



Office of Budget and Management Debt Management Audit

Audit Period: January through December 2017

Results Summary:

Objective	Conclusion*
Post-Issuance Compliance Requirements	Well-Controlled with Improvement Needed
Debt Issuance and Bond Sale Activities	Well-Controlled

* Please refer to Appendix A for classification of audit objective conclusions.



Executive Summary

Background

The Office of Budget and Management (OBM) Debt Management section is responsible for issuing new state debt, managing existing state debt, and ensuring that financial resources have been set aside to meet the State of Ohio's long-term capital and debt-service requirements. For proposed sales of new state debt, Debt Management reviews and approves each sale, including the amount, security, source of payment, structure and amortization schedule. Debt Management develops and distributes monthly coordinated bond sale schedules for state bond issuers. Debt Management coordinates and presents key information to credit rating agencies on the state economy, finances/budget, and long-term liabilities. Debt Management is responsible for compliance with applicable Securities and Exchange Commission disclosure regulations. During the period January through December 2017, Debt Management oversaw 22 bond sales for approximately \$2.21 billion in debt to fund capital projects across the State and to refund bonds.

During the audit, OIA identified opportunities for OBM to strengthen internal controls and improve business operations. OIA conforms with the *International Standards for the Professional Practice of Internal Auditing*. OIA would like to thank OBM staff and management for their cooperation and time in support of this audit.

This report is solely intended for the information and use of agency management and the State Audit Committee. It is not intended for anyone other than these specified parties.

Scope and Objectives

OIA staff was engaged to perform an assurance audit related to the controls over OBM's Debt Management processes. The following summarizes the objectives for the review:

- (1) Evaluate the design and effectiveness of controls for post-issuance compliance requirements.
- (2) Evaluate the design and effectiveness of controls for debt issuance and bond sale activities.

Detailed Observations and Recommendations

The Observations and Recommendations include only those risks which were deemed high or moderate. Low risk observations were discussed with individual agency management and are not part of this report. However, the low risk observations were considered as part of the audit objective conclusions.



Appendix A – Classification of Conclusions and Observations

Classification of Audit Objective Conclusions

Conclusion	Description of Factors
Well-Controlled	The processes are appropriately designed and/or are operating effectively to manage risks. Control issues may exist, but are minor.
Well-Controlled with Improvement Needed	The processes have design or operating effectiveness deficiencies but do not compromise achievement of important control objectives.
Improvement Needed	Weaknesses are present that compromise achievement of one or more control objectives but do not prevent the process from achieving its overall purpose. While important weaknesses exist, their impact is not widespread.
Major Improvement Needed	Weaknesses are present that could potentially compromise achievement of its overall purpose. The impact of weaknesses on management of risks is widespread due to the number or nature of the weaknesses.

Classification of Audit Observations

Rating	Description of Factors	Reporting Level
Low	Observation poses relatively minor exposure to an agency under review. Represents a process improvement opportunity.	Agency Management; State Audit Committee (Not reported)
Moderate	Observation has moderate impact to the agency. Exposure may be significant to unit within an agency, but not to the agency as a whole. Compensating controls may exist but are not operating as designed. Requires near-term agency attention.	Agency Management and State Audit Committee
High	Observation has broad (state or agency wide) impact and possible or existing material exposure requiring immediate agency attention and remediation.	Agency Management and State Audit Committee