AUDITOR OF STATE

Independent auditors

- Removes the Auditor of State's authority to contract with a public accountant to audit a public office as an independent auditor; the Auditor has continuing authority to contract with a *certified* public accountant.
- Instead of ensuring independent auditors comply with Generally Accepted Auditing Standards as under current law, requires the Auditor of State to ensure independent auditors comply with Generally Accepted *Government* Auditing Standards.

Costs of audits

- Until July 1, 2023, specifies that, for any audit the Auditor of State has authority to conduct, the Auditor may charge a state agency, local public office, or private entity for the cost of the audit in the manner provided for under continuing law.
- Allows the Auditor to determine which costs of an audit of a state agency or local public office will be charged to the agency or office.
- Specifies that costs of an audit include both direct and indirect costs.
- Allows the Auditor to offset charges billed to a local public office using resources from the Local Government Audit Support Fund, the General Revenue Fund, or other state sources the Auditor has for this purpose.
- Until July 1, 2023, removes the Auditor's responsibility to pay for any costs the Auditor incurs auditing a medical assistance recipient or examining records regarding medical assistance programs.

Local Government Audit Support Fund

- Creates the Local Government Audit Support Fund to be used by the Auditor to offset the cost of audits of local public offices.
- Requires the OBM Director to credit monthly a portion of total tax revenue credited to the General Revenue Fund equal to $^{1}/_{12}$ of the annual fiscal appropriation from the Local Government Audit Support Fund and requires the Director to develop a schedule identifying the specific tax revenue sources to be used to make the monthly transfers.
- Prohibits the Controlling Board from authorizing additional spending from the Local Government Audit Support Fund.

Auditing Medicaid providers and comprehensive risk contracts

- Allows the Auditor to audit Medicaid providers and Medicaid comprehensive risk contracts as those terms are defined under federal law.

Audit of Auditor of State's Office

- Allows the Governor and Finance Committee chairpersons to select designees to recommend an accountant for appointment, rather than requiring the Governor and chairpersons to evaluate accountants themselves as under current law.
- Requires OBM to provide staff services to the Governor and Finance chairpersons or to their designees.

Performance audits of state institutions of higher education

- Authorizes the Auditor of State to conduct performance audits of any and all state institutions of higher education.

Independent auditors

(R.C. 117.115 with conforming changes in R.C. 102.02, 117.11, 1724.05, and 1726.11)

Upon request of a local public office under current law, the Auditor of State may contract with an independent auditor to conduct an audit of the local public office. Currently, a public accountant, certified public accountant, or an official governmental audit organization may serve as an independent auditor. The bill eliminates the reference to a public accountant, thereby allowing the Auditor to contract with only a certified public accountant or an official governmental audit organization as independent auditors. And, the bill requires any independent auditor to comply with Generally Accepted *Government* Auditing Standards (GAGAS) rather than Generally Accepted Auditing Standards (GAAS) as under current law.

Costs of audits

(R.C. 117.13; Section 701.55)

The bill specifies that, until July 1, 2023, for any audit the Auditor of State has authority to conduct, the Auditor may charge a state agency, local public office, or private entity for the cost of the audit in the manner provided for under continuing law.[20]

The bill allows the Auditor of State to determine which audit costs to recover from a state agency or local public office. Currently, the Auditor collects the "costs of all audits" from a state agency and certain, specified costs (compensation paid to assistant auditors and their expenses, costs of experts, and others) from a local public office. The bill also specifies that the costs of an audit include both direct and indirect costs. The Auditor may offset the costs of audits of local public offices using resources from the Local Government Audit Support Fund (created under the bill – see below), GRF dollars, or other state sources provided to the Auditor for this purpose.

[20] See R.C. 117.13.

Regarding the rates to be charged to state agencies and local public offices for an audit, the bill requires the Auditor to determine and publish those rates annually instead of establishing those rates by rule as under current law. The bill also requires the rates to take into consideration federal cost recovery guidelines.

Instead of charging a local public office's audited funds as under current law, the bill allows the public office's fiscal officer to allocate money from appropriate funds using a methodology provided by the Auditor.

Finally, the bill removes until July 1, 2023, the Auditor's responsibility under current law to pay for any costs the Auditor incurs auditing a medical assistance recipient or examining records regarding medical assistance programs.[21]

Local Government Audit Support Fund

(R.C. 117.131 and 131.511)

The bill creates the Local Government Audit Support Fund in the state treasury to be used by the Auditor to offset the costs of audits of local public offices. On a monthly basis, the Director of OBM must credit a portion of total tax revenue credited to GRF equal to $^{1}/_{12}$ of the annual fiscal appropriation from the Local Government Audit Support Fund. The Director must develop a schedule identifying the specific tax revenue sources to be used to make the monthly transfers and may revise the schedule as necessary. The bill specifies that appropriations for the Fund must remain at the amount designated by the General Assembly. The Controlling Board is not allowed to authorize additional spending from the Fund.

Auditing Medicaid providers and comprehensive risk contracts

(Section 701.55)

Continuing law permits the Auditor to audit the accounts of any person or government entity with a valid Medicaid provider agreement.[22] The bill provides that, until July 1, 2023, the Auditor also may conduct audits of (1) any individual or entity that is engaged in the delivery of services, or ordering or referring for those services, and is legally authorized to do so by the state in which it delivers the services and a risk contract between a state and a managed care organization that covers comprehensive services. A risk contract covers comprehensive services if it covers inpatient hospital services and any of the following services or covers any three or more of the following services: (1) outpatient hospital services, (2) rural health clinic services, (3) federally Qualified Health Center services, (4) other laboratory and X–ray services, (5) nursing facility services, (6) early and periodic screening; diagnostic, and treatment services, (7) family planning services, (8) physician services, and (9) home health services.

[21] See R.C. 5130.23, not in the bill.

[22] R.C. 117.10(C), not in the bill.

Audit of Auditor of State's Office

(R.C. 117.14)

Continuing law requires an annual audit of the Office of the Auditor of State by an independent accountant. Currently, the Governor and Finance Committee chairpersons must evaluate and appoint the independent accountant. The bill allows the Governor and chairpersons to select designees to *evaluate and recommend* an independent accountant, but the Governor and chairpersons must make the appointment. Additionally, the bill requires OBM to provide staff services to the Governor and chairpersons (or their designees) to assist with these duties.

Performance audits of state institutions of higher education

(R.C. 117.46)

The bill authorizes the Auditor of State, at the Auditor's discretion, to conduct performance audits of state institutions of higher education. Under current law, the Auditor is required to conduct at least four performance audits of state administrative departments or agencies, each biennium, and may include among those four, one audit of a state institution of higher education. Under the bill, the Auditor still must conduct four performance audits per biennium, not including a performance audit of a state institution of higher education, and may conduct performance audits of any state institution of higher education at the Auditor's discretion.

A "performance audit" is a nonrecurring examination of the *economy* (keeping the cost low), *efficiency* (getting the most out of available resources), and *effectiveness* (meeting the objectives set) of government programs and functions. The Auditor of State refers to these principles as the "Three Es."[23]

Ohio law specifies that in conducting a performance audit, the Auditor must determine the scope of the audit, but must consider, if appropriate, supervisory and subordinate level operations in the institution. A performance audit may not include review or evaluation of an institution's academic performance.

For purposes of performance audits and LEAP loans (see below), a "state institution of higher education" means any state university of college, community college, state community college, university branch, or technical college. By contrast, for cost limits, "state university or college" means only the following: the University of Akron, Bowling Green State University, Central State University, the University of Cincinnati, Cleveland State University, Kent State University, Miami University, Ohio University, Ohio State University, Shawnee State University, the University of Toledo, Wright State University, and Youngstown State University, and the Northeast Ohio Medical University.[24]

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[23] https://www.ohioauditor.gov/performance.html.

[24] Cross-referencing R.C. 3345.011, not in the bill.

Continuing law requires an audited state institution of higher education to accept comments regarding the audit from interested parties and make all comments available to the public.[25] Also, the institution must implement the audit recommendations within three months after the end of the comment period or must (1) file a report explaining why the institution has not commenced implementation of the recommendations, and (2) provide testimony explaining why the institution has not commenced implementation of the recommendations to House and Senate committees. An institution that does not fully implement an audit recommendation within one year after the end of the comment period must file a report justifying why the recommendation has not or will not be implemented.[26]

Additionally, under ongoing law, the Auditor's annual performance audit report must describe whether a state institution of higher education has implemented the audit recommendations and how much money was saved as a result of the implementation.[27]

Costs and loans

Current law sets cost limits on a performance audit of a "state university or college," but does not appear to apply the cost limits to performance audits of community colleges, state community colleges, university branches, or technical colleges. The costs limits may be exceeded on agreement between the Auditor and the institution.[28]

Under law unchanged by the bill, state institutions of higher education may apply for and receive loans from the Auditor of State through the Leverage for Efficiency, Accountability, and Performance (LEAP) Fund to pay the Auditor's costs for conducting their performance audits.[29]

[25] R.C. 117.461, not in the bill.

[26] R.C. 117.462, not in the bill.

[27] R.C. 117.463, not in the bill.

[28] R.C. 117.464(B)(1) to (3) and 117.465, not in the bill.

[29] R.C. 117.47, not in the bill.