office unveiled the new and improved skinnyOhio.org – a resource for governments across Ohio to learn about and share innovative practices that can help “skinny down” government and save tax dollars.



SKINNYOHIO.ORG

Think It See It Do It

Bringing smarter, streamlined government to Ohio.

Learn More >

PLAY VIDEO

### Streamlining Starts Here

**Think It**  
Ohioans deserve efficient, accountable government, and every

**See It**  
Here are two helpful databases at your fingertips. Search for specific

**Do It**  
Access the resources to make your own plan for “skinnying down” your

First launched by Auditor Yost in 2011, skinnyOhio.org serves as an online clearinghouse of performance audit recommendations, shared service examples and other resources for smarter, streamlined government.

Designed to help entities “Think It,” “See It” and “Do It,” the new site features more ideas, new resources and a user-friendly design to inspire smarter, skinnier governments for the people of Ohio.

The “Think it” page showcases areas where savings are often found in government and offers ideas to help increase efficiency and cut costs without sacrificing quality.

The “See it” page houses two valuable databases containing specific examples of how governments and schools have streamlined operations or partnered together to deliver more cost-effective public services. The

Performance Audit Database stores searchable, real-world savings recommendations identified by the Auditor of State's performance audits. In the Savings Idea Center, governments and school systems can find proven examples of how similar entities have already put innovative ideas into practice.

The “Do it” page provides tips and resources that make it easier to get cost-saving projects up and running. This page answers questions related to the feasibility of implementing a project, as well as how to find funding sources. Many more cost-saving tools are just a few clicks away.

SkinnyOhio.org, which is maintained by the Public Affairs Division and IT Department, was codified in FY 2012 by the Ohio General Assembly with the passage of House Bill 487, making it a permanent website for Ohio's taxpayers.

# AUDITOR OF STATE

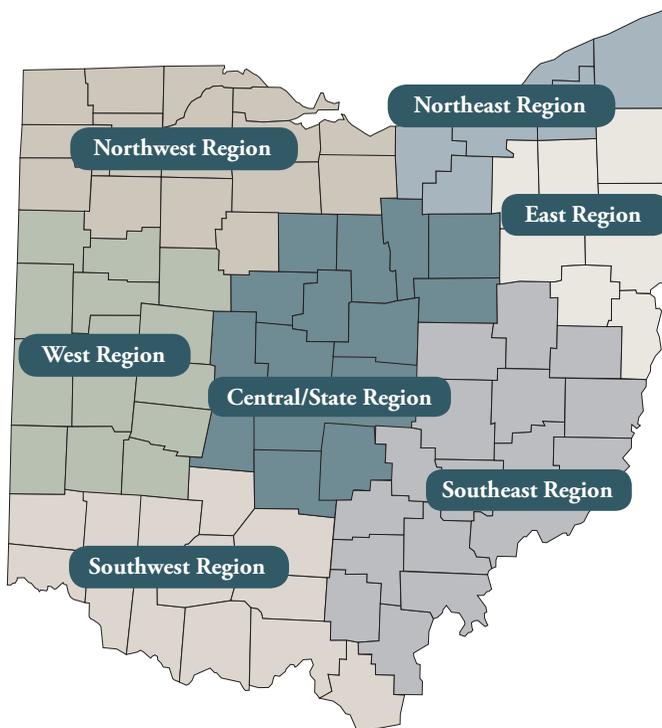


## Office Divisions

# Audit Division

The Auditor of State is the constitutional officer responsible for auditing all public offices in Ohio — more than 5,900 entities. This includes cities, villages, schools, universities, counties, fire districts, townships, cemeteries, libraries, state and county agencies, and commissions.

## AUDIT REGIONS



## Financial Audit Section

The Financial Audit Section is responsible for conducting audits of all public entities as required by Ohio law. Generally, the Auditor of State's office is required to perform financial and compliance audits of each public entity at least once every two fiscal years. The office must review the methods, accuracy and legality of the accounts, financial reports, records and files of all public entities and where applicable, express an opinion on whether a public entity's financial statements are fairly presented.

Additionally, it is the responsibility of the Financial Audit Section to determine whether an entity has complied with the laws, rules, ordinances and orders pertaining to the office. The Auditor of State's office released 3,519 audit reports from July 1, 2015 through June 30, 2016, which include traditional financial and compliance audits, agreed-upon procedure (AUP) engagements and basic audits. In a total of 104 of these audit reports, findings for recovery totaling \$2,193,241 were issued.

## Medicaid/Contract Audit Section

The Medicaid/Contract Audit Section (MCA) is dedicated to ensuring that Ohio's Medicaid dollars are not abused or wasted. The MCA Section employs 29 professionals with statewide jurisdiction to audit Medicaid providers. The work performed by these individuals

Continued on next page >>



combats fraud, waste and abuse, and improves the integrity and cost-effectiveness of the Medicaid program. The section also is an active member of the interagency Medicaid Program Integrity Group and the Ohio Healthcare Investigators Organization, both of which focus on combating fraud, waste and abuse in Ohio. Additionally, the MCA Section is part of a new joint program integrity initiative that focuses on identified issues in the provision of home health care.

The MCA Section performs work under a letter or arrangement with the Ohio Department of Medicaid (ODM). That work includes compliance examinations of Medicaid providers and data mining activities that identify risk areas for fraud, waste and abuse.

The MCA section also performs work under interagency agreements with the Ohio Department of Developmental Disabilities (ODODD) and ODM. This includes agreed-upon procedures to test the cost reports of county boards of developmental disabilities (CBDD) and councils of government (COG), as well as intermediate care facilities (ICF) for individuals with intellectual disabilities, including state operated developmental centers.

During FY 2016, the Auditor of State's office released 26 Medicaid provider compliance examinations and

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The MCA Section is part of a new joint program integrity initiative that focuses on identified issues in the provision of home health care.

# AUDIT DIVISION

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identified more than \$6.6 million in overpayments. The MCA Section also released reports on 53 CBDDs and 11 COGs, identifying over \$190,000 in overpayments and adjustments totaling more than \$12.6 million in non-federal reimbursable costs. The section released another 10 reports on ICFs for individuals with intellectual disabilities. Those reports identified more than \$4,700 in overpayments, as well as adjustments of more than \$106,000 in non-federal reimbursable costs and revenue offsets, which reduce net costs chargeable to the Medicaid program.

A representative from the MCA Section also presented at a national conference, highlighting the section's use of technology to develop analytics and methodologies that help protect the state's Medicaid dollars. In addition, MCA notified ODODD of approximately \$250,000 in payments to county boards for activities not covered by the Medicaid program.

## Center for Audit Excellence

The Auditor of State's Center for Audit Excellence (CFAE) accomplished a great deal during fiscal year 2016, certifying more than 1,650 reports, completing nine regional reviews and performing over 80 working paper reviews of independent public accounting (IPA) firms.

In the second year of GASB 68 census testing, the group tested more than 275 engagements, while working with the pension systems and their independent auditors, as well as the Auditor's audit staff.

In addition, the CFAE completed the implementation of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR 200), which impacts all Single Audits. The CFAE completely revamped guidance testing procedures in its Federal Award Compliance Control Records (FACCR) and added a navigation option so users no longer have to scroll through hundreds of pages to find what they need, making the process easier and faster.

The group also added active hyperlinks to over 100 citations of law/regulations referenced in previous FACCRs and updated them for the new Uniform Guidance requirements. By providing the applicable federal law sources, the CFAE reduces the chance of using incorrect federal regulations in federal findings and testing conclusions. The FACCRs also were provided to IPAs so the firms have the same resource files. With this change to the FACCR format, the CFAE hopes future updates will be completed more efficiently and effectively, providing added value to auditors in the field.

## Audits by the numbers

**\$2,193,241**  
findings for recovery identified

**3,820**  
Total audits conducted

**2,875**  
Financial

**743**  
AUPs

**202**  
Basic

• FY 2016 numbers

## The Hinkle System

During fiscal year 2016, the Audit Division simplified the annual financial statement filing process with the introduction of the web-based Hinkle Annual Financial Data Reporting System (the Hinkle System), formerly called AFDRS.

The Hinkle System is an Internet-based application that allows certain financial statement, debt and demographic data to be entered, uploaded and transmitted to the Auditor's office, satisfying the filing requirements prescribed by the Ohio Revised Code and Ohio Administrative Code. The Hinkle System increases uniformity in financial reporting and allows for expanded use of the financial data that is submitted.

As of the financial period ended December 31, 2015, all entities with a requirement to file unaudited financial statements with the Auditor of State are required to file electronically through the Hinkle System.

During FY 2016, financial statements from 5,109 entities were filed through the Hinkle System, representing approximately 91 percent of the entities required to file reports during FY 2016.

**T**he Auditor of State's office relies on the assistance of, and contracts with, **Independent Public Accountants (IPA)** to satisfy its obligation to perform statutorily required audits of each public office.

From July 1, 2015 through June 30, 2016, the Auditor's office released 1,605 financial audit reports performed by IPAs, including 1,270 traditional financial audits and 335 agreed-upon procedures (AUP) engagements.

IPA firms interested in bidding on financial audits must register in the IPA Portal, an internet-based application, and be approved by the Auditor of State's office. Currently, there are 87 active IPA firms registered with the office.

The IPA portal allows firms to express interest in audit contracts, view bid requests, update firm information, and view their scores and report status. In fiscal year 2016, the

functionality of the IPA Portal was updated to include firm personnel access/profiles and an automated electronic invoicing system.

The expansion of the personnel access/profiles enables additional personnel at each firm to access the IPA portal by establishing "roles," which control access to certain functions. In addition, automated electronic invoicing was implemented for all June 30, 2015 period-end project invoices and all subsequent period-end projects. When certain edit checks in the system are met, the Auditor of State's office automatically approves the invoice for payment by the public office.



# AUDIT DIVISION

**T**he **Local Government Services Section (LGS)** serves as a consulting and fiscal advisory group to all governmental agencies and subdivisions. It provides an array of services including, but not limited to, financial forecasts, Generally Accepted Accounting Principles (GAAP) conversion assistance, annual financial report processing, record reconstruction and reconciliation, fiscal caution, fiscal watch or emergency assistance, merger and dissolution assistance and financial management training for elected officials. LGS also distributes publications such as accounting manuals and policy bulletins to assist local governments in performing their duties and to keep them up to date on their statutory and accounting requirements.

During the past fiscal year, the LGS section assisted local governments in the preparation of 302 annual financial reports, including 61 Comprehensive Annual Financial Reports (CAFR), 166 Basic Financial Statements (BFS), 20 supervision engagements (both CAFR and BFS) and 55 cash basis statements. In addition, among other projects, LGS responded to 107 fund request inquiries from local governments.

LGS assisted in the release of one school district (Niles City) from Fiscal Watch designation and the declaration of one school district into Fiscal Emergency (Coventry Local). The section also assisted with the territorial transfer of one school district (Ledgemont Local to Berkshire Local).

In addition, LGS assisted in the release of one municipality (Village of Newcomerstown) and one township (Hamilton Township) from fiscal emergency designation and the declaration of two municipalities into Fiscal Emergency (Village of Clarksville and the City of Fostoria). Also, the Village of Newtonsville was designated as being in fiscal caution under Chapter 118 of the Ohio Revised Code. LGS serves as the fiscal supervisor to 42 entities in fiscal emergency, providing financial counsel to both the local governments and the oversight commissions in recovery efforts.

As required by Ohio Administrative Code Chapter 126:3-1-01(D)(1)(b), LGS prepared two financial accounting reports (Owens Community College and Central State University). These reports outlined the nature of the financial accounting and reporting problems at the institutions and made recommendations for corrective actions. Since the release of the financial accounting reports, LGS has monitored the institutions' financial progress and the corrective actions taken to remedy the detailed issues. This has included reviewing financial reports, speaking with officials from the schools and attending update meetings with those officials, as well as officials from Ohio Higher Education and the Ohio Office of Budget and Management.

LGS assisted in the release of one school district (Niles City) from Fiscal Watch designation.

LGS also produced a number of publications, including the Village Officer's Handbook, the Ohio Township Handbook, the Ohio County Treasurers Manual and the Behavioral Health Handbook.

The section was involved in both external and internal training, which included hosting the Fall Village Fiscal Officer Training and the 2016 Local Government Officials' Conference. The three-day conference helps fiscal officers and other local officials develop their knowledge and skills in government accounting, budgeting, financing, legal compliance, ethics requirements and Ohio's open government laws. Semi-annual internal training for all staff occurred in August 2015 and January 2016.

LGS staff also assisted with Auditor of State responses to nine Governmental Accounting Standards Board (GASB) Exposure Drafts and an IRS proposal to modify the definition of "political subdivision." The section updated GASB 68 regulatory and Other Comprehensive Basis of Accounting (OCBOA) financial statement shells and notes, and completed GASB 68 sample notes and financial statement shells for schools, cities and counties. In addition, LGS staff participated in the National State Auditors Association (NSAA) Pension Audit Issues Workgroup, served on the NSAA Audit Standards and Reporting Committee, and served on the Ohio Government Finance Officers Association (GFOA) Board of Trustees.

This past fiscal year, LGS staff made presentations to the Ohio Township Association, the Ohio Government Finance Officers Association, the Northeast Ohio Association of School Business Officials, the Ohio County Auditor's Conference, the Mid-Ohio Regional Planning Commission, the Cuyahoga County Elected Officials, the Muskingum College New Concord Government Accounting Class and the Independent Public Accountants Conference. LGS also was involved in the Ohio School Boards Association Capital Conference.

# Training

All Auditor of State audit staff members are required to earn 80 hours of Continuing Professional Education (CPE) every two years. The Training Section follows the Generally Accepted Government Auditing Standards (GAGAS) to administer and track the audit staff's CPE hours. Accounting and Auditing Trainings (A&As) are held annually in each region to provide auditors with eight hours of CPE, including the most up-to-date information in the field of auditing and accounting. In an effort to reduce travel and training costs during FY 2016, the office offered audit staff unlimited governmental and professional CPE through Becker webinars.

This past October, the Auditor's office hosted an "All-Staff Training" for more than 750 employees in Columbus. Representatives from the Governmental Accounting Standards Board (GASB), Government Accountability Office (GAO) and the National Association of State Auditors, Comptrollers and Treasurers (NASACT) were on hand to present updates to the staff in attendance, all of whom earned six CPE hours.

In March of 2015, the General Assembly passed the Fiscal Integrity Act (FIA) to help deter accounting errors and fraud by increasing training requirements and adding a new removal process for fiscal officers. This past January, the Training Section launched the FIA online self-reporting portal, which tracks CPE credit hours for registered fiscal officers. To date, more than 800 fiscal officers are registered. Fiscal officers receive an electronic certificate of completion once all hours are completed for filing and auditing purposes. The Training Section also partnered with the Ohio Township Association (OTA) to host a booth for fiscal officers at their annual conference. This offered officers an opportunity to register, create profiles in the portal and learn more about the latest training requirements.

In late March, over 650 mayors, council members, trustees and fiscal officers attended the 17th Local Government Officials' Conference (LGOC) in Columbus. The conference received approval for 10.75 CPE hours of training toward the FIA requirements.



During April, the Public Integrity Assurance Team (PIAT) and the Training Section offered seven workshops on Fraud Detection and Prevention Training for two hours of CPE and Continuing Legal Education (CLE) credit. More than 475 attendees turned out for the trainings, which were offered free of charge.

In May, the office co-sponsored the 16th Emerging Trends in Fraud Investigation and Prevention Conference with the Association for Certified Fraud Examiners, Ohio Society of CPAs and the Ohio Attorney General's office. The conference trained nearly 700 law enforcement officials, investigators, accountants and attorneys on the latest trends in the field.

# Public Integrity Assurance Team

**I**n May of 2015, Auditor Yost launched the Public Integrity Assurance Team (PIAT). The new team combines special auditing, investigative and legal specialties into one cohesive team. As noted at its inception, PIAT brings to the Auditor's office a single source for investigating fraud in government. The statewide team is currently comprised of 10 investigators, nine forensic auditors and three attorneys. The investigators have worked for various law enforcement agencies across the state and collectively have hundreds of years of experience. All PIAT auditors work exclusively on special audits and many are certified fraud examiners. Additionally, all attorneys are former assistant prosecutors with decades of serious felony and white collar prosecution experience.



In the past year, PIAT issued eight special audit reports, as well as numerous findings reported in financial audit reports. The team's special audit reports alone identified more than \$869,000 in illegally spent or stolen tax dollars. Additionally, PIAT investigations led to 12 convictions spanning every corner of the state. Examples of PIAT's successful investigations into public corruption during its first year include:

## Perrysburg Exempted Village School District

The Wood County Prosecutor's Office contacted the Auditor of State's office after receiving notification of potential theft at the Perrysburg Exempted Village School District. Assistant treasurer Eric Whitson was caught stealing from the Bowling Green Bobcat Athletic Boosters Association and replenishing the stolen funds with two checks worth \$80,000 from the district. Through an investigation and special audit that lasted over a year, PIAT uncovered nearly \$662,000 in stolen funds. Whitson pleaded guilty before the Common Pleas Court of Wood County and was sentenced to 10 years in prison.

## Tecumseh Local School District

In December 2014, the Auditor of State's office was called to assist with the execution of a search warrant

at the home of Bradley Martin, the superintendent of the Tecumseh Local School District. Through investigation and collaboration with the Bureau of Criminal Identification and Investigation, PIAT determined that Martin spent a combined 328 hours either gambling or commuting to and from casinos during work hours. In total, PIAT found that Martin owed taxpayers over \$34,700. He ultimately pleaded guilty to theft in office and related charges, and was sentenced to five years of community control.

## Paulding County Probation Services

In June 2015, Judge Suzanne Rister of the Paulding County Common Pleas Court contacted the local prosecutor's and sheriff's offices to report a suspected theft by the then-probation director for the court, Emily Munger. After law enforcement forwarded the case to PIAT, the team discovered that Munger had taken cash payments from probationers, which is against court policy, and pocketed the money. Special auditors determined that Munger stole \$10,040 from 2013 through 2015 from probationers. The investigation revealed that Munger covered up her theft by tampering with a grant application and using the grant funds to make it appear as if no money was missing. Munger was convicted of theft in office and was sentenced to six months of incarceration.





Performance audits by the numbers

10 school districts

4 local governments

3 state agencies (in progress)

\$7.7 million in potential savings

# Ohio Performance Team

The Ohio Performance Team (OPT) was created to build upon the office's long-standing reputation for conducting detailed performance audits. Performance audits provide elected officials and government employees with an objective, third-party analysis of their operations to help them improve performance, reduce costs, facilitate decision making and increase public accountability. OPT conducts performance audits of Ohio's state agencies, local governments and school districts.

ORC §117.46 (enacted in 2011) requires the Auditor of State to conduct performance audits of at least four state agencies each biennium. OPT initiated performance audits of three state agencies during FY 2016, including the Ohio Department of Health, the Ohio Bureau of Workers Compensation and the Ohio Department of

Transportation. Reports for these three entities, as well as at least one more state agency to be determined, are scheduled for release during fiscal year 2017.

In addition to state agencies, existing Ohio law authorizes the Auditor of State to conduct performance audits of any school district or local government in fiscal caution (school districts only), fiscal watch or fiscal emergency. The goal of these performance audits is to help improve the cost-effectiveness of operations and resolve financial difficulties. The Auditor of State also conducts performance audits upon request for government entities seeking additional feedback on operations or ideas for future cost savings and service improvement.

On June 14, 2016, Gov. John Kasich signed House Bill 5 into law, allowing local governments and state agencies to request feasibility studies from the Auditor of State's office. OPT will conduct the voluntary studies, which will measure the potential benefits of sharing between neighboring entities. The Auditor's office plans to begin accepting applications later this year.

# Legislative Affairs Division

**T**he Policy and Legislative Affairs Division serves as a link between the Auditor of State's office and the Ohio General Assembly. The division communicates the duties and needs of the office to state legislators and provides them with the necessary information to make well-informed decisions on legislation impacting the Auditor of State's office. Staff members also work with stakeholder groups on policy initiatives to convey the needs and interests of Ohio's local governments and schools.

## **House Bill 5 Feasibility Studies and Encouraging Local Government Sharing**

Introduced in January 2015, House Bill 5 was crafted to help public offices research their cost-saving ideas before committing valuable time and resources. Under the legislation, local governments and state agencies considering sharing resources with neighboring entities can request feasibility studies from the Auditor of State's office to measure the potential benefits of the collaboration.

HB 5 also establishes a grant program to cover the full cost of the studies. All local governments and state agencies are eligible to apply for one of the dozen or so grants, which are funded by the Auditor of State's Leverage for Efficiency, Accountability and Performance (LEAP) Fund. The size of the grants will vary depending on the scope of the studies.

Following a selection process, the Auditor's Ohio Performance Team (OPT) will conduct the studies and hold a public meeting at the conclusion of each one to discuss the findings. The participating governments are not required to follow through with the recommendations. The studies are completely voluntary, and entities can opt out if they are included in another government's application. The Auditor of State's office is currently developing the selection process and plans to begin accepting applications in October 2016.

In addition to the feasibility studies, HB 5 alleviates liability concerns for governments considering collaborative partnerships by allowing for the risk of loss to pass from the lender to the borrowing entity in shared service agreements. Ohio law previously prohibited local governments from indemnifying one another, meaning owners of shared resources would bear the liability for any possible loss.

HB 5 was introduced on January 28, 2015 and sponsored by Representatives Stephanie Kunze and Kyle

Koehler. In May, it passed through the House and Senate by votes of 94-3 and 30-0, respectively. Gov. Kasich signed the bill into law on June 14, 2016.

## **House Bill 2 Charter School Accountability**

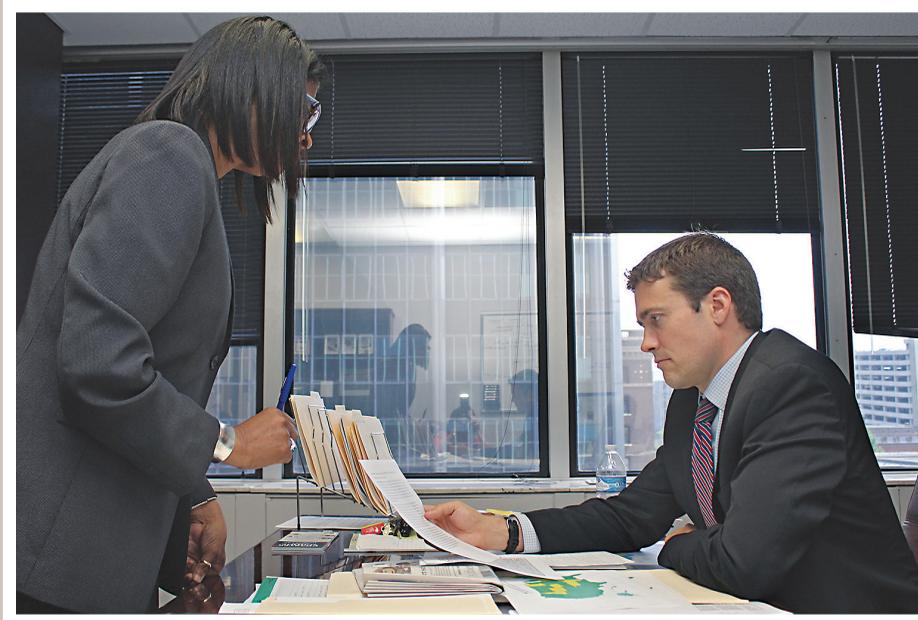
The Auditor's office successfully advocated for several provisions in House Bill 2 that increase accountability for the charter school sector in Ohio. Most notably, the legislation includes a required footnote disclosure for management companies (MCO). All MCOs receiving over 20 percent of the annual gross revenues of a school are now required to disclose how much state money is actually used for educating students. The footnote disclosure requires management companies to break down expenses according to specified categories, and for each category, detail the amount allocated to various educational groups. This will allow the Auditor of State's office to track the flow of money in instances where a school operates much like a pass-through entity, with the management company receiving nearly all of the foundation funding.

The bill also includes a provision allowing sponsors to stand in place of the governing board for a claim of breach of fiduciary duty against a treasurer. This could occur in cases where a governing board has dissolved or a school has ceased to exist. This will allow for more fruitful recovery of funds in the event that a treasurer or other fiscal officer has breached the duty owed to the board.

In addition, the bill requires the charter school sponsor, not a contracted agent, to communicate with the Auditor of State's office regarding the condition of enrollment, financial records and audits of schools authorized by the sponsor. This will prevent sponsors from contracting away all responsibilities owed to the school under Ohio law.

## House Joint Resolution 4

The Auditor's office was instrumental in crafting language that prohibits monopolies from being enshrined in the state's constitution through the initiative petition process. Passed by voters on the 2015 ballot, House Joint Resolution 4 provides that the initiative petition process may not be used to create a monopoly, oligopoly or cartel, thus creating a commercial interest that is not available to other similarly situated persons. If a constitutional amendment proposed by initiative petition is certified to appear on the ballot, voters must answer two questions: i) whether the monopoly may be permitted, and ii) whether the language of the amendment shall be adopted. Voters must approve both questions for a monopoly to be permitted in the constitution. HJR 4 effectively prevents individuals from writing private interests into the Ohio Constitution.



discussed the potential for a statewide performance audit of the network of 52 Educational Service Centers (ESC) throughout Ohio. The concept was brought to fruition with House Bill 459.

Introduced by Representative Kirk Schuring, the bill would allow the Auditor of State's office to conduct a three-

## House Bill 384 Performance Audits of Institutions of Higher Education

The legislative team worked with Representatives Tim Schaffer and Mike Duffey to introduce House Bill 384. If enacted, the legislation would enable the Auditor of State to conduct a performance audit of an institution of higher education as one of four state agency performance audits conducted by the office each biennium. This initiative would expand upon the great work the Ohio Performance Team (OPT) has done since the enactment of Senate Bill 4 of the 129th General Assembly. OPT has conducted eight state agency performance audits to date, recommending \$95.9 million in potential savings, with an average return on investment of \$33 for every dollar spent. Ohio's universities and colleges are some of the state's greatest assets. Still, like other large organizations, their operational efficiency can be improved, thereby passing savings on to their respective consumers.

HB 384 was passed unanimously out of the House and is currently awaiting further hearings in the Senate.

## House Bill 459 System-Wide Performance Audit of Educational Service Centers

Over the past few years, the Auditor's office and the Ohio Educational Service Center (ESC) Association have

year, state-wide performance audit of all ESCs. Additionally, the legislation provides the Auditor of State with explicit authority to conduct a performance audit of ESCs. Finally, the bill contains language that would allow the Auditor's report to help form recommendations for benchmarking rules and procedures to be made by the State Board of Education.

HB 459 was passed unanimously out of the House Education Committee and awaits a floor vote before being referred to the Senate for further deliberation.

## House Bill 509 Streamlining the Village Dissolution Process

Since 2007, the Auditor of State's office has overseen the village dissolution process in six different villages, and the trend of dissolution appears to be ticking upward. House Bill 509, introduced by Representative Gary Scherer, would codify the office's current practice as facilitator and set further guidelines for the dissolution process. Additionally, the bill would make it easier for residents of a village to initiate the dissolution process. The required number of signatures on dissolution petitions would be lowered, and the petitions could be presented to the board of elections if the village council fails to act.

HB 509 is currently being deliberated before the House State Government Committee.

# Legal Division

**T**he Auditor of State's Legal Division serves as the legal counsel to the office and houses the **Open Government Unit**. The legal staff is led by the Chief Legal Counsel and assists public offices with state and federal requirements. Legal staff review compliance questions posed during audits and provide public offices with bulletins, informal opinions and conferences in response to their legal questions.



In addition to the Chief Legal Counsel, the division employs four full-time attorneys, one part-time attorney, two administrative staffers and one intern. Attorneys are assigned to provide assistance to Auditor of State employees in one or more of the office's geographic regions and to the state, Medicaid, and performance sections.

The Legal Division also provides continuing education to elected officials and government employees through specific training programs and conferences on government issues. The Auditor's office facilitates the Local Government Officials' Conference and the Emerging Trends in Fraud Investigation and Prevention Conference. Legal staff provide updates and training to various units of local governments as well as appropriate responses to constituent inquiries involving legal issues.

The Legal Division is responsible for tracking public money determined to be missing, misappropriated or stolen and is the subject of a finding for recovery (FFR) against individuals named in audit reports. Ohio law prohibits any state agency or political subdivision from awarding a contract for goods, services or construction to any person against whom a finding for recovery has been issued by the Auditor of State if that finding is unresolved.

On occasion, audits uncover potentially unethical conduct by public officials. In these situations, the division prepares an appropriate referral of the matter to the Ohio Ethics Commission for investigation and appropriate action.

In addition to FFRs, audits may include Findings for Adjustment (FFAs), which involve legal expenditures that have been made from an inappropriate source or fund. Audits may also contain noncompliance citations and management letter comments, both of which note a failure to comply with legal standards or good practices. Legal Division attorneys review all such entries.

Members of the division are assigned the responsibility of preparing all deeds and other documents of transfer incident to the disposition of real estate titled to the State of Ohio. Data incident to such transfers are secured by the division, and transfers are processed through the Ohio Department of Administrative Services and the Office of the Ohio Secretary of State for ultimate submission to the Governor for signature. During the past fiscal year, a total of 45 transfer documents were prepared by the division.

During the current reporting period, the Legal Division requested an opinion from the Ohio Attorney General to determine whether or not a private, nonprofit corporation soliciting donations on behalf of a public college or university constitutes a "public office." These entities are commonly referred to as the college/university's foundation. In response to the request, Attorney General Mike DeWine issued Opinion No. 2016-013 on April 6, 2016. The opinion expresses the Attorney General's conclusion that the determination of whether a public college or university foundation is subject to audit by the Auditor of State depends upon facts related to the nature, purpose and operation of the foundation.

Attorney General DeWine opined that a public college or university foundation established as a private, nonprofit corporation constitutes a "public office" if the primary purpose of the organization is to solicit and to receive gifts, donations and bequests on behalf and for the benefit of the public institution. Finally, the opinion indicates that, once determined to be a public office, the funds received or collected by the public college or university foundation are "public money" and are subject to audit by the Auditor of State. The conclusions of the Attorney General are wholly consistent with the positions taken by Auditor's office in regard to these issues.



The Legal Division is responsible for tracking public money determined to be missing, misappropriated or stolen and is the subject of a finding for recovery against individuals named in audit reports.

## Notable statistics

- ▶ Legal counsel consulted with audit staff on **1,183** occasions and reviewed **848** audit findings, including FFRs, FFAs, non-compliance citations and management letters
- ▶ The division received and responded to **79** constituent inquiries
- ▶ The division prepared and referred **12** matters to the Ohio Ethics Commission for the agency's review and consideration
- ▶ Legal counsel gave **30** presentations

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## Open Government Unit

The Open Government Unit serves state and local government officials and citizens by providing training and resources to help them better understand their rights and obligations under the Ohio Public Records Act and the Ohio Open Meetings Act – known collectively as the Ohio Sunshine Laws. The unit is supported by the Legal Division's attorneys, who serve as the office's experts on public records and open meetings.

In cooperation with the Ohio Attorney General, the Legal Division provides mandatory training on Ohio's Sunshine Laws to local and state elected officials. During FY 2016, the Auditor of State's office sponsored 30 Certified Public Records Trainings across the state. A total of 1,735 local and state government officials or their designees attended the trainings. Also during that time, the office received and processed 191 requests for public records and 79 inquiries from the public.

# Public Affairs Division

**T**he Public Affairs Division is responsible for all internal and external communications and publications for the Auditor of State's office. The division also serves as a liaison between the Auditor of State's office and the news media. Public Affairs issues news releases and manages the content of the office's website, ensuring that the public – through the news media and the internet – has timely, accurate information about the activities of the office.





One of the many responsibilities of the Public Affairs Division is to help the public — including the media — understand complex audit information by communicating it clearly.

## Social Media

The Auditor of State's Twitter and Facebook accounts are operated by Public Affairs, allowing the office to better interact with and spread information to the public and the news media. The audiences for both accounts have increased by more than 75 percent since the beginning of fiscal year 2015, with 2,023 Twitter followers and 633 Facebook likes as of June 2016.

## Field Operations

The Auditor of State's office has liaisons in each of the regional offices around the state. The main role of the Field Operations team is to serve as a link between the Auditor of State's office, local officials and the general public. The regional liaisons work closely with other Auditor of State staff to provide assistance and information for the benefit of taxpayers.



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# Administrative Division

The Auditor of State's Administrative Division is responsible for overseeing the operations of the office and is comprised of **Information Technology, Human Resources, Finance and the Uniform Accounting Network**. This division includes senior staff members, led by the Chief of Staff. Together, the Administrative Division implements policies and procedures for the office.



## Human Resources

The Human Resources Department promotes employee relations, creates an equal employment opportunity workplace and provides quality service, guidance and assistance to all employees in areas related to Human Resources. These areas include, but are not limited to, promotions and transfers, new hires and resignations, healthcare benefits and labor relations. The department also is responsible for developing, enforcing and maintaining all employee policies and procedures for the Auditor of State's office. The Human Resources Department is made up of two sections:

### Payroll

The payroll section is responsible for preparing Auditor of State payroll for submission to the Department of Administrative Services, reviewing employee payroll information and verifying accuracy of information entered into the computer system. Additionally, the department assists with and responds to inquiries from employees regarding payroll issues and the completion of payroll-related forms.

### Recruitment

This section is responsible for recruiting prospective employees for the Auditor of State's office. Human Resources staff members actively visit college campuses and job fairs to educate potential employees on the benefits of joining the office.

## Information Technology

Information Technology (IT) develops and maintains the technology used by the Auditor of State's office. A significant number of Auditor of State employees regularly work off-site, so it is vital they have convenient and timely access to the office's computer network. The IT department ensures the office's computer systems function properly and all employees are able to access the information they need to efficiently perform their duties.

During FY 2016, the IT department completed the following projects:

- » Collaborated with the Public Affairs Division to completely redesign [SkinnyOhio.org](http://SkinnyOhio.org);
- » Completed the relocation of the agency disaster site from Cincinnati to Columbus, dramatically improving recovery to an offsite data center;
- » Improved access for independent public accounting (IPA) firms to contract for work with the office, manage their profiles and generate invoices for their audit work; and
- » In response to the Fiscal Integrity Act (House Bill 10), created the Auditor of State Training Portal, enabling fiscal officers to log completed trainings and track their progress toward certification.

## Uniform Accounting Network

The Uniform Accounting Network (UAN) is a financial management system designed specifically for Ohio local governments. The program is administered by the Auditor of State and provides townships, villages, libraries, special districts and, beginning this year, the first city with a complete computer system (hardware and software), along with training and support.

The UAN application is comprised of five modules: Accounting, Payroll, Budget, Inventory and Cemetery. The Auditor of State's office provides training on the five modules to fiscal officers in our Columbus office, online and on-demand.

UAN has increased its client base in the past year from 1,906 to 1,935 local governments using UAN in their daily operations. The below table provides details on the population of UAN clients:

### Current UAN Membership

	UAN Total of Entity Type	Ohio Total of Entity Type	Entites within Ohio on UAN
<b>Townships</b>	1,185	1,310	90%
<b>Villages</b>	479	681	70%
<b>Libraries</b>	150	268	56%
<b>Special Districts</b>	120	582	21%
<b>TOTALS</b>	<b>1,935</b>	<b>3,092</b>	<b>63%</b>

## Finance

The Finance Department implemented eServices at the end of fiscal year 2014. eServices is an online customer website that provides up-to-the-minute information regarding Auditor of State customer accounts. Auditor of State clients also can elect to have their monthly invoices received electronically. Additionally, eServices allows clients to:

- » Access, review and print current billing statements;
- » Access an archive of past billing statements dating back to September 2009;
- » View posted entity payment transactions (checks); and
- » Request changes to client account information, including e-mail, postal addresses, telephone numbers and authorized contacts.

At the end of the 2016 fiscal year, 4,129 clients had logged into the eService website and 2,216 clients were enrolled in electronic billing. On average, 40 percent of monthly account client billings are now electronic. This has led to a significant reduction in paper and postage expenses, while reducing the work hours needed to complete monthly billing statements.

# Office Organization

## Department Organization

### DAVE YOST

Auditor of State

#### Audit

Financial Audit  
Medicaid/Contract Audit  
Center for Audit Excellence  
Local Government Services

#### Ohio Performance Team

#### Public Integrity Assurance Team

#### Legal

Open Government Unit

#### Policy & Legislative Affairs

#### Public Affairs

Field Operations

#### Administrative

Finance  
Human Resources  
Information Technology  
Uniform Accounting Network

## Contact Information

### ADMINISTRATION

88 E. Broad St., 5th Floor  
Columbus, OH 43215  
**Phone:** 800-282-0370  
**Fax:** 614-466-4490  
**Email:** [contactus@ohioauditor.gov](mailto:contactus@ohioauditor.gov)

### LOCAL GOVERNMENT SERVICES

**Phone:** 800-345-2519  
**Fax:** 614-728-8027

### PUBLIC AFFAIRS & MEDIA INQUIRIES

**Phone:** 614-644-1111  
**Fax:** 614-446-4490

### UNIFORM ACCOUNTING NETWORK (UAN)

**Phone:** 800-833-8261  
**Fax:** 877-272-0088  
**Email:** [UAN\\_Support@ohioauditor.gov](mailto:UAN_Support@ohioauditor.gov)

### FRAUD HOTLINE

866-FRAUD-OH (866-372-8364)

### PUBLIC RECORDS HOTLINE

**Phone:** 888-877-7760

