



Dave Yost
Ohio Auditor of State

Bulletin 2013-003

Auditor of State Bulletin

Date Issued: June 13, 2013

TO: All County and State Political Parties, Ohio Secretary of State, Ohio Elections Commissions, Ohio County Prosecutors, and Independent Public Accountants

FROM: David Yost
Ohio Auditor of State

SUBJECT: Political Party Checkoff Funds

This bulletin addresses legal and auditing requirements of political “checkoff funds” under Ohio Rev. Code § 3517.18

Legal Requirement:

Ohio Rev. Code § 3517.16 creates the Ohio Political Party Fund (the Fund). Ohio Rev. Code § 3517.17 requires the Auditor of State to audit each state and county political party. Ohio Rev. Code § 3517.18 in turn describes permissible and impermissible expenditures of “checkoff funds.” Ohio Rev. Code § 3517.18(A) lists six categories of permissible expenditures. All monies spent under RC 3517.18 must fall into one of the following six categories:

- (1) The defraying of operating and maintenance costs associated with political party headquarters, including rental or leasing costs, staff salaries, office equipment and supplies, postage, and the purchase, lease, or maintenance of computer hardware and software;
- (2) The organization of voter registration programs and get-out-the-vote campaigns and the costs associated with voter registration and get-out-the-vote activities, including, but not limited to, rental costs for booth spaces at fairs, festivals, or similar events if voter registration forms are available at those booths, printing costs for registration forms, mailing costs for communications soliciting voter registration, and payments for the services of persons conducting voter registration and get-out-the-vote activities;
- (3) The administration of party fund-raising drives;
- (4) Paid advertisements in the electronic or printed media, sponsored jointly by two or more qualified political parties, to publicize the Ohio political party fund and to encourage taxpayers to support the income tax checkoff program;
- (5) Direct mail campaigns or other communications with the registered voters of a party that are not related to any particular candidate or election;

(6) The preparation of reports required by law.

Auditing Requirement:¹

For the purposes of an audit, it is not sufficient to rely solely on the statute. As explained in AU-C 500.A14-.A15, auditors will be looking for documentary evidence to support expenditures under Ohio Rev. Code § 3517.18. Auditors should inquire into the legality of expenditures that do not contain supporting documentation. However, inquiry alone will not suffice to support auditing conclusions; documentation must be provided. AU-C 500.A2.

Questions and Failure to Comply:

If political parties have questions regarding the propriety of expenditures under Ohio Rev. Code § 3517.18, rather than wait until the next audit, Ohio Rev. Code § 3517.18(C) provides a mechanism to resolve questions and avoid improper expenditures. The section states:

If there is a question about the legitimacy of a party expenditure of public moneys, a designated agent of a political party receiving moneys from the Ohio political party fund may request the Ohio Elections Commission for an advisory opinion on the matter prior to making an expenditure of those public moneys. The commission shall afford the highest priority to a request made under this division.

The Auditor of State will accord deference to opinions issued by the Ohio Elections Commission.

Failure to conform to the statute or to provide sufficient documentation proving conformity to the statute may result in a finding for adjustment.

Questions concerning this bulletin should be addressed to the Legal Division of the State Auditor's Office at (800) 282-0370.

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¹ The Auditor of State considers its current agreed-upon procedures to satisfy this audit requirement.



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Bulletin 2013-004

Auditor of State Bulletin

Date Issued: June 25, 2013

TO: County Auditors, County Commissioners, County Sheriffs, County Prosecutors, County Treasurers, County Clerk of Courts, Ohio Attorney General Office, County Council Members & Fiscal Officers (Summit and Cuyahoga Counties), Buckeye State Sheriffs' Association and Independent Public Accountants

FROM: Dave Yost, Ohio Auditor of State

SUBJECT: Accounting for the New Arson Offender Registration Fee

SB 70 in the 129th Session of the General Assembly amended Ohio Rev. Code Sections 2909.13, 2909.14, and 2909.15, requiring the Attorney General to establish and maintain an Arson offender registry. In addition, the amendments require the court to notify an arson offender of his duty to register with the Sheriff in the county of residence. As part of this process, the Sheriff must collect a \$50 initial registration fee and an annual \$25 registration fee from each in-state or out-of-state offender who registers, although there is a provision allowing a waiver of the fee if the offender is indigent.

The revised Ohio Rev. Code Sections require the Attorney General to implement the registration process, design the forms and otherwise establish the administrative road map for implementation of the program. Among other requirements, the Sheriff must collect and remit the registry fees collected to the Attorney General on a quarterly basis. The Sheriffs, however, are not provided fund accounting guidance by SB 70.

An agency fund is the most appropriate fund to account for the activity since the fee cannot be retained by or used for benefit of the county itself, and must be remitted in full to the State. Agency funds are used to report resources held by the government in a purely custodial capacity. They typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

The Sheriffs should establish an agency fund with the County Treasury to account for the collection and distribution of the Arson Registry Fee in accordance with Ohio Rev. Code Sections 2909.13, 2909.14, and 2909.15. Also, the county should remit the registry fees out

of the agency fund each quarter to the Attorney General on a warrant of the County Auditor. *This communication serves as the authorization Ohio Revised Code 5705.12 requires to establish this fund. (No additional Auditor of State approval is required to set up this fund.)*

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Bulletin 2013-005

Auditor of State Bulletin

DATE ISSUED: June 25, 2013

TO: School District Treasurers, School District Superintendents, OHSAA
and Independent Public Accountants

FROM: Dave Yost
Ohio Auditor of State

SUBJECT: OHSAA Tournament Money

To increase financial accountability over athletic tournaments, the Ohio High School Athletic Association (OHSAA) is recommending school districts account for OHSAA tournament monies through an agency fund. To accommodate this, school districts may use a cost center within fund 022. This communication serves as the authorization Ohio Revised Code 5705.12 requires to establish this fund. (No additional Auditor of State approval is required/needed to set up this cost center.) This cost center is intended to be a clearing account to distribute tournament monies to other funds of the school district and to the OHSAA. At the conclusion of the tournament, the cost center should not have any remaining balance.

Agency funds report resources held by the school district in a purely custodial capacity. Agency funds are not intended to be used to pay school district costs.

Additional information related to handling tournament money is available from the OHSAA.

If you have any questions regarding the information in this Bulletin, please contact the Local Government Services staff of the State Auditor's Office at ~~(800) 345-2519~~.


(614)466-4717

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Bulletin 2013-007

Auditor of State Bulletin

Date Issued: August 26, 2013, **Clarified since August 23, 2013**

TO: All Public Offices, Agencies, Boards, and Commissions
Colleges, Universities and Community Schools
Independent Public Accountants

FROM: Dave Yost
Ohio Auditor of State

SUBJECT: Bureau of Workers' Compensation (BWC) Rebate, **Clarified**

The accounting guidance in this Bulletin still applies to subsequent BWC rebates, such as that declared payable for the policy year ending December 31, 2015 for public employers.

Ohio's workers' compensation system is a mandatory, state-run insurance program, which provides coverage for employees suffering job-related injuries. In exchange for the payment of premiums by employers to the Bureau of Workers Compensation, the BWC provides payment of compensation to the injured employee while covering medical costs resulting from the job-related accident or disease.

As a result of what BWC attributes to a wise investment strategy, the annual return on invested contributions over the past three years totaled 11.4 percent, significantly exceeding the expected 4 percent return. In May, the Ohio BWC Board of Directors authorized a \$1 billion rebate for more than 210,000 public and private entities paying into Ohio's workers' compensation system. Each employer's rebate will reflect 56% of what they were billed during the last policy period (2011 calendar year for public-taxing districts). Approximately \$113 million of the \$1 billion rebate went to local governments around the state.

BWC began mailing rebate checks to employers in late June and recently completed its distribution. BWC's website includes a description of the employer eligibility criteria for the rebate (<https://www.ohiobwc.com/home/current/releases/2013/050213.asp>). ~~Additionally, our AOS website includes a listing of rebate amounts paid to eligible employers (http://www.ohioauditor.gov/resources/ipa/PEC_all_employers.xlsx).~~

The Auditor of State has received numerous questions from local government officials asking to which funds they should apportion the rebate. After discussions with stakeholders and BWC staff, we prepared this bulletin to provide guidance for Ohio's local governments receiving rebates. Using **premiums attributed to the 2011 policy year** as the base year (year of calculation), local governments should allocate the rebate to all funds, including restricted funds, providing the source of the initial premium payments to Ohio BWC. Ohio Rev. Code §5705.10(D) mandates that all revenue derived from a source other than the general property tax, and which the law requires to be used for a particular purpose, shall be paid into a special fund for that purpose. Since Ohio BWC defines these payments as *rebates*, we believe local governments must return the prorated portion of the rebate attributable to local, state or federally-restricted funds to those funds based on this authority. ~~Additionally, OMB Circular A-87, Section C.4. (Basic Guidelines) requires federal costs to be "net of any applicable credit" for~~

Updated reference: CFR §200.46(a) " . . . To the extent that such credits [e.g. rebates] accruing to or received by the non-Federal entity relate to allowable costs, they must be credited to the Federal award either as a cost reduction or cash refund, as appropriate."

~~federally funded programs. Paragraph C.4.a explains "credits" include "adjustments of overpayments... and rebates."~~

Conversely, if local governments paid a portion of the **premiums attributable to the 2011 policy year** from individual departments (i.e., line-items) within a local governments' General Fund, it would be a decision for the local appropriating authority whether to assign the prorated portion of the rebate back to the departmental line-items or to re-appropriate such amounts in an unrestricted line-item of the General Fund.

Due to the timing of this guidance, we understand that some local governments may have deposited their full BWC rebate into their general fund without evaluation or apportionment to restricted funds. Where this is the case, the local government should calculate the appropriate apportionment to restricted local, state, and federal funds based upon the **premiums attributable to the 2011 policy year** and adjust its accounting records and related financial statements to reflect this apportionment.

Audits conducted by the Auditor of State and IPA firms will use the premiums **attributable to the 2011 policy year** to determine whether local governments apportioned their rebates to the appropriate funds.

A local government should contact the appropriate grantor agency for guidance if a federal or state grant program paid BWC premiums **attributable to the 2011 policy year** but ceased to exist as of the date the local government receives the BWC rebate. In this case, it will be up to the grantor agency to determine how the local government can use the portion of the rebate attributable to terminated grant program. The Auditor of State and IPA firms will audit the disposition of the rebate attributable to terminated programs in accordance with the guidance the local government receives from its grantor agency or legal counsel.

The BWC Board of Directors took all necessary steps to authorize the rebate in May of 2013. The BWC fund used to pay the rebates is not subject to appropriation. BWC has identified eligibility requirements for the rebate. At June 30, 2013, the local government rebate amounts were measurable and collectible. Therefore, school districts and other local governments with a June 30 fiscal year end should consider reporting a receivable for rebate amounts received after June 30th in accordance with generally accepted accounting principles.

If you have any questions regarding the information in this Bulletin, please contact the Center for Audit Excellence staff of the State Auditor's Office at (800) 282-0370.

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