

Greenbook

LBO Analysis of Enacted Budget

Auditor of State

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July 2025

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Attachment:

Appropriation Spreadsheet

LBO Greenbook

Auditor of State

Quick look...

- The Auditor of State is responsible for auditing all public offices in Ohio, both state and local, as well as providing consulting services to local governments and training for public officers.
 - The five major functional units are: Audit Administration, Financial Audits, Local Government Services, Ohio Performance Team, and Special Investigations Unit.
- For the FY 2026-FY 2027 biennium, total proposed funding is approximately \$252.0 million.
 - Of that amount, \$153.1 million (60.8%) comes from Dedicated Purpose Funds mostly supported by fees charged to local governments and state agencies for auditing and financial services.
 - The remaining \$98.9 million (39.2%) comes from the GRF.
- The funding for local auditing services, a combination of Dedicated Purpose Funds and GRF, is designed to subsidize the hourly rate charged. The hourly rate charged for those services will increase from \$41 to \$42 in FY 2026 and \$43 in FY 2027.
- Similarly, the hourly rate charged to state agencies will increase from \$90 per hour in FY 2025 to \$95 in FY 2026, with another possible increase in FY 2027.

Fund Group	FY 2024 Actual	FY 2025 Actual	FY 2026 Appropriation	FY 2027 Appropriation
General Revenue	\$34,326,234	\$38,713,908	\$50,139,278	\$48,727,204
Dedicated Purpose	\$61,857,439	\$70,219,366	\$75,593,898	\$77,518,250
Total	\$96,183,673	\$108,933,275	\$125,733,176	\$126,245,454
% change	--	13.3%	15.4%	0.4%
GRF % change	--	12.8%	29.5%	-2.8%

Agency overview

The Auditor of State (AOS) is an elected official responsible for auditing all public offices in Ohio. This includes state departments, commissions, and offices of the state's political subdivisions, such as cities and villages, counties and townships, schools and universities, and libraries. The AOS also provides consulting services to local governments and training for public officers. It includes five major functional units: Audit Administration, Financial Audits, Local Government Services, Ohio Performance Team, and Special Investigations Unit. There are seven local audit regions and one state region. Each region is led by a chief auditor and an assistant chief auditor.

Audits conducted by the AOS's Office take a variety of forms. Financial and compliance audits identify critical issues related to financial reporting, legal compliance, reportable conditions, systems of internal control, and irregular or illegal activities. Audits are either

conducted on an annual or biennial basis. Performance audits of (1) selected state agencies, (2) school districts under fiscal caution, watch, or emergency, and (3) local governments under fiscal watch or emergency help identify areas where operational efficiencies or better program results can be achieved. The AOS also performs special audits for private entities that receive public funding (i.e., institutions, associations, boards, foster care organizations, companies, and nursing homes) as well as public entities upon their request or the AOS's own initiative.

Highlights

Hourly rate increases

Based on the funding provided under H.B. 96, the billable hourly rate the Audit Division charges local government entities will increase from \$41 per hour to \$42 per hour in FY 2026 and \$43 per hour in FY 2027. These fees are deposited into the Public Audit Expense – Local Government Fund (Fund 4220). Because the cost of annual, biennial, and special audits performed on political subdivisions cannot be fully recouped at this rate, supplementary funding for these auditing functions is provided under GRF appropriation line item (ALI) 070412, Local Government Audit Support and Fund 5VP0 ALI 070611, Local Government Audit Support Fund (Fund 5VP0).

The rates that the Local Government Services Division charges for financial reporting, consulting, and advisory services have also increased in FY 2026, with a further increase anticipated in FY 2027. The rates are charged according to a three-tier structure based on combined annual revenues. As with the fees for audit services, these fees are deposited into the Local Government Fund (Fund 4220). The updated fee schedule is detailed below under Fund 4220 ALI 070602, Public Audit Expense – Local Government.

Additionally, the billable hourly rate charged for annual, biennial, and special audits of state agencies established by the Statewide Cost Allocation Plan will increase. The hourly rate for FY 2025 is \$90, increasing to \$95 in FY 2026, with another increase likely in FY 2027. These fees are deposited into the Public Audit Expense – Intrastate Fund (Fund 1090). Auditing costs which may not be recovered through charges are covered by GRF ALI 070401, Audit Management and Services.

Audits required under H.B. 96

H.B. 96 earmarks \$5.0 million in FY 2026 under GRF ALI 070401, Audit Management and Services, to conduct an audit of the Medicaid Program to determine whether individuals in the Aged, Blind, and Disabled (ABD) group are eligible for Medicaid. Specifically, the AOS must examine whether individuals in the ABD eligibility group have countable assets that exceed the limits specified under federal law. Upon the conclusion of the audit, ODM must implement a corrective action plan, designed to reduce spending in the Medicaid Program for individuals in the ABD eligibility group, that (1) addresses ineligible individuals, (2) establishes and implements an electronic asset verification system for all applicants and enrollees in the ABD eligibility group, and (3) undertakes other initiatives designed to reduce spending in the Medicaid Program for individuals in the ABD eligibility group. This corrective action plan must be distributed to the Legislative Service Commission and the chairpersons of the standing committees in both the House and Senate that consider Medicaid.

H.B. 96 also earmarks up to \$500,000 in FY 2026 under GRF ALI 070402, Performance Audits, to conduct a performance audit of indigent defense services within Ohio. Specifically, the bill requires the AOS to review the challenges of the delivery of indigent defense services, including, but not limited to the costs, accounting, and payment processes of the Office of the Ohio Public Defender and at least five counties that represent each of the various indigent defense delivery methods in the state. A report of the audit will be submitted to the President and Minority Leader of the Senate and to the Speaker and Minority Leader of the House of Representatives by January 1, 2027.

H.B. 96 also requires the AOS to conduct a performance audit of the Public Utilities Commission of Ohio (PUCO), including a review of the Ohio Power Siting Board, by May 1, 2027. These costs will also be covered under GRF ALI 070402, Performance Audits.

H.B. 96 also requires the AOS to conduct a combined performance and financial audit of the Ohio Judicial Conference and provide the results to the House Speaker and Senate President by December 31, 2026. This audit will likely be funded under Fund 1090 ALI 070601, Public Audit Expense – Intrastate, GRF ALI 070402, Performance Audits, and GRF ALI 070401, Audit Management and Services. Similarly, the AOS must conduct a joint performance audit and fiscal audit of ODM's next generation system by December 31, 2027, and submit a copy of the audit report to the Executive Director of the Joint Medicaid Oversight Committee. This audit will be funded by Fund 1090 ALI 070601, Public Audit Expense – Intrastate.

Auditor of State duties

H.B. 96 repeals current law that requires the AOS to pay for costs related to audits of medical assistance recipients that are requested by the Ohio Department of Medicaid. This aligns with statute with other continuing law, under which a state agency is generally responsible for the costs of its audits and audits of private entities that receive money from the agency.

Additionally, H.B. 96 removes the AOS from a variety of state and local processes involving other state agencies. These processes involve the Attorney General's Office, Department of Higher Education, Department of Administrative Services, Department of Development, Department of Health, Department of Education and Workforce, Facilities and Construction Commission, Governor's Office, Ohio History Connection, Secretary of State, Department of Taxation, and local governments. Removing the AOS's role in these processes will likely result in some cost savings for the AOS.

Analysis of FY 2026-FY 2027 budget

H.B. 96 provides the AOS with funding of approximately \$125.7 million in FY 2026 and \$126.2 million in FY 2027. Of the total funding for the FY 2026-FY 2027 biennium, nearly \$108.9 million (43.2%), is derived from audit fees paid by state agencies and political subdivisions, as well as local government users of the Uniform Accounting Network (UAN). A small portion also comes from fees charged for training sessions. These revenues are deposited into four separate funds within the Dedicated Purpose Fund Group. Of the remainder, about \$98.9 million (39.2%) is from the GRF. Finally, \$44.3 million (17.6%) of total funding over the biennium comes from tax revenue transferred into the Local Government Audit Support Fund (Fund 5VP0).

Audit Administration

Audit Management and Services (ALI 070401)

FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Actual	FY 2026 Appropriation	FY 2027 Appropriation
GRF ALI 070401, Audit Management and Services					
\$12,713,060	\$12,447,038	\$12,918,393	\$14,071,991	\$20,067,887	\$16,035,566
% change	-2.1%	3.8%	8.9%	42.6%	-20.1%

This ALI is used to support costs of the AOS that are not recovered through charges to local governments and state entities, including those costs that cannot be recovered from audit clients under federal indirect cost allocation guidelines. This covers costs incurred by the Audit Administration area, including information technology (IT), finance, human resources, legal, and facilities and operations. The ALI also covers costs that the Local Government Services area does not recover through charges to clients.

Audit Services

The ALIs included below are used to fund primary auditing functions, including financial audits of state agencies and local governments, as well as other performance, health care provider, and special audits. Approximately 39.2% of the funding for auditing services comes from GRF appropriations.

Public Audit Expense – Local Government (ALI 070602)

FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Actual	FY 2026 Appropriation	FY 2027 Appropriation
Fund 4220 ALI 070602, Public Audit Expense – Local Government					
\$32,137,707	\$29,479,154	\$28,786,289	\$30,500,063	\$33,000,000	\$33,000,000
% change	-8.3%	-2.4%	6.0%	8.2%	0.0%

This ALI is used to pay for the costs of annual, biennial, and special audits performed on political subdivisions by the Audit Division. The appropriation is supported by fees paid by political subdivisions for the costs of performing these audits and deposited into the Public Audit Expense – Local Government Fund (Fund 4220). The billable hourly rate for local government entities will be \$42 per hour in FY 2026 and \$43 per hour in FY 2027.

Because the cost of those services cannot be fully recouped at this rate, supplementary funding for these auditing functions is provided under GRF ALI 070412, Local Government Audit Support and Fund 5VP0 ALI 070611, Local Government Audit Support Fund (Fund 5VP0).

The AOS has a three-tiered payment rate for work provided by Local Government Services (LGS). This includes financial reporting compilation, consulting, and review services to local governments, agencies, and schools. The table below shows the rate schedule for FY 2026. For all other projects, the rate is \$50 per hour.

LGS Billing Rate for Financial Reporting, Compilation, and Review Services				
	Counties	Municipalities and Other	Schools	Rate
Tier I	\$132,000,001 or more	\$66,000,001 or more	\$66,000,001 or more	\$90/hr.
Tier II	\$66,000,001-\$132,000,000	\$13,000,001-\$66,000,000	\$13,000,001-\$66,000,000	\$80/hr.
Tier III	\$66,000,000 or less	\$13,000,000 or less	\$13,000,000 or less	\$64/hr.

Note: Rates determined by local entity's total reported combined revenues

Local Government Audit Support (ALI 070412)

FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Actual	FY 2026 Appropriation	FY 2027 Appropriation
GRF ALI 070412, Local Government Audit Support					
\$14,037,380	\$14,156,236	\$15,783,956	\$16,548,624	\$21,000,000	\$23,250,000
% change	0.8%	11.5%	4.8%	26.9%	10.7%

This GRF ALI is used to provide supplementary funding for the AOS to conduct financial audits of political subdivisions in conjunction with Fund 4220 ALI 070602, Public Audit Expense – Local Government. The funding covers a portion of the costs of annual, biennial, and special audits performed on political subdivisions that would otherwise be covered by payments from those entities that are deposited into Fund 4220. This GRF support subsidizes the hourly billable rate that is charged to local governments for financial audits.

Local Government Audit Support Fund (ALI 070611)

FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Actual	FY 2026 Appropriation	FY 2027 Appropriation
Fund 5VP0 ALI 070611, Local Government Audit Support Fund					
\$12,755,742	\$14,322,655	\$15,786,917	\$16,549,999	\$21,000,000	\$23,250,000
% change	12.3%	10.2%	4.8%	26.9%	10.7%

The Local Government Audit Support Fund (Fund 5VP0) is used to provide supplementary funding for the AOS to conduct financial audits of political subdivisions in conjunction with Fund 4220 ALI 070602, Public Audit Expense – Local Government. ALI 070611, Local Government Audit Support Fund, is used to cover a portion of the costs of annual, biennial, and special audits performed on political subdivisions that would otherwise be billed to local public offices, the proceeds from which are deposited into Fund 4220. Political subdivisions continue to be billed for these audits in the same manner as they are currently. The funding increases for FY 2026 and FY 2027 are intended to partially offset increases in the hourly billable rate to local governments.

This supplementary funding mechanism was enacted under H.B. 166, the main operating budget for the FY 2020-FY 2021 biennium. It requires the Director of Budget and Management to credit, on a monthly basis, a portion of total tax revenue credited to the GRF equal to one-twelfth of the annual fiscal appropriation from the fund.

Public Audit Expense – Intrastate (ALI 070601)

FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Actual	FY 2026 Appropriation	FY 2027 Appropriation
Fund 1090 ALI 070601, Public Audit Expense – Intrastate					
\$11,204,707	\$10,810,891	\$10,988,807	\$12,376,086	\$13,737,026	\$13,914,164
% change	-3.5%	1.6%	12.6%	11.0%	1.3%

This ALI is used to pay for the costs of annual, biennial, and special audits the AOS performs on state agencies. While about half of the appropriation each fiscal year is for financial audits, the funding is also used to cover the cost of conducting health care contract audits, performance audits, and other special audits. The appropriation is supported by fees paid by state agencies for the costs of performing these audits and deposited into the Public Audit Expense – Intrastate Fund (Fund 1090). The billable hourly rate for state agencies is a flat rate established by the Statewide Cost Allocation Plan (SWCAP). The hourly rate for FY 2025 is \$90. It will increase to \$95 in FY 2026, with a further increase anticipated in FY 2027. Auditing costs which may not be recovered through charges are covered by GRF ALI 070401, Audit Management and Services.

Fraud/Corruption Audits and Investigations (ALI 070404)

FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Actual	FY 2026 Appropriation	FY 2027 Appropriation
GRF ALI 070404, Fraud/Corruption Audits and Investigations					
\$2,530,038	\$2,406,357	\$3,221,189	\$4,942,460	\$4,915,927	\$5,534,546
% change	-4.9%	33.9%	53.4%	-0.5%	12.6%

This GRF ALI is used to provide a portion of funding for the AOS to conduct various types of special audits, specifically those conducted by the Special Investigations Unit (SIU). The SIU primarily investigates allegations of fraud, theft, and misappropriation of public funds in conjunction with law enforcement. The ALI covers all of the cost for these investigative activities. The GRF ALI also covers costs the AOS incurs and which cannot be charged to the entity subject to special audit.

The costs SIU bears for doing special audits are shared among various other ALIs under the AOS budget. These include Fund 4220 ALI 070602, Public Audit Expense – Local Government; GRF ALI 070412, Local Government Audit Support; and Fund 5VPO ALI 070611, Local Government Audit Support Fund, all described previously.

Performance Audits (ALI 070402)

FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Actual	FY 2026 Appropriation	FY 2027 Appropriation
GRF ALI 070402, Performance Audits					
\$2,028,280	\$1,959,812	\$2,141,113	\$2,710,902	\$3,505,464	\$3,257,092
% change	-3.4%	9.3%	26.6%	29.3%	-7.1%

This ALI covers some of the costs for providing performance audits of local governments, school districts, state agencies, and colleges and universities that are not recovered through charges to those entities, including costs that cannot be recovered from audit clients under federal indirect cost allocation guidelines. Other ALIs used to cover performance costs are the following: (1) GRF ALI 070412, Fund 4220 ALI 070602, and Fund 5VP0 ALI 070611 for local government audits, and (2) Fund 1090 ALI 070601 for state government audits.

Auditor's Innovation Fund (ALI 070606)

FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Actual	FY 2026 Appropriation	FY 2027 Appropriation
Fund 5JZ0 ALI 070606, Auditor's Innovation Fund					
\$7,507	\$0	\$0	\$0	\$300,000	\$300,000
% change	-100.0%	--	--	--	0.0%

Beginning in the FY 2024-FY 2025 biennium, the AOS renamed and repurposed this ALI. It now provides funding for audit, accounting, or local government assistance services. These projects aim to expand the quality or quantity of services offered to local governments and schools.

Previously, this ALI was used to distribute loans to state agencies and local governments from the Leverage for Efficiency, Accountability, and Performance (LEAP) Fund (Fund 5JZ0) to pay for performance audits required under S.B. 4 of the 129th General Assembly. It was also used to cover the costs of feasibility studies for local governments and schools at the request of these entities.

Local Government Services

The ALIs below fund various other services the AOS offers to local governments, including auditing services to political subdivisions in fiscal watch or emergency, training for political subdivision employees, and the Uniform Accounting Network.

Uniform Accounting Network (ALI 070605)

FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Actual	FY 2026 Appropriation	FY 2027 Appropriation
Fund 6750 ALI 070605, Uniform Accounting Network					
\$4,506,362	\$5,315,487	\$6,131,338	\$10,638,080	\$7,306,872	\$6,804,086
% change	18.0%	15.3%	73.5%	-31.3%	-6.9%

This ALI is used to pay for computer maintenance, upgrades, consulting, and other costs associated with maintaining the Uniform Accounting Network (UAN). As of October 2024, UAN serviced 2,161 local government entities with essential auditing and payroll functions. The system is supported by subscriber fees ranging from \$8 per month for entities with annual revenues under \$50,000 to \$325 per month for entities with revenues higher than \$10.0 million annually. All users pay a monthly hardware surcharge of \$50. These amounts are deposited into the Uniform Accounting Network Fund (Fund 6750). As is the case with other service funds used by the AOS, the financial status of participating local governments affects the amount of fees received.

During the FY 2022-FY 2023 biennium, the AOS hired a contractor to undertake a multi-year software update project, which includes shifting to a cloud-based operating system. This project will be completed in FY 2027. The uptick in spending for FY 2025 can be attributed to a one-time hardware upgrade for computers and printers, a cost which would typically be spread out over a four-year period.

Fiscal Distress Technical Assistance (ALI 070403)

FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Actual	FY 2026 Appropriation	FY 2027 Appropriation
GRF ALI 070403, Fiscal Distress Technical Assistance					
\$184,908	\$99,222	\$261,583	\$439,931	\$650,000	\$650,000
% change	-46.3%	163.6%	68.2%	47.8%	0.0%

This GRF ALI is used to pay the costs of providing performance audits, accounting reports, annual forecasts, and supervisory, accounting, or auditing services for municipal corporations, counties, townships, and school districts in the determination or termination of fiscal caution, fiscal watch, or fiscal emergency. The costs of these services largely depend upon how many local governments and school districts are in fiscal watch or fiscal emergency. The AOS's budget request noted that, as of October 2024, there were 12 local governments and one school district in fiscal emergency, four local governments in fiscal caution, and three local governments, one school district, and one university in fiscal watch.

Training Program (ALI 070603)

FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Actual	FY 2026 Appropriation	FY 2027 Appropriation
Fund 5840 ALI 070603, Training Program					
\$7,974	\$94,556	\$164,089	\$155,138	\$250,000	\$250,000
% change	1,085.8%	73.5%	-5.5%	61.1%	0.0%

This ALI is used to pay for training of newly elected local fiscal officials and ongoing training of county treasurers and village clerks and the AOS's annual Local Government Officials Conference, as well as other trainings that may be offered. The ALI is supported by the Auditor

of State Training Fund (Fund 5840), which consists of fees collected from township clerks, city auditors, village clerks, county treasurers, and their staff who attend the training sessions. The AOS canceled or converted training events to a virtual format during the COVID-19 pandemic, explaining the significant tail-off in spending in FY 2021 and FY 2022. A registration fee was not charged for these virtual events. However, registration fees for events were charged in FY 2023. Over the last biennium, the AOS hosted some sessions in person (such as the annual Local Government Officials Conference), while other trainings were offered in virtual or hybrid formats.

**FY 2026 - FY 2027 Final Appropriations
All Fund Groups - Detail**

H.B. 96 - Main Operating Appropriations Bill

Detail by Agency			FY 2024	FY 2025	Appropriation FY 2026	Appropriation FY 2027	FY 2025 to FY 2026 % Change	FY 2026 to FY 2027 % Change
AUD Office of the Auditor of State								
GRF	070401	Audit Management and Services	\$12,918,393	\$14,071,991	\$20,067,887	\$16,035,566	42.61%	-20.09%
GRF	070402	Performance Audits	\$2,141,113	\$2,710,902	\$3,505,464	\$3,257,092	29.31%	-7.09%
GRF	070403	Fiscal Distress Technical Assistance	\$261,583	\$439,931	\$650,000	\$650,000	47.75%	0.00%
GRF	070404	Fraud/Corruption Audits and Investigations	\$3,221,189	\$4,942,460	\$4,915,927	\$5,534,546	-0.54%	12.58%
GRF	070412	Local Government Audit Support	\$15,783,956	\$16,548,624	\$21,000,000	\$23,250,000	26.90%	10.71%
General Revenue Fund Subtotal			\$34,326,234	\$38,713,908	\$50,139,278	\$48,727,204	29.51%	-2.82%
1090	070601	Public Audit Expense - Intrastate	\$10,988,807	\$12,376,086	\$13,737,026	\$13,914,164	11.00%	1.29%
4220	070602	Public Audit Expense - Local Government	\$28,786,289	\$30,500,063	\$33,000,000	\$33,000,000	8.20%	0.00%
5840	070603	Training Program	\$164,089	\$155,138	\$250,000	\$250,000	61.15%	0.00%
5JZ0	070606	Auditor's Innovation Fund	\$0	\$0	\$300,000	\$300,000	N/A	0.00%
5VP0	070611	Local Government Audit Support Fund	\$15,786,917	\$16,549,999	\$21,000,000	\$23,250,000	26.89%	10.71%
6750	070605	Uniform Accounting Network	\$6,131,338	\$10,638,080	\$7,306,872	\$6,804,086	-31.31%	-6.88%
Dedicated Purpose Fund Group Subtotal			\$61,857,439	\$70,219,366	\$75,593,898	\$77,518,250	7.65%	2.55%
Office of the Auditor of State Total			\$96,183,673	\$108,933,275	\$125,733,176	\$126,245,454	15.42%	0.41%