

# The State of Ohio Annual Financial Reporting Process

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# The Accounting System

- CAS was single entry accounting system
  - Pure Cash Basis
- OAKS is a dual entry accounting system
  - Modified Cash Basis-Accounts Receivable
- Neither of these are a GAAP basis



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# GAAP Requirements

- The State's Financial Statements must be presented on a GAAP Basis.
  - Modified Accrual
  - Full Accrual
- The Financial Reporting process translates the modified cash system to GAAP Basis.



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# The State's Annual Report

## Comprehensive Annual Financial Report (CAFR)

- A government's GAAP-basis financial report, including:
  - Introductory Section
  - Financial Section including audit opinion, general purpose financial statements, and combining/individual fund statements and schedules
  - Statistical Section
- FY2007 State of Ohio CAFR available at <http://obm.ohio.gov/SectionPages/FinancialReporting/CAFR/2007/Default.aspx>



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# Why is it issued?

- Section 126.21(A)(9), Ohio Revised Code

“(A) The director of budget and management shall do all of the following... (9) Issue the official comprehensive annual financial report of the state.”

- Federal grant agreements
- Debt covenants



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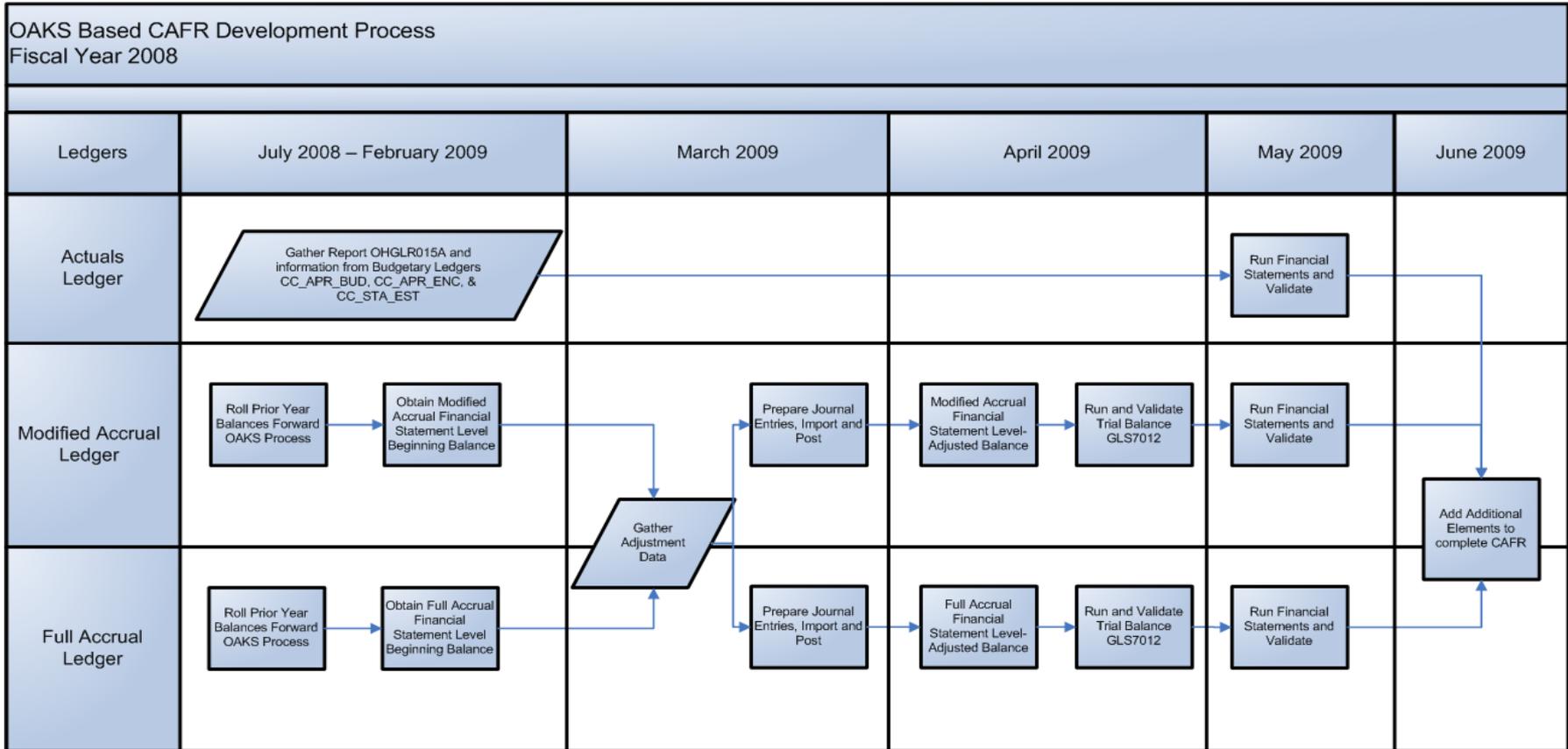
# Financial Statement Users

- Ohio's citizens
- Non-institutional bond purchasers
- Bond rating agencies
- Ohio's elected officials
- Educators and students
- Other states



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# OAKS Based Process



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# Single Audit – What is it?

- A Federal requirement to apply uniform standards for audits of entities receiving federal grants and other federal assistance
- Used by the Ohio Office of the Auditor of State (AOS) as part of the State's annual audit process



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# Single Audit – Why we do it

- Required by the Federal Office of Management and Budget (OMB) Circular A-133 when Non-Federal entities expend Federal awards of *\$500,000* or more within a fiscal year
  - The State’s single audit reporting entity expends over \$16 billion a year amongst approximately 40 agencies



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# Single Audit

- Report Submission
  - Consists of the audit report, including the general purpose financial statements, the Schedule of Expenditures of Federal Awards (SEFA), the Federal data collection form, and the corrective action plan(s)
  - Submitted within the earlier of 30 days after receipt of the auditor's report(s) or nine months after the end of the audit period (March 31), unless a later date is agreed to in advance by the federal cognizant agency
- FY2007 Single Audit Report available at [http://www.auditor.state.oh.us/AuditSearch/Reports/2008/State\\_of\\_Ohio\\_Single\\_Audit\\_07\\_Franklin.pdf](http://www.auditor.state.oh.us/AuditSearch/Reports/2008/State_of_Ohio_Single_Audit_07_Franklin.pdf)



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# Current Challenges

- Agencies, as well as OBM's financial reporting accountants, are constructing financial statements from a new ERP system for the first time.
- Several important OAKS processes and reports intended for financial reporting were delayed due to competing priorities and position vacancies.
  - Business decision made to wait on system validation edits to ensure consistency and accuracy



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# Current Challenges – Cont.

- Certain data previously accessible by OBM employees for Statewide accruals is no longer accessible directly from OAKS.
  - To ensure the privacy of personal data and past SAS 70 issues
- New system and process documentation must be created as accounting processes are being completed.
  - A lack of system and process documentation



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# Long-term Benefits

- Increased accuracy and efficiency
- Greater reliance on system and reduced reliance on error-prone manual intervention and spreadsheets
  - 34 of the State's 44 individual financial statements will be system-generated.
  - CAS could produce only 16 system-generated statements.



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# Long-term Benefits – Cont.

- Balances will roll forward from prior year
- Integration with BPM for Budget reporting



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# Current Completion Timeline

- Financial Statements June 30, 2009
- CAFR Audit Report TBD by AOS
- Single Audit Reports TBD by AOS



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