

OHIO AUDITOR OF STATE KEITH FABER



Auditor of State Bulletin 2021-006

DATE ISSUED: June 9, 2021

TO: All Public Offices
Community Schools

FROM: Keith Faber
Ohio Auditor of State

SUBJECT: Hourly Billing Rates and Allocation of Audit Costs

Bulletin Purpose

This bulletin is issued pursuant to Ohio Revised Code (ORC) 117.13(C)(4), which states "the auditor of state shall determine and publish annually rates to be charged to local public offices for recovering the costs of audits of local public offices." **This bulletin supersedes Auditor of State (AOS) Bulletin 2020-005.**

Implementation Date

This bulletin provides the hourly billing rates for fiscal year (FY) 2022, effective July 18, 2021.

Background

ORC 117.13 governs how the AOS charges public offices for the costs of audit services. The total costs of audits, both direct and indirect, are to be recovered by the office through charges to their clients. The office has traditionally recovered its costs using an hourly rate based on the type of service. For local governments, these costs are offset by resources available in the Local Government Audit Support Fund and the state General Revenue Fund. For state agencies, these costs take into consideration federal cost recovery guidelines and are offset by resources from the state General Revenue Fund.

Bulletin Detail

Audit Rates

For FY 2022 or until AOS publishes a subsequent bulletin, the following audit rates will be charged:

| Entity Type | Audit Billing Rate |
|--------------------|---------------------------|
| Local Governments | \$41/hour |
| State Agencies | \$85/hour |

Local Government Services (LGS) Rates

Additionally, the LGS division of the AOS provides a wide variety of financial reporting compilation/preparation, consulting and fiscal advisory services to local governments, agencies and schools. LGS also provides various types of routine services, including supervision of local governments in the preparation of their generally accepted accounting principles (GAAP), “other comprehensive basis of accounting” (OCBOA) cash/modified cash or regulatory cash financial statements.

LGS uses a tiered system to charge for financial reporting compilation/preparation and routine services as it relates to the supervision of local governments in the preparation of their annual financial statements. AOS bases the tiered LGS billing rates upon a local government’s total combined revenues as reported in the most recently audited financial statements.

For FY 2022 or until AOS publishes a subsequent bulletin, the following LGS rates will apply for financial reporting compilation and review services LGS performs for local governments and agencies in each tier:

| LGS Billing Rate Tier Structure¹ | | | | |
|--|------------------------------|--|-----------------------------|-------------------------|
| For Financial Reporting Compilation and Review Services | | | | |
| | Counties | Municipalities & Other Local Govts. | Schools | LGS Billing Rate |
| Tier I | \$100,000,001 or More | \$50,000,001 or More | \$50,000,001 or More | \$75/hour |
| Tier II | \$50,000,001 – \$100,000,000 | \$10,000,001 – \$50,000,000 | \$10,000,001 – \$50,000,000 | \$67/hour |
| Tier III | \$50,000,000 or Less | \$10,000,000 or Less | \$10,000,000 or Less | \$55/hour |

¹ This rate structure applies to all new and renewal contracts. The rate for previously executed, multi-year contracts is not subject to change.

For all other services including, but not limited to: reconstructions/reconciliations, consulting, fiscal advisory and routine training services, other than supervision of local governments in the preparation of their GAAP, OCBOA cash/modified cash, or regulatory cash financial statements, LGS will charge \$50/hour, regardless of the size of the local government or its total revenues.

Audit and LGS Rates for Interns

For FY 2022 or until AOS publishes a subsequent bulletin, AOS will charge 50 percent of the applicable billing rate for services provided by AOS interns.

Ability to Charge Funds Other than the General Fund

ORC 117.13 (C)(2) allows fiscal officers of local public offices being audited to allocate the charges billed for the cost of the audit to appropriate funds using a methodology that follows guidance provided by the AOS. The fiscal officer may distribute the cost to each fund audited in accordance with its percentage of the total cost. The fiscal officer should determine which funds should be charged a percentage of the audit costs. Costs for LGS financial statement preparation and other consulting services may also be allocated when such charges are legally allowable and appropriate expenditures for the purpose of the specific fund(s) charged. Governments should have a reasonable, documented methodology for allocating these costs. This methodology should consider and incorporate the requirements in Uniform Guidance [2 CFR 200.425](#) discussed in this bulletin.

Other funds of a local government that may be charged a percentage of the audit, financial statement preparation or other consulting costs include bond and grant funds. The ability to charge bond funds will depend on the allowable uses defined in the bond legislation. Trust and other funds that receive donations restricted to specific purposes will require analysis by the fiscal officer of the restrictions imposed by the donor and/or trust agreement to determine if any audit costs may be charged to those funds. Custodial funds (previously referred to as agency funds) should not be charged for any share of the cost of an audit, financial statement preparation or other consulting services for the fiscal officer's role as the fiscal agent.

In determining a percentage of total cost that may be charged to a fund, any reasonable and rational method such as a percentage of the fund's revenue or expenditures compared to the total revenue or expenditures for all funds, excluding custodial funds and federal funds discussed in the next paragraph, would be acceptable. A local government's indirect cost allocation plan may also be an acceptable method for allocating audit costs.

For federal grant funds, Uniform Guidance [2 CFR 200.425](#) notes a reasonably proportionate share of costs of audits required by, and performed in accordance with the federal Single Audit Act are allowable costs, except as otherwise noted in the section.² Other audit costs are allowable if

² The costs of audits that are not required by the Single Audit Act or Subpart F are not allowable under [2 CFR 200.425](#), including performance audits.

For more information, also refer to questions 1 through 5 presented by the Council on Federal Award Reform (COFAR) on OMB's Uniform Guidance available at: <https://cfo.gov/wp-content/uploads/2017/08/July2017-UniformGuidanceFrequentlyAskedQuestions.pdf>.

specifically approved by the awarding or cognizant agency as a direct cost to an award or included in the indirect cost pool for a cost allocation plan or indirect cost proposal. Local governments can request their auditors provide a breakdown of hours directly attributable to the Single Audit for allocating these costs.

Questions

If you have any questions regarding the information in this bulletin, please contact LGS at (800) 345-2519, (614) 466-4717 or ContactLGS@ohioauditor.gov.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Ohio Auditor of State