Auditor of State

Senate Finance and Financial Institutions Committee

Carol Robison, Budget Analyst

Legislative Service Commission

May 8, 2003

Additional copies are available on our website at www.lsc.state.oh.us
Click on 'Fiscal Publications' then 'Ohio Budget'

LSC Redbook

for the

Auditor of State

Senate Finance and Financial Institutions Committee

Carol A. Robison, Budget Analyst

Legislative Service Commission

TABLE OF CONTENTS

Overview **A1**

Analysis of Executive Proposal **A5**

Additional Facts and Figures **A10**

Permanent and Temporary Law **A13**

Requests Not Funded **A14**

Catalog of Budget Line Items ..... **COBLI 1**

Attachments:

Compare Document: Permanent and Temporary Law, As Introduced to As Passed by the House

LSC Budget Spreadsheet, Executive to House Passed Comparison

May 8, 2003

Note: The estimated General Revenue Fund (GRF) spending for FY 2003 used in this LSC Redbook reflects the 2.5% reduction made as a result of the Governor's January 22, 2003 budget cut order. The executive reduction was applied across-the-board to FY 2003 GRF appropriations, subject to certain exceptions. Subsequent to such reductions (and not reflected in the Redbook), state agencies were permitted to reallocate the amount that each of their GRF appropriation line items was reduced, while still absorbing the 2.5% budget cut within the total amount of their GRF appropriations.

Auditor of State

- Works with Ohio's local governments to provide audits of three types: financial, performance, and special audits
- Reconfigured Fraud and Investigation Unit
- 5.0 % GRF increase in each year, FY 2004 over FY 2003 estimate and FY 2005 over FY 2004

OVERVIEW

The current Auditor of State, an elected constitutional officer, is serving a four-year term beginning with the FY 2004 – FY 2005 biennial period. The officer is responsible for auditing all public offices in Ohio including: cities and villages, schools and universities, counties and townships, libraries, as well as the many departments, agencies, and commissions of state government. Over 4,600 audits are performed at least every two years. The Auditor also provides consulting services to local entities, training for public officers, and produces payroll, vendor payments, warrants for the state, and income tax refunds.

The Auditor of State employs approximately 982 full time employees and is currently operating with an annual budget of approximately $81 million (based on current estimated spending) to fulfill its responsibilities. The majority of the Auditor's employees are approximately 747 auditors who work from the state office or one of the eight regional offices: Canton/Akron, Cincinnati, Cleveland, Columbus, Dayton, Southeast, Toledo, and Youngstown. Each regional office is staffed by a Chief Auditor and an Assistant Chief Auditor.

The Auditor of State's office is organized into three budget *programs*, each referred to as a Program Series. The three program series, as described in the Executive Blue Book, are Audit Services (Program Series 1), Centralized Services (Program Series 2), and Local Government Services (Program Series 3). Each of these three program series will be presented in detail in the Analysis of Executive Proposal section of this redbook.

The work of the Auditor's office is completed through three *divisions* of operation:

- Audit Division
- Administration Division
- Legal Division

Audit Division

Audit Group

Financial Audits. As mandated by Chapter 117. of he Revised Code, the Audit Division performs financial and compliance audits of Ohio's public entities to identify critical issues related to public entities' financial reporting, legal compliance, reportable conditions, systems of internal control, control weaknesses, high-risk investments, and irregular or illegal activities. The Audit Division serves all state and local government entities in Ohio. Working from the nine regional offices (eight geographic regions and one for state audits), the auditors audit the financial records of Ohio's political subdivisions, ensuring that state and locally collected revenues are spent according to the direction of the General Assembly, school boards, city or village councils, township trustees, and boards of county commissioners. Audits are either conducted on an annual or biennial basis. Biennial audits are performed with auditors examining both years in a biennium. Audits are done to ensure that:

- Public funds are legally expended;
- Records are maintained in accordance with law;
- Generally Accepted Accounting Principles (GAAP) are followed;
- Standard principles of fiscal management are followed.

Performance Audits. The Auditor of State, on the Auditor of State's initiative, may conduct a performance audit of a school district that is under a fiscal caution under section 3316.031 of the Revised Code, in a state of fiscal watch, or in a state of fiscal emergency, in which the Auditor of State reviews any programs or areas of operation in which the Auditor of State believes that greater operational efficiencies or enhanced program results can be achieved. Moreover, the Auditor of State is granted similar authority and oversight when local governments (counties, townships, villages, etc.) are deemed to be in a state of fiscal watch or fiscal emergency pursuant to Chapter 118. of the Revised Code.

The purpose of the audit process is to eradicate fraudulent use of public money, eliminate waste and abuse of tax dollars, and provide oversight and assistance in a manner that produces cost savings practices for local entities. In FY 2002, 18 performance audits were released in which more than $16 million in potential savings were identified.

Special Audits. The Audit Group completes special audits of private entities that receive public funding (institutions, associations, boards, and corporations such as foster care companies and nursing homes) as well as public entities at any time when so requested by the entity or upon the Auditor of State's own initiative. There is no difference in the costs to the Auditor of State to audit private or public entities.

Without full requested funding, the Auditor of State would give required audits priority and the number of elective or optional audits would decrease. Also, the office may need to utilize more independent public accountants (IPAs) to perform audits, which would likely create an increase in costs to public offices since IPAs typically charge more than the Auditor of State.

Local Government Services Group (LGS)

The Local Government Services Group acts as a consulting and fiscal advisory group to all government agencies and subdivisions. In that role the Local Government Services Group provides technical expertise, training, consulting services, GAAP conversion assistance, financial forecasts, fiscal watch and emergency analysis, records reconstruction and reconciliation.

Of the state auditor's groups, Local Government Services is likely the first to experience operational adjustments due to a reduction in budget. Adjustments would likely take the form of a reduction in staff and reduction in training. Local situations that are moving toward fiscal watch or fiscal emergency status may not be identified nor corrected as early as might otherwise be possible. With later detection, the cost to make corrections to these situations could become larger for the local entities involved. A reduced budget would have the effect of increasing the reactive role and decreasing the proactive role that the Auditor of State plays as it pertains to local governments.

Over the FY 2002 – FY 2003 biennium, the Local Government Services Group assisted more than 17 entities including school districts, counties, and cities in converting their fiscal 2000 financial statements to the GASB 34 accounting format. The pilot project offered all involved parties – schools, counties, cities, LGS staff, and auditors – experience in learning and applying the new accounting format.

Fraud and Investigative Audit Group

The recently created Fraud and Investigative Audit Group (formerly known as Fraud Waste Abuse Prevention) helps state and local governments identify and prevent fraud, waste, and abuse in their operations and public assistance programs.

Under authority of Chapter 117. of the Revised Code, the Fraud and Investigative Audit Group identifies and reports incidents of noncompliance with state laws and local regulations. The Group serves as a source of analysis concerning the existence of fraud, waste, and abuse in Ohio institutions. The Group's mission is to assess how well programs are performing in respect to their mandated objectives and taxpayer expectations, and to help state agencies prevent misspending their funds and improve their program operations. The scope of the Fraud and Investigative Audit Group's work includes:

1. Assess the efficiency, economy, and effectiveness of agency programs.
2. Highlight incidents of noncompliance with federal and state laws and regulations.
3. Identify systemic weaknesses in internal controls.
4. Identify opportunities to recover misspent funds.
5. Recommend actions to improve agency operations and prevent future occurrences of fraud, waste, and abuse.

The Group works closely with Medicaid, Child Support, and Welfare managers in the Ohio Department of Job and Family Services (ODJFS); the Ohio Attorney General's Medicaid Fraud Unit; the U.S. Attorney's Office; the Ohio Medical and Pharmacy boards; and Federal Office of Inspector General. In addition, the Auditor's Office formed the Welfare Fraud Prevention Initiative, which brings together over 20 Federal, State, local, and private sector stakeholders from across the state to discuss welfare fraud prevention.

The current Auditor of State has established that one of three priorities is to find and reduce public fraud and corruption. To support that priority, three prosecutors have been reassigned and two or three investigators are expected to join the group during the FY 2004 – FY 2005 biennium. These positions will initiate a redefined Fraud, Waste, and Abuse Prevention Division (FWAP) with an expanded focus compared to the former organization. The redefined FWAP will focus on uncovering public corruption, and the misuse and abuse of public money.

Administration Division

The Administration Division manages the human resources, payroll, records, graphics, financial, warrant writing functions, and electronic funds transfer administration of the Auditor's office, as well as providing routine financial information to management and preparing the office's comprehensive financial report.

The Administrative Division is also responsible for maintaining a Local Area Network (LAN) and a Wide Area Network (WAN) to provide information to the nine regional offices and more than 900 personal computers. The Division develops and maintains the systems for the processing of payroll, warrant writing and electronic funds transfer, project tracking, client billing, and maintenance of both the intranet and Internet. The Division is responsible for the procurement and maintenance of the Auditor's office's computer hardware and software.

The Local Government Services Group is responsible for implementing the Uniform Accounting Network (UAN), which offers an electronic data processing accounting system for townships, villages, and libraries. The system is designed to assist political subdivisions in the maintenance of their accounting records. The system includes hardware, software, training, and support. UAN's accounting, payroll, and ancillary applications (i.e., cemetery and inventory tracking) contribute to a reduction in the time necessary for entities to process accounting transactions and maintain the related accounting records. About 1,532 Ohio townships, villages, libraries, and special districts utilize the Uniform Accounting Network. The following is a breakdown of UAN users: townships (1,052), villages (340), libraries (97), and special districts (43). The annual fee for participating in UAN depends upon a local government's total annual budgeted revenues. The fee ranges from as low as $336 per year for entities with annual revenues under $50,000 to as high as $3,636 per year for governments with revenues over $10 million per year. If reduced budgets cause the Uniform Accounting Network to shrink its operations and availability, local governments would likely have to contract with private consultants at anticipated higher costs.

In the past, the funding stream for the operation of the Uniform Accounting Network consisted of (a) GRF funds for payroll to cover technical support and software development, and (b) local user fees on a graduated scale to cover hardware. Budget cuts to GRF funds in the last biennium have nearly eliminated the availability of appropriations from GRF 406; therefore, the Auditor of State has been tapping Fund 675 (Special Revenue Fund) for the necessary funding for the UAN as a short-term measure. Fund 675 is now the sole source of UAN funding. The office does not have adequate cash balances in Fund 675 nor does the current fee structure provide enough revenue to support expenditures into the next biennium.

Public Affairs Group

The Public Affairs Group serves the public and news media by responding to thousands of requests for information each year, ensuring the public is informed on the results of over 4,600 current audits and other initiatives. The staff seeks to ensure that the audit information is delivered in a timely and understandable fashion, allowing the public to be informed on how tax dollars are spent. This group provides information through a variety of media, including regional advisory board meetings, Auditor of State technical bulletins, news releases, and other publications. The staff also provides all internal communications functions.

Legal Division

The Legal Division provides legal expertise to management and local governments in addition to working with the Fraud and Investigation Group to identify and prosecute fraud and corruption.

ANALYSIS OF EXECUTIVE PROPOSAL

The executive proposal addresses the Auditor of State's budget through three Program Series: Audit Services Program (Program Series 1), Centralized Services Program (Program Series 2), and Local Government Services Program (Program Series 3).

Audit Services Program — Program Series 1

Purpose: This program series is comprised of one of the three divisions of the Auditor's office, the Audit Division. There are two groups in this program series, the Audit Group and the Fraud and Investigation Group.

The three audit types provided by the Audit Group identify critical issues related to public entities financial reporting. Audit Services Program moneys are used to fund the Auditor of State's operations in order to make recommendations to government entities regarding how to improve internal controls and overall operations. The Fraud and Investigative Audit Group has been formed to help state and local governments identify and prevent fraud, waste, and abuse in their operations and programs.

The following table shows the line items that are used to fund this program series, as well as the Governor's recommended funding levels.

Fund	ALI	Title	FY 2004	FY 2005
GRF	070-321	Operating Expenses	$17,750,372	$18,626,718
GRF	070-403	Fiscal Watch/Emergency Tech Assistance	$419,570	$442,647
109	070-601	Public Audit Expense – Intrastate	$9,469,972	$10,416,968
422	070-601	Public Audit Expense – Local Government	$32,286,125	$35,204,777
Total funding: Audit Services Program			$59,926,039	$64,691,110

Funding Source: GRF and Auditor of State Fund Group (rotary funds 109, 422) moneys that come from charges to state and local governments for the cost of audits provided by the Audit Division.

Audit Division

Implication of the Executive Recommendation: The Governor's recommendation will enable the Auditor to carry out statutory and constitutional responsibilities. The timely completion of non-required audits of public agencies would be impacted by a reduced budget such that required audits would be given priority and elective or optional audits would decrease or be completed at a slower pace than in the past.

Fraud, Waste, and Abuse Prevention Division

The Fraud, Waste, and Abuse Prevention Group of the former Auditor of State has been redefined into the Fraud and Investigative Audit Group. In the FY 2004 – FY 2005 biennium, the Auditor of State will continue the work of analyzing institutions and programs to assure compliance with state laws and local regulations.

Implication of the Executive Recommendation: The Governor's recommendation will enable the Auditor to carry out statutory and constitutional requirements.

Centralized Services Program — Program Series 2

Purpose: The Centralized Services Program is comprised of two of the three divisions, Administrative Division and Legal Division.

Of the Auditor of State's groups, two are funded through Program Series 2: Information Technology Group and Public Affairs Group.

Through the *Administration Division*, the Auditor monitors the human resources, records, graphics, financial, and warrant writing functions of the office. The Administration Division also provides the administration of the Auditor's budget, an annual financial statement, and regular financial information to management, the payroll, and invoices for collections and services to local and state governments. The Administration Division provides warrant writing and electronic funds transfer administration. The Division provides centralized support to the office's 982 full-time employees and is responsible for purchasing and inventory management for the Auditor's office operations. In addition, this Division oversees the office's budget, completes billing and accounts receivable operations, and maintains inventory and deed records of state-owned real property.

The *Legal Division* provides professional support and legal guidance to state agencies and local governments.

The *Information Technology Group* maintains a Local Area Network (LAN) and a Wide Area Network (WAN) connecting the Auditor's nine regional offices. In FY 2002, this division handled various activities that supported the administration and writing of more than 7.0 million warrants (checks) annually for state employee payroll, recipients of Aid to Families with Dependent Children, and suppliers of goods and services used by the state. In FY 2002, the Information Technology Division handled over 2.5 million electronic fund transfers (EFTs) per year. Between FY 2001 and FY 2002, the Information Technology Division saw a decrease of 615,085 warrants and an increase of 244,092 electronic fund transfers.

Through the *Public Affairs Group*, formerly the *Planning, Initiatives, and Communication Group*, the Auditor's office serves the public and news media by responding to thousands of requests for information each year, ensuring that the public is informed on the results of current audits and other initiatives.

The following table shows the line items that are used to fund this program series, as well as the Governor's recommended funding levels.

Fund	ALI	Title	FY 2004	FY 2005
GRF	070-321	Operating Expenses	$11,196,732	$11,783,313
GRF	070-405	Electronic Data Processing – Administration	$990,602	$1,040,132
GRF	070-406	Uniform Accounting Network/Technology Improvement Fund	$0	$0
109	070-601	Public Audit Expense – Intrastate	$1,122,575	$1,234,832
422	070-601	Public Audit Expense – Local Government	$1,761,681	$1,746,306
R06	070-604	Continuous Receipts	$50,000	$60,000
Total funding: Centralized Services			$15,121,590	$15,864,583

Funding Source: GRF and Auditor of State Fund Group (rotary funds 109, 422) moneys that come from charges to state and local governments for the cost of audits provided by the Audit Division.

Administration Division

Program Description: Authority for the Administration Division comes from Chapter 117. of the Revised Code. The Administration Division is responsible for the timely issuance of all payroll, maintenance and welfare warrants for the Auditor of State.

Implication of the Executive Recommendation: The Governor's recommendation will enable the Auditor to continue the activities of this program series at required levels.

Legal Division

Program Description: The Legal Division consists of the legal staff and a Legislative Affairs Department.

Legal Staff provides professional support to the Auditor, the Auditor's employees, state and local entities, and the public. For example, legal staff provides legal guidelines to local governments to ensure that they are operating in compliance with state laws.

Legislative Affairs Department works with Auditor's office staff members, legislators and local government representatives in the preparation and review of legislation affecting government finance.

Implication of the Executive Recommendation: The Governor's recommendation will enable the Auditor to perform the activities of this division at required levels.

Information Technology Group

Program Description: This group is responsible for maintaining a Local Area Network (LAN) and a Wide Area Network (WAN) to provide information to the regional offices and more than 900 personal computers. The group makes recommendations of technology purchases and supports the hardware and software for the Local Area Network (LAN), personal computers, and mainframe computers in use by employees throughout the office.

Implication of the Executive Recommendation: The Governor's recommendation will enable the Auditor to fulfill the required activities of this program series. The rate at which upgrades in hardware and software are made would decrease without a fully funded budget.

Public Affairs Group

Program Description: The Public Affairs Group serves the public and news media by responding to thousands of requests for information each year, ensuring that the public is informed on the results of current audits and other initiatives. Staff seeks to ensure audit information is delivered in a timely and understandable fashion, allowing the public to know how tax dollars are spent. The staff also provides all internal communications functions.

Implication of the Executive Recommendation: The Governor's recommendation will enable the Auditor to meet the required activities of this group.

Local Government Services Group (Program) Program Series 3

Purpose: The Local Government Services Group Program is the only group to be funded through Program Series 3.

The Local Government Services Group provides professional and technical services and assistance to local governments in the areas of accounting and operational activities. These services include technical expertise, training and professional accounting services to local governments – including assistance with GAAP conversion, assistance with financial forecasts, fiscal watch and emergency analysis, records reconstruction and reconciliation, and help in using the Uniform Accounting Network (UAN). Uniform Accounting Network is an accounting system for townships, villages, and libraries.

The following table shows the line items that are used to fund this program series, as well as the Governor's recommended funding levels.

Fund	ALI	Title	FY 2004	FY 2005
GRF	070-321	Operating Expenses	$2,733,678	$2,854,790
GRF	070-403	Fiscal Watch/Emergency Technical Assistance	$419,571	$438,451
GRF	070-406	Uniform Accounting Network/Technology Improvement Fund	$1,548,773	$1,626,212
109	070-601	Public Audit Expense – Intrastate	$0	$0
422	070-601	Public Audit Expense – Local Government	$3,569,266	$2,546,842
584	070-603	Training Program	$124,999	$131,250
675	070-605	Uniform Accounting Network	$3,015,760	$3,317,336
GRF	Sub-total P003	General Revenue Fund	$3,,685,438	$3,885,231
Other Funds	Sub-total P003	Other Funds	$6,222,997	$6,869,696
Total funding: Local Government Services			$11,412,047	$10,914,881

Funding Source: GRF and Auditor of State Fund Group (rotary funds 109, 422, 584, 675) moneys that come from charges to state and local governments for the cost of audits, consulting services, technical assistance, and from fees paid by local governments for participation in UAN and various training sessions for local officials.

Local Government Services Group

Implication of the Executive Recommendation:

- The Governor's recommendation will permit the Auditor to offer the required reports through this program. Approximately 4% staff reduction and a reduction in training and consulting services to local governments will likely be experienced by the recommended budget.
- The Auditor has been funding the Uniform Accounting Network (UAN) from its special revenue fund (675), which is nearing depletion.

Fiscal Years 2004-2005 Biennium Budget Summary- Auditor Of State

The following table displays a summary of the multi-program appropriated line items those appropriated line items that are distributed over all three of the Program Series.

Fund	ALI	Title	FY 2004	FY 2005
GRF	070-321	Operating Expenses	$31,680,782	$33,264,821
GRF	070-403	Fiscal Watch/Emergency Technical Assistance	$839,141	$881,098
GRF	070-405	Electronic Data Processing – Administration	$990,602	$1,040,132
GRF	070-406	Uniform Accounting Network/Technology Improvement Fund	$1,548,773	$1,626,212
GRF Totals			**$35,059,298**	**$36,812,263**
109	070-601	Public Audit Expense–Intra-State	$10,592,547	$11,651,800
422	070-601	Public Audit Exp Local Government	$37,617,072	$39,497,925
584	070-603	Training Program	$124,999	$131,250
R06	070-604	Continuous Receipts	$50,000	$60,000
Fund 675	070-605	Uniform Accounting Network	$3,015,760	$3,317,336
Total Rotary Funds			**$51,400,378**	**$54,658,311**
Total All Budget Fund Groups			**$86,459,676**	**$91,470,574**

ADDITIONAL FACTS AND FIGURES

Auditor of State Employees by Division – FY 2000 – FY 2002			
Division	**2000**	**2001**	**2002**
Administration	56	58	59
Audit	740	736	747
Information Technology	36`	39	44
Fraud, Waste, Abuse, and Prevention (FWAP)	30	29	26
Legal	9	12	12
Local Government Services	81	79	79
Communication	13	14	15
Totals	**965**	**967**	**982**

Auditor of State Employee Years of Experience – FY 2002*		
Tenure	**Number of Employees**	**% of Total**
Under 2 Years	146	15%
2-5 years	241	25%
5-10 years	195	20%
10-15 years	127	13%
15-20 years	139	14%
20-25 years	84	9%
Over 25 years	50	5%
Total	982	100%

**Source: Auditor of the State of Ohio*

Government Audits

There are over 4,600 public agencies that by Ohio law must be audited at least once every two years by the Auditor of State. Most local governments and state agencies must be audited annually under federal law. The Auditor is permitted to charge public agencies for the cost of these audits. The Auditor is also permitted to contract with independent public accountants (IPAs) in the private sector to complete required audits. The following list displays the number of audits performed in FY 2002 by the Auditor of State per entity type.

Total Number of Audits Released by all Divisions – FY 2002	
Entity	**FY 2002**
Townships	675
Counties and Agencies*	904
Schools	761
Cities	406
Villages	391
Libraries	131
State Agencies	87
Universities	62
Medicaid/Compliance	18
Special Audits	19
Performance Audits	17
TOTAL:	**3,471**

**Special Purpose Districts*

Source: Auditor of State

Warrants Issued by Auditor of State

The Auditor of State issued warrants and electronic fund transfers (EFTs) in the following amounts and numbers.

Warrants (FY 2002)			EFTs (FY 2002)	
Type	**Count**	**Amount**	**Count**	**Amount**
Judicial Payroll	3,730	$31,509,842.34	4,981	$17,394,743.64
Legislative Payroll	296	$5,785,575.16	1,333	$4,343,510.33
Bi-weekly Payroll	573,819	2,282,199,563.54	1,220,400	$1,279,482,950.73
Maintenance	981,390	$6,462,468,236.13	292,543	$22,692,598,676.22
Income Tax	3,313,684	$1,064,809,679.93	613,587	$139,893,890.63
Monthly Welfare	1,424,903	$445,218,626.45	90,232	24,370,253.24
Auxiliary	273,222	$72,422,665.23		
Medicaid	462,535	$1,687,549,987.82	308,925	$5,994,253,332.40
Welfare – Child Support	13,695	$3,161,947.99		
Workforce	9,291	$171,660.60		
Health Care Replacements	69	$633,099.09		
Regular Replacements	5,089	$22,242,526.57		
ADC Replacements	0			
Totals	**7,061,723**	**$12,078,173,410.85**	**2,532,001**	**$30,252,337,357.19**

Accomplishments and Initiatives

The following accomplishments and initiatives are included among those listed by the Auditor of State.

- Professional, efficient and timely financial audits. In FY 2002, the office issued 3,422 audits. In FY 2002, two separate internal reviews of 217 products confirmed that the low error rate in audits continues to decrease, falling 44% from FY 2001.

- Improving government performance and accountability. During FY 2002, the Auditor's office offered 1,500 recommendations to 17 governments ranging from Ohio's smallest villages to its largest state agencies. These covered $16 million in potential cost savings and alternative revenue sources.

- Fiscal watch/emergency program. The Auditor's office reached a new number in the financial management of school districts with the 20th school district emerging from a $1 million deficit without raising local taxes. This monitoring program has significantly improved the financial management of the state's 612 school districts.

- Training opportunities. A training program, in partnership with the national Government Finance Officers Association, was launched in FY 2002 to provide online government financial training. More than 450 Ohioans registered for the course with 270 completing it. A third annual Local Government Conference provided training to more than 600 township and village officials.

- Financial statement preparation. Ohio has more early implementers of the new GASB Statement No. 34 than any other state. Ohio has the first school district in the nation to adopt the new rules.

- Foster care and charter school reform. Over the past few years, the Auditor's office has uncovered more than $4 million in improper spending of tax dollars by certain nonprofit corporations that place and care for foster children. The office is working with the Ohio Department of Job and Family Services to strengthen their administrative rules regulating private foster care providers. Based on audit findings conducted on Ohio's charter schools, the Auditor's Office initiated a performance audit offering 109 recommendations to improve operations. It was the basis for an administrative overhaul of the Ohio Department of Education and pending reform legislation (H.B. 364).

- Assuring legal compliance and limiting abuse. In FY 2002, the Auditor's office issued $5 million in findings for recovery through 19 special audits. Special audits are in-depth investigations into fraud and abuse that often lead to criminal investigations, charges, and convictions. The Auditor's office also completed a project with the United States Department of Justice resulting in settlements with 185 hospitals that allegedly over-billed for laboratory tests. These settlements recovered $46.8 million, including $8.4 million for Medicaid.

- Uniform Accounting Network (UAN). Currently 1,552 clients, nearly 70% of Ohio's townships and villages, use this program. The UAN is a state-local partnership designed to improve financial management in small governments by providing automated bookkeeping at an affordable cost and reducing workload at the local level.

PERMANENT AND TEMPORARY LAW

This section describes permanent and temporary law provisions contained in the executive budget that will affect the Auditor's activities and spending decisions during the next biennium.

Permanent Law Provisions

There are no permanent law provisions directly affecting the Auditor of State.

Temporary Law Provisions

Fiscal Watch/Emergency Technical Assistance

Ohio Revised Code Chapters 118. and 3316. currently requires the Auditor of State to assume a role relating to fiscal watch or fiscal emergency activities; and in the fulfillment of that role, will incur expenses. Appropriation line item 070-403 shall be used for these expenses.

The Auditor of State's responsibilities shall include, but not be limited to, the following:

- Duties related to the determination or termination of fiscal watch or fiscal emergency of municipal corporations, counties, or townships as outlined Chapter 118. of the Revised Code, and of school district as outlined in Chapter 3316. of the Revised Code.
- Development of preliminary accounting reports.
- Performance of annual forecasts.
- Provision of performance audits.
- Supervisory, accounting, or auditing services for the above-mentioned public entities and school districts.

The unencumbered balance of appropriation item 070-403, Fiscal Watch/Fiscal Emergency Technical Assistance at the end of FY 2004 is hereby transferred to fiscal year 2005 for use under the appropriation item.

Electronic Data Processing

The unencumbered balance of appropriation item 070-405, Electronic Data Processing-Auditing and Administration, at the end of FY 2004 is hereby transferred to FY 2005 for use under the same appropriation item.

Uniform Accounting Network/Technology Improvements Fund

The foregoing appropriation item 070-406 Uniform Accounting Network/Technology Improvements Fund, shall be used to pay the cost of the development and implementation of the Uniform Accounting Network and Technology Improvements for the Auditor of State's office. The unencumbered balance of the appropriation at the end of FY 2004 is hereby transferred to FY 2005 to pay the costs of the development and implementation of the Uniform Accounting Network and Technology Improvements for the Auditor of State's Office.

REQUESTS NOT FUNDED

Total funding for the Auditor of state is increased by $5.6 million in FY 2004 (6.9% above FY 2003) and by $5.0 million in FY 2005 (5.8% above FY 2004).

The Auditor of State will prioritize initiatives to determine those that will be fully funded and those that will be given modified funding.

General Revenue Fund

GRF 070-321 Operating Expenses

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$33,982,036	$32,141,810	$30,278,217	$30,095,754	**$31,038,838**	**$31,038,838**
	-5.4%	-5.8%	-0.6%	**3.1%**	**0.0%**

Source: GRF

Legal Basis: ORC 117.09

Purpose: To pay for personnel, maintenance, and equipment for the agency.

GRF 070-403 Fiscal Watch/Emergency Technical Assistance

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$129,491	$236,159	$735,180	$818,163	**$200,180**	**$200,180**
	82.4%	211.3%	11.3%	**-75.5%**	**0.0%**

Source: GRF

Legal Basis: Section 26 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by Am. Sub. H.B. 283 of the 123rd G.A.)

Purpose: To pay costs of providing performance audits, technical and other assistance to local governments, and school districts in fiscal watch and emergency.

GRF 070-405 Electronic Data Processing-Auditing and Administration

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$665,605	$984,487	$823,193	$965,837	**$823,193**	**$823,193**
	47.9%	-16.4%	17.3%	**-14.8%**	**0.0%**

Source: GRF

Legal Basis: ORC 117.10

Purpose: Moneys are used to administer automated systems needed to support and/or implement warrant writing and to inventory real and personal property owned by the state.

GRF 070-406 Uniform Accounting Network/Technology Improvements Fund

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$2,468,221	$7,565,008	$1,774,394	$1,510,054	**$1,548,773**	**$1,548,773**
	206.5%	-76.5%	-14.9%	**2.6%**	**0.0%**

Source: GRF

Legal Basis: ORC 117.101

Purpose: To pay for the development and implementation of the Uniform Accounting Network, including the activation costs for new participants. UAN is an electronic financial data processing system that provides accounting services to townships, villages, and libraries. Beginning with the FY 2000-FY 2001 biennium, this line item also pays for the implementation of new technology for the Auditor.

General Services Fund Group

109 070-601 Public Audit Expense-Intrastate

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$7,952,426	$7,642,565	$7,856,212	$9,633,632	**$10,592,547**	**$11,651,800**
	-3.9%	2.8%	22.6%	**10.0%**	**10.0%**

Source: GSF: Payments from state agencies for the cost of annual, special, and biennial audits performed by the Auditor

Legal Basis: ORC 117.13

Purpose: To pay costs related to audits of state agencies.

422 070-601 Public Audit Expense-Local Government

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$27,483,967	$28,859,091	$31,983,724	$32,996,090	**$37,617,072**	**$39,497,925**
	5.0%	10.8%	3.2%	**14.0%**	**5.0%**

Source: GSF: Payments from political subdivisions for the cost of annual, special, and biennial audits performed by the Auditor

Legal Basis: ORC 117.13

Purpose: To pay costs related to audits of non-state public agencies.

584 070-603 Training Program

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$88,823	$61,404	$146,615	$96,365	**$124,999**	**$131,250**
	-30.9%	138.8%	-34.3%	**29.7%**	**5.0%**

Source: GSF: Fees collected from township clerks, city auditors, village clerks, county treasurers and staff of these officials who attend training sessions offered by the Auditor

Legal Basis: ORC 117.44

Purpose: To pay for training of newly elected local fiscal officials and ongoing training of county treasurers and village clerks.

675 070-605 Uniform Accounting Network

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$1,218,754	$1,941,720	$1,324,744	$4,725,484	**$3,015,760**	**$3,317,336**
	59.3%	-31.8%	256.7%	**-36.2%**	**10.0%**

Source: GSF: Annual fees from local governments ranging from $336 to $3,636, depending on the budgeted revenues of the local government

Legal Basis: ORC 117.13

Purpose: To pay for computer maintenance, upgrades, consulting, and other costs associated with maintaining the Uniform Accounting Network (UAN) for current members.

Holding Account Redistribution Fund Group

R06 070-604 Continuous Receipts

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
$43,785	$27,921	$33,777	$35,160	**$50,000**	**$60,000**
	-36.2%	21.0%	4.1%	**42.2%**	**20.0%**

Source: 090: Receives moneys collected by the Attorney General's Office from the resolution of cases of fraud involving warrants issued by the Auditor

Legal Basis: Section 26 of Am. Sub. H.B. 94 of the 124th G.A.

Purpose: To hold certain payments made to the Auditor by the Attorney General until a determination is made as to their proper disposition. The function of this line item was previously performed by the Depository Trust Fund, which was abolished in 1985 by the Am. Sub. H.B. 201 of the 116th G.A.

As Introduced	As Passed by the House
Subject: Fiscal Watch/Emergency Technical Assistance	
Section: *21*	**Section: *21***
Provides for the types of expenses that are included in fiscal watch/fiscal emergency. A state of fiscal watch/fiscal emergency is determined by the auditor when a local government or school district reaches a certain level of fiscal failure. Fiscal watch/fiscal emergency activities may include development of preliminary accounting reports, performance of annual forecasts, provision of performance audits, and supervisory, accounting, or auditing services. The unencumbered balance of appropriations for appropriation item 070-403, Fiscal Watch/Emergency Technical Assistance, (Fund GRF) is transferred at the end of FY 2004 to FY 2005 for use under the same appropriation item. Fiscal effect: Unexpended appropriation in FY 2004 may be spent in FY 2005.	No change.
Subject: Electronic Data Processing	
Section: *21*	**Section: *21***
Provides that the unencumbered balance of appropriations for appropriation item 070-405, Electronic Data Processing, (Fund GRF) is transferred at the end of FY 2004 to FY 2005 for use under the same appropriation item. Fiscal effect: Unexpended appropriation in FY 2004 may be spent in FY 2005.	No change.

As Introduced	As Passed by the House
Subject: Uniform Accounting Network/Technology Improvements Fund	
Section: *21*	**Section: *21***
Provides that the unencumbered balance of the appropriations for appropriation item 070-406, Uniform Accounting Network/Technology Improvements Fund, (Fund GRF) is transferred at the end of FY 2004 to FY 2005 for use in paying the costs of developing and implementing the Uniform Accounting Network and making technology improvements for the office of the Auditor of State. Fiscal effect: Unexpended appropriation in FY 2004 may be spent in FY 2005.	No change.

LSC Budget Spreadsheet by Line Item, FY 2004 - FY 2005

Fund	ALI	ALI Title	Estimated 2003	As Introduced 2004	House Sub Bill 2004	% Change Est. 2003 to House 2004	As Introduced 2005	House Sub Bill 2005	% Change House 2004 to House 2005
AUD	**Auditor of State**								
GRF	070-321	Operating Expenses	$30,095,754	$ 31,680,782	$ 31,038,838	3.1%	$ 33,264,821	$ 31,038,838	0.0%
GRF	070-403	Fiscal Watch/Emergency Technical Assistance	$818,163	$ 839,141	$ 200,180	-75.5%	$ 881,098	$ 200,180	0.0%
GRF	070-405	Electronic Data Processing-Auditing and Administration	$965,837	$ 990,602	$ 823,193	-14.8%	$ 1,040,132	$ 823,193	0.0%
GRF	070-406	Uniform Accounting Network/Technology Improvements Fund	$1,510,054	$ 1,548,773	$ 1,548,773	2.6%	$ 1,626,212	$ 1,548,773	0.0%
General Revenue Fund Total			**$ 33,389,808**	**$ 35,059,298**	**$ 33,610,984**	**0.7%**	**$ 36,812,263**	**$ 33,610,984**	**0.0%**
109	070-601	Public Audit Expense-Intrastate	$9,633,632	$ 10,592,547	$ 10,592,547	10.0%	$ 11,651,800	$ 11,651,800	10.0%
422	070-601	Public Audit Expense-Local Government	$32,996,090	$ 37,617,072	$ 37,617,072	14.0%	$ 39,497,925	$ 39,497,925	5.0%
584	070-603	Training Program	$96,365	$ 124,999	$ 124,999	29.7%	$ 131,250	$ 131,250	5.0%
675	070-605	Uniform Accounting Network	$4,725,484	$ 3,015,760	$ 3,015,760	-36.2%	$ 3,317,336	$ 3,317,336	10.0%
General Services Fund Group Total			**$ 47,451,571**	**$ 51,350,378**	**$ 51,350,378**	**8.2%**	**$ 54,598,311**	**$ 54,598,311**	**6.3%**
R06	070-604	Continuous Receipts	$35,160	$ 50,000	$ 50,000	42.2%	$ 60,000	$ 60,000	20.0%
Holding Account Redistribution Fund Group Total			**$ 35,160**	**$ 50,000**	**$ 50,000**	**42.2%**	**$ 60,000**	**$ 60,000**	**20.0%**
Total All Budget Fund Groups			***$ 80,876,539***	***$ 86,459,676***	***$ 85,011,362***	***5.1%***	***$ 91,470,574***	***$ 88,269,295***	***3.8%***