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## OFFICE OF BUDGET AND MANAGEMENT

### Office of Internal Audit changes

- Changes the name of the Office of Internal Auditing, within the Office of Budget and Management, to the Office of Internal Audit (OIA).
- Expands the number of state agencies for whom the OIA is required to conduct internal audit programs to include the Opportunities for Ohioans with Disabilities Agency (known as the Rehabilitation Services Commission under current law), the Public Utilities Commission of Ohio, the Adjutant General, and the State Lottery Commission.
- Permits the OIA, on request, to direct internal audits of any other organized body, office, or agency established by the laws of the state.
- Clarifies that the OIA is required to direct the internal audits of state agencies, rather than conduct the internal audits.
- Modifies the scope of internal audits directed by the OIA.
- Clarifies the application of the Public Records Law to certain documents produced or used as part of an internal audit conducted by the OIA.
- Moves to August 1, from July 1, the date by which the Office of Budget and Management must publish the Chief Internal Auditor's annual report.

### State Audit Committee

- Modifies the membership qualifications and duties of the State Audit Committee.

### State Lottery Commission internal audit plan

- Requires the State Lottery Commission to establish an annual internal audit plan, instead of an internal audit program, and to submit the plan to the OIA instead of the Auditor of State.
- Requires the Commission to submit its annual report on its internal audit work to the OIA for review and approval, instead of the Auditor, and eliminates the authority of the Auditor to prescribe the form and manner of the annual report.

## State appropriation limitation

- Provides that the state appropriation limitation for a fiscal year is to be increased by the amount of a nongeneral revenue fund appropriation made in the immediately preceding fiscal year if the nongeneral revenue fund appropriation:
  - (1) Was made on or after July 1, 2013;
  - (2) Is included in the aggregate general revenue fund appropriations proposed for that fiscal year; *and*
  - (3) Is being made for the first time from the general revenue fund.

## Other provisions

- Authorizes the Director of Budget and Management to use electronic funds transfers to make payments from the state treasury.
- Eliminates a requirement that the Director of Administrative Services reimburse the Director of Budget and Management for certain costs related to making payments via direct deposit rather than drawing a paper warrant.
- Permits the Director, under certain circumstances, to transfer interest earned by any state fund to the GRF.
- Authorizes the Director, in each fiscal year, to transfer up to \$60 million in cash to the GRF from non-GRF funds that are not constitutionally restricted to ensure that GRF receipts and balances are sufficient to support GRF appropriations.
- Permits the Director to issue guidelines to agencies applying for federal money made available to the state for fiscal stabilization and recovery purposes.
- Prohibits cash transfers to the Income Tax Reduction Fund prior to July 1, 2015.

## Office of Internal Audit (OIA) changes

(R.C. 124.341, 126.45, 126.46, 126.47, 126.48, and 5703.21)

The bill makes several changes to the Office of Internal Auditing within the Office of Budget and Management. In addition to changes outlined below, the bill changes the name of the Office of Internal Auditing to the Office of Internal Audit (OIA).



## **Expansion of agencies required or eligible for internal audits or audit plans**

(R.C. 126.45)

The bill adds the following agencies to the list of state agencies for which the OIA must conduct internal auditing programs:

- Opportunities for Ohioans with Disabilities Agency (known as the Rehabilitation Services Commission under current law);
- Public Utilities Commission of Ohio;
- Adjutant General;
- Ohio Lottery Commission.

The bill also permits the OIA to direct an internal audit of all or part of any other organized body, office, or agency established by the laws of the state, at the request of the body, office, or agency. The OIA must charge an amount sufficient to cover the costs it incurs in relation to the requested audit.

### **Clarification of OIA's auditing responsibility**

(R.C. 126.45, 126.46, 126.47, and 5703.21)

The bill clarifies that the OIA is required to direct the internal audits of state agencies, rather than conduct the internal audits.

### **Scope of internal audits**

(R.C. 126.45(C))

The bill provides that internal audit programs directed by the OIA must include periodic audits of systems and controls pertaining to information technology instead of electronic data processing. The bill retains the current law requirement that the OIA include audits of systems and controls pertaining to accounting and administration.

### **Confidentiality of internal audit documents**

(R.C. 126.48)

The bill clarifies that the following documents produced or used by the OIA are not public records under the Public Records Law:



- An internal audit report that is a security record under the Public Records Law;
- Any information derived from a state tax return or state tax return information that is permitted to be used by the OIA when directing an internal audit.

Under current law, any preliminary or final report of an internal audit's findings and recommendations and all work papers of the audit are confidential and not public records until the final report is submitted to the State Audit Committee, the Governor, and the director of the agency being audited.

### **Publishing the Chief Internal Auditor report**

(R.C. 126.47)

The bill requires the Office of Budget and Management to make the Chief Internal Auditor's annual report available on the agency's web site annually before the first of August, instead of the first of July as required under current law.

### **State Audit Committee**

(R.C. 126.46 and 126.47)

The bill modifies several requirements related to the State Audit Committee's membership and duties.

### **Committee membership**

The bill makes the following changes to the subject matter expertise requirements of the Committee's members:

<b>The bill – 5 members</b>	<b>Current law – 5 members</b>
At least one member who is a financial expert	One member who is a financial expert
At least one member who is an active, inactive, or retired certified public accountant	One member who is an active, inactive, or retired certified public accountant
At least one member who is familiar with governmental financial accounting	One member who is familiar with governmental financial accounting
At least one member who is a representative of the public	One member who is a representative of the public



The bill – 5 members	Current law – 5 members
At least one member who is familiar with information technology systems and services	No provision

### **Committee duties**

The bill requires the Committee to evaluate whether internal audits directed by the OIA conform to the Institute of Internal Auditors' International Professional Practices Framework for Internal Auditing. Under current law, the Committee is required to ensure that internal audits conducted by the OIA conform to the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

Additionally, the bill eliminates the requirement that the Committee review and comment on the process used by the Office of Budget and Management to prepare its annual budgetary financial report. The bill retains the review and comment requirement with regards to the agency's preparation of the state comprehensive annual financial report.

### **State Lottery Commission internal audit plan**

(R.C. 3770.06)

The bill requires the State Lottery Commission to establish an annual internal audit plan, instead of an internal audit program as required in current law. Additionally, the bill requires the plan to be approved by the OIA. Current law requires the plan to be approved by the Auditor of State.

The bill also requires the Commission to submit to the OIA for its review and approval, instead of the Auditor, an annual report at the end of each fiscal year, specifying the Commission's internal audit work completed for that fiscal year and reporting on the Commission's compliance with its annual internal audit plan. The bill eliminates the authority of the Auditor to prescribe the form and content of the report.

### **State appropriation limitation**

(R.C. 107.033)

The bill revises the manner in which the state appropriation limitation (SAL) is determined. Under the bill, the SAL for a fiscal year is to be increased by the amount of a nongeneral revenue fund appropriation made in the immediately preceding fiscal year, if the nongeneral revenue fund appropriation:



(1) Was made on or after July 1, 2013;

(2) Is included in the aggregate general revenue fund appropriations proposed for that fiscal year; *and*

(3) Is being made for the first time from the general revenue fund.

### **Authority to use electronic funds transfers**

(R.C. 126.07 and 126.35)

The bill permits the Director of Budget and Management to process electronic funds transfers (EFTs) for certain payments from the state treasury. Under current law, the Director is required to draw warrants to make such payments.

Additionally, the bill provides that the Director may review and audit a voucher, documentation accompanying a voucher, and any other documentation related to a transaction prior to processing an EFT. Under current law, the Director may review and audit a voucher and related documentation regarding a request for payment from a state agency prior to drawing a warrant only.

### **Elimination of reimbursement for additional costs related to direct deposits**

(R.C. 126.35)

The bill eliminates a provision that requires the Director of Administrative Services to reimburse the Office of Budget and Management for additional costs incurred making payments via direct deposit rather than drawing paper warrants. The bill also eliminates the authority of the Director to add the reimbursed amount to the processing charge paid by state agencies.

### **Transfers of interest to the General Revenue Fund (GRF)**

(Section 512.10)

The bill permits the Director of Budget and Management, through June 30, 2015, to transfer interest earned by any state fund to the General Revenue Fund (GRF) as long as the source of revenue of the fund is not restricted or protected under the Ohio Constitution or federal law.

## **Transfers of non-GRF funds to the GRF**

(Section 512.20)

The bill authorizes the Director of Budget and Management, in both fiscal year 2014 and 2015, to transfer up to \$60 million in cash to the GRF from non-GRF funds that are not constitutionally restricted. These transfers are to be made to ensure that available GRF receipts and balances are sufficient to support GRF appropriations in each fiscal year.

## **Federal money for fiscal stabilization and recovery**

(Section 521.60)

To ensure the level of accountability and transparency required by federal law, the bill permits the Director of Budget and Management to issue guidelines to any agency applying for federal money made available to the state for fiscal stabilization and recovery purposes and to prescribe the process by which agencies are to comply with any reporting requirements established by the federal government.

## **Prohibition on transfers to the Income Tax Reduction Fund**

(Section 512.70)

The bill prohibits transfers to the Income Tax Reduction Fund prior to July 1, 2015, notwithstanding current law to the contrary. Under current law, the Director of Budget and Management, by July 31 of each year, is required to transfer from the GRF certain amounts to (1) first, the Budget Stabilization Fund and (2) then, to the Income Tax Reduction Fund.<sup>11</sup>

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<sup>11</sup> R.C. 131.44, not in the bill.

