

# **LSC Greenbook**

**Analysis of the Enacted Budget**

**Auditor of State**

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**ATTACHMENT:**

Budget Spreadsheet By Line Item

# Auditor of State

- Total funding of \$150.5 million for the FY 2010-FY 2011 biennium
- Budget is 60% supported by fees and 40% supported by GRF

## OVERVIEW

### Agency Overview

The Auditor of State (AUD) is an elected constitutional officer responsible for auditing all public offices in Ohio. This includes state departments and commissions as well as offices of the state's political subdivisions, such as cities and villages, counties and townships, schools and universities, and libraries. The Auditor also provides consulting services to local governments and training for public officers. The office consists of three operational divisions – Audit, Administration, and Legal – and as of July 2009, employs 816 full-time employees, the majority of which are auditors who work from headquarters or one of the eight regional offices. These offices are located in Canton/Akron, Cincinnati, Cleveland, Columbus, Dayton, Southeast, Toledo, and Youngstown. Each regional office is staffed by a Chief Auditor and an Assistant Chief Auditor.

### Appropriation Overview

As the table below shows, appropriations for FY 2010 are \$74.8 million, a decrease of 4.6% compared to FY 2009 spending of \$78.4 million. Appropriations for FY 2011 are \$75.7 million, a 1.2% increase over the FY 2010 amount. About 60% of the total appropriation is derived from revenue generated from service fees paid by state agencies and political subdivisions and local government users of the Uniform Accounting Network (UAN). A small portion also comes from fees charged for training sessions. These receipts are deposited in various funds that are part of the Auditor of State Fund Group. The remaining 40% of funding is from the General Revenue Fund (GRF).

Appropriations by Fund Group, FY 2010-FY 2011					
Fund Group	FY 2009	FY 2010	% change, FY 2009-FY 2010	FY 2011	% change, FY 2010-FY 2011
General Revenue	\$30,842,353	\$29,979,031	(2.8%)	\$29,979,031	0%
Auditor of State	\$47,580,231	\$44,809,250	(5.8%)	\$45,734,250	2.1%
<b>TOTAL</b>	<b>\$78,422,584</b>	<b>\$74,788,281</b>	<b>(4.6%)</b>	<b>\$75,713,281</b>	<b>1.2%</b>

\*FY 2009 figures represent actual expenditures.

### **Payroll Reductions for Certain Employees and Early Retirement Incentives**

The budget act requires a 2% pay reduction beginning in FY 2010 for exempt employees of the Auditor of State's Office that are paid in accordance with salary schedule E-1 or salary schedule E-1 for Step 7 only. This means that, through authority granted to the Auditor, and through its bargaining unit contract, all agency employees are subject to this reduction. Overall, as of the beginning of FY 2010, there were 33 bargaining unit employees, 458 E-1 employees, and 368 unclassified employees. Beyond this required pay reduction, the Auditor of State's Office is also beginning the process of offering an early retirement incentive (ERI) to eligible employees.

### **Vetoed Provisions**

#### **GRF Transfers for Audit Costs**

The Governor vetoed a provision that permitted the Auditor of State to certify to the Director of Budget and Management the amounts of unpaid audit costs for state agencies and local public offices if those entities have ceased operation and have not paid those audit costs. Additionally the provision required the Auditor of State to certify the amount necessary to conduct an audit program, if, in the Auditor's judgment, the amounts appropriated were insufficient. The Director of Budget and Management would have been required to transfer these certified amounts from the GRF to the Public Audit Expense – Intrastate Fund (Fund 1090), or the Public Audit Expense – Local Government Fund (Fund 4220) as applicable. Had this provision remained in H.B. 1, the Auditor of State's Office could have used these transfers in order to supplement funding for its operations.

#### **Public Audit Expense Transfer**

Also vetoed was a provision that would have transferred \$400,900 in cash from the GRF to the Public Audit Expense – Intrastate Fund (Fund 1090). This transfer would have been used to pay expenses incurred by the Auditor of State's Office in its oversight of public entities in fiscal caution, fiscal watch, and fiscal emergency, as well as performance audits of school districts in fiscal distress.

## ANALYSIS OF ENACTED BUDGET

This section provides an analysis of each appropriation item in AUD's budget, which in this analysis, are grouped into two major categories. Within these categories, a table lists the appropriation in each fiscal year of the biennium. Following the table, a narrative describes how the appropriation is used and any changes affecting the appropriation.

The categories under which AUD's six appropriation items are grouped within this analysis are (1) Auditing and (2) Local Government Services. The following table shows the category in which each appropriation has been placed, listing the line items in order within their respective fund groups and funds. This is the same order the line items appear in the act.

<b>Categorization of AUD's Appropriation Line Items</b>		
<b>Fund</b>	<b>ALI and Name</b>	<b>Category</b>
<b>General Revenue Fund Group</b>		
GRF 070321	Operating Expenses	1: Auditing
GRF 070403	Fiscal Watch/Emergency Technical Assistance	2: Local Government Services
<b>Auditor of State Fund Group</b>		
1090 070601	Public Audit Expense-Intrastate	1: Auditing
4220 070602	Public Audit Expense-Local Government	1: Auditing
5840 070603	Training Program	2: Local Government Services
6750 070605	Uniform Accounting Network	2: Local Government Services

## Category 1: Auditing

This category of appropriations is used to fund AUD's primary auditing functions, including financial audits of state agencies and local governments, as well as other performance, healthcare provider, and special audits.

Appropriations for Auditing				
Fund		ALI and Name	FY 2010	FY 2011
<b>General Revenue Fund</b>				
GRF	070321	Operating Expenses	\$29,279,031	\$29,279,031
<b>General Revenue Fund Subtotal</b>			<b>\$29,279,031</b>	<b>\$29,279,031</b>
<b>Auditor of State Fund Group</b>				
1090	070601	Public Audit Expense-Intrastate	\$11,000,000	\$11,000,000
4220	070602	Public Audit Expense-Local Government	\$30,828,000	\$31,053,000
<b>Auditor of State Fund Group Subtotal</b>			<b>\$41,828,000</b>	<b>\$42,053,000</b>
<b>Total Funding: Auditing</b>			<b>\$71,107,031</b>	<b>\$71,332,031</b>

### Operating Expenses (070321)

The appropriation for this line item is \$29.3 million in both FY 2010 and FY 2011, a decrease of 3.2% from FY 2009 spending of \$30.2 million in this area. This line item is used to pay the personnel, maintenance, and equipment costs for the agency. As mentioned previously, a payroll reduction provision of the budget bill requires a 2% pay reduction beginning in FY 2010 for exempt employees of the Auditor of State's Office that are paid in accordance with salary schedule E-1 or salary schedule E-1 for Step 7 only. This provision will result in decreased payroll costs for the Auditor's Office; however, the total magnitude of these reductions is not known.

In addition to these expenses, the line item covers all IT costs for AUD's headquarters and field offices are paid from this line item. The appropriation also is used to support the Administrative Division, which oversees the office's human resources, training and recruitment, fiscal, and IT operations, including the Uniform Accounting Network (UAN), the financial management system that assists local governments in handling their accounting and payroll responsibilities. However, note that UAN is supported by fees paid by these entities. This is explained more completely under the UAN appropriation contained within the Local Government Services category.

### Public Audit Expense – Intrastate (070601)

This line item is used to pay for the costs of annual, biennial, and special audits performed on state agencies. The appropriation is supported by fees paid by state

agencies for the costs of performing these audits and deposited in the Public Audit Expense Fund – Intrastate (Fund 1090). The billable hourly rates for FY 2008 and FY 2009 were \$58.36 and \$60.44, respectively. The rate for FY 2010 is \$64.43. This fund received approximately \$9.3 million in such revenues in FY 2008 and approximately \$10.4 million in FY 2009. The appropriation for this line item is \$11.0 million in both FY 2010 and FY 2011, an increase of 4.4% over FY 2009 spending of \$10.5 million.

**Public Audit Expense – Local Government (070602)**

The appropriation for this line item in FY 2010 is \$30.8 million, a decrease of 6.2% from FY 2009 spending of \$32.9 million. The amount for FY 2011 is \$31.1 million, an increase of less than 1.0% over the FY 2010 amount. This line item is used to pay for the costs of annual, biennial, and special audits performed on political subdivisions. The appropriation is supported by fees paid by political subdivisions for the costs of performing these audits and deposited in the Public Audit Expense – Local Government Fund (Fund 4220). The billable hourly rate for local government entities is \$37 per hour, and has remained unchanged since FY 2006. Fund 4220 received approximately \$30.5 million in revenues in FY 2008, and approximately \$30.8 million in FY 2009. Note that the revenue collected for local government audits remains contingent upon the ability of those local governments to pay. If there is an increase in the number of local governments that fall into fiscal watch or fiscal emergency, the revenue collected for local government audits could decrease.

## Category 2: Local Government Services

This category funds various other services offered to local governments by the Auditor, including the payment of various auditing services to political subdivisions in fiscal watch or emergency, training for political subdivision employees, and the Uniform Accounting Network services available to political subdivisions.

Appropriation Amounts for Local Government Services				
Fund	ALI and Name		FY 2010	FY 2011
<b>General Revenue Fund</b>				
GRF	070403	Fiscal Watch/Emergency Technical Assistance	\$700,000	\$700,000
<i>General Revenue Fund Subtotal</i>			<b>\$700,000</b>	<b>\$700,000</b>
<b>Auditor of State Fund Group</b>				
5840	070603	Training Program	\$181,250	\$181,250
6750	070605	Uniform Accounting Network	\$2,800,000	\$3,500,000
<i>Auditor of State Fund Group Subtotal</i>			<b>\$2,981,250</b>	<b>\$3,681,250</b>
<b>Total Funding: Local Government Services</b>			<b>\$3,681,250</b>	<b>\$4,381,250</b>

### Fiscal Watch/Emergency Technical Assistance (070403)

This GRF line item 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 watch or fiscal emergency. The costs of these audits largely depend upon how many local governments and school districts are in fiscal watch or fiscal emergency. In FY 2009, there were 21 local governments and 17 school districts in fiscal watch or fiscal emergency. The appropriation for this line item is \$700,000 in both FY 2010 and FY 2011, an increase of 16.7% from FY 2009 spending of \$599,991.

### Training Program (070603)

This line item is used to pay for training of newly elected local fiscal officials and ongoing training of county treasurers and village clerks. The Auditor of State Training Fund (Fund 5840) consists of fees collected from township clerks, city auditors, village clerks, county treasurers, and staff of these officials that attend these training sessions. This fund collected approximately \$159,000 in revenue in FY 2008, and approximately \$120,000 in FY 2009. The appropriation for this line item is \$181,250 in both FY 2010 and FY 2011, an increase of 263.9% from FY 2009 spending of \$49,801, but is identical to the FY 2008 – FY 2009 appropriations for this purpose.

**Uniform Accounting Network (070605)**

This line item is used to pay for computer maintenance, upgrades, consulting, and other costs associated with maintaining the Uniform Accounting Network (UAN). The Uniform Accounting Network Fund (Fund 6750) consists of annual fees from local governments, ranging from \$336 to \$3,636, depending on the budgeted revenues of each of these entities. As is the case with the other Auditor of State's service funds, the financial status of participating local governments affects the amount of fees received. Receipts for each fiscal year in the FY 2008 – FY 2009 biennium were approximately \$4.1 million. The appropriation for this line item is \$2.8 million in FY 2010, a decrease of 32.0% from FY 2009 spending of \$4.1 million. However, FY 2009 spending of \$4.1 million was above the norm, and can be attributed to planned FY 2008 expenditures that were delayed and not incurred until FY 2009. The FY 2011 appropriation is \$3.5 million.

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**FY 2010 - 2011 Final Appropriation Amounts**

**All Fund Groups**

<i>Line Item Detail by Agency</i>			<i>FY 2008</i>	<i>FY 2009</i>	<i>FY 2010 Appropriations</i>	<i>% Change FY09 - FY10</i>	<i>FY 2011 Appropriations</i>	<i>% Change FY10 - FY11</i>
<b>Report For: Main Operating Appropriations Bill</b>			<b>Version: Enacted</b>					
<b>AUD Auditor of State</b>								
GRF	070321	Operating Expenses	\$ 30,814,327	\$ 30,242,362	\$ 29,279,031	-3.19%	\$ 29,279,031	0.00%
GRF	070403	Fiscal Watch/Emergency Technical Assistance	\$ 570,000	\$ 599,991	\$ 700,000	16.67%	\$ 700,000	0.00%
GRF	070405	Electronic Data Processing Administration	\$ 27,782	\$ 0	\$ 0	N/A	\$ 0	N/A
GRF	070406	Uniform Accounting Network/Technology Improvements Fund	\$ 335,032	\$ 0	\$ 0	N/A	\$ 0	N/A
<b>General Revenue Fund Total</b>			<b>\$ 31,747,141</b>	<b>\$ 30,842,353</b>	<b>\$ 29,979,031</b>	<b>-2.80%</b>	<b>\$ 29,979,031</b>	<b>0.00%</b>
1090	070601	Public Audit Expense-Intrastate	\$ 9,293,360	\$ 10,538,162	\$ 11,000,000	4.38%	\$ 11,000,000	0.00%
4220	070602	Public Audit Expense-Local Government	\$ 29,999,647	\$ 32,877,699	\$ 30,828,000	-6.23%	\$ 31,053,000	0.73%
5840	070603	Training Program	\$ 155,150	\$ 49,801	\$ 181,250	263.95%	\$ 181,250	0.00%
6750	070605	Uniform Accounting Network	\$ 2,052,058	\$ 4,114,569	\$ 2,800,000	-31.95%	\$ 3,500,000	25.00%
<b>Auditor of State Fund Group Total</b>			<b>\$ 41,500,214</b>	<b>\$ 47,580,231</b>	<b>\$ 44,809,250</b>	<b>-5.82%</b>	<b>\$ 45,734,250</b>	<b>2.06%</b>
<b>Auditor of State Total</b>			<b>\$ 73,247,355</b>	<b>\$ 78,422,584</b>	<b>\$ 74,788,281</b>	<b>-4.63%</b>	<b>\$ 75,713,281</b>	<b>1.24%</b>