

Role and Overview

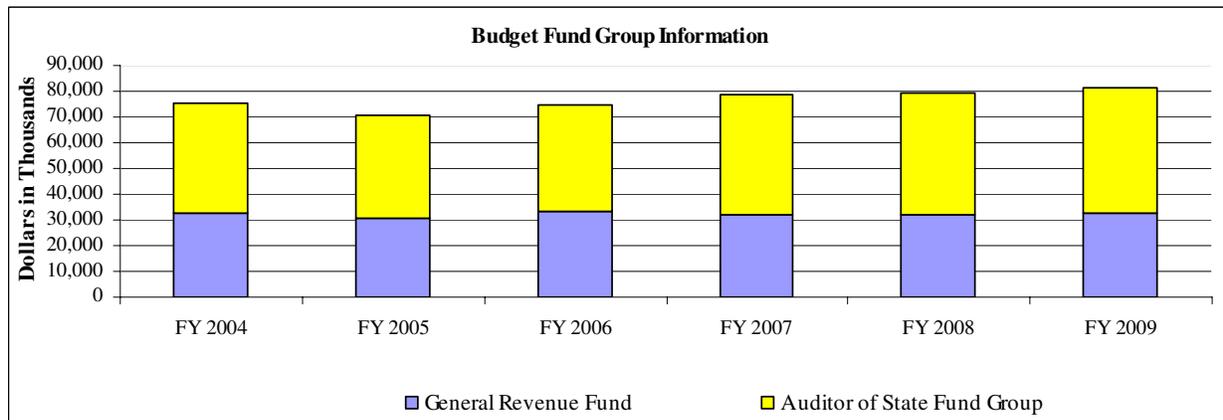
The Auditor of State (AUD), an elected constitutional officer, is responsible for auditing the financial statements of all public offices in Ohio including cities, villages, townships, school districts, universities, state agencies, and boards and commissions. In striving to ensure public funds are spent appropriately and in accordance with state and local law, the Auditor has placed an increased emphasis on combating fraud, waste, and abuse to protect scarce public resources. In addition, the Auditor of State conducts performance audits, which include recommendations for management and efficiency improvements to entity operations; special audits; as well as the identification of fraud, waste, and abuse of public funds. The Auditor also provides a number of services to local governments, including Open Government Training, access to the Uniform Accounting Network, training to local public offices and officers, and processing payments made by state agencies to employees, taxpayers, vendors, and others. The office is made up of three major divisions, the Audit Division, the Legal Division, and the Administration Division. These duties and others are accomplished within an annual budget of nearly \$80 million and with a staff of 870 employees.

Additional information regarding the Auditor of State is available at <http://www.auditor.state.oh.us/>.

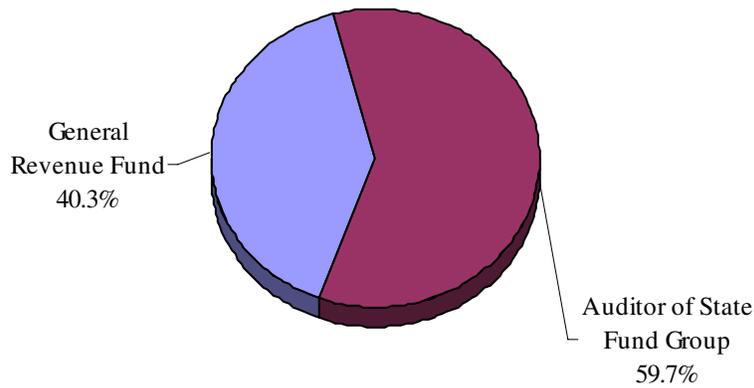
Agency Priorities

- Ensure that all public funds are spent appropriately and in accordance with state and local laws through the conduct of financial audits of all public offices in Ohio including cities, villages, schools, universities, counties, townships, and state agencies, boards, and commissions.
- Conduct audits of Medicaid providers to identify and report on the overpayment of Medicaid funds, as well as other instances of noncompliance with federal and state rules and regulations. Audit services are provided pursuant to statute and are critical to minimize the state’s exposure to fraud, waste, and abuse.
- Monitor the implementation of recommendations from a performance audit of the Medicaid Program as authorized in the 2006-2007 biennial budget.
- Identify fraud, waste, and abuse of public funds through the performance of special audits.
- Support local governments through a variety of services which include conducting performance audits; providing training, technical assistance, consulting services, and continuing education; and the development of recommendations for management and efficiency improvements in an effort to save taxpayer dollars.
- Help restore to financial solvency school districts and local governments in states of fiscal caution, watch, or emergency. Specifically, the Auditor of State serves as financial supervisor to financial planning and supervision commissions. Other relevant services for these entities include performance audits, fiscal emergency determinations, and financial forecasts.

Summary of Budget History and Recommendations

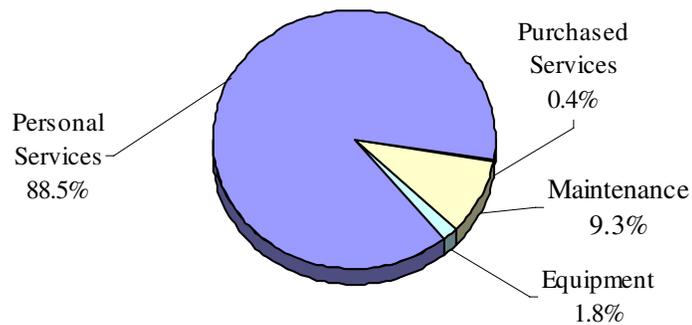


**FY 2008-09 Biennial Appropriation
by Budget Fund Group**



(In thousands) BUDGET FUND GROUP	ACTUAL			ESTIMATE	% CHANGE	RECOMMENDED			
	FY 2004	FY 2005	FY 2006	FY 2007	FY 06-07	FY 2008	% CHANGE	FY 2009	% CHANGE
General Revenue Fund	32,571	30,631	33,211	32,099	(3.3)	32,070	(.1)	32,765	2.2
Auditor of State Fund Group	42,664	40,054	41,681	46,603	11.8	47,499	1.9	48,499	2.1
TOTAL	75,235	70,685	74,892	78,703	5.1	79,568	1.1	81,264	2.1

**FY 2008-09 Biennial Appropriation
by Expense Category**



State of Ohio
Auditor of State

(In thousands) OBJECT OF EXPENSE	ACTUAL			ESTIMATE	%	RECOMMENDED			
	FY 2004	FY 2005	FY 2006	FY 2007	FY 06-07	FY 2008	% CHANGE	FY 2009	% CHANGE
Personal Services	64,753	61,761	61,718	67,837	9.9	70,399	3.8	71,966	2.2
Purchased Services	612	700	1,404	0	(100.0)	305	.0	305	.0
Maintenance	8,001	7,227	7,359	10,281	39.7	7,426	(27.8)	7,539	1.5
Equipment	1,844	834	4,325	538	(87.6)	1,439	167.5	1,454	1.1
Transfer & Other	25	162	85	47	(44.6)	0	(100.0)	0	.0
TOTAL	75,235	70,685	74,892	78,703	5.1	79,568	1.1	81,264	2.1

PROGRAM SERIES 01: Financial Audit Services

This program is responsible for conducting financial audits of all public entities as required by the Ohio Revised Code, Chapter 117.

Program 01.01: Financial Audits

This program performs financial audits of over 5,100 public entities in Ohio at least once every two fiscal years or every year for those entities that fall within Federal Schedule guidelines for Single Audits. Generally, these audits entail a review of the methods, accuracy, and legality of accounts, financial reports, records, and files of public entities. These audits also include a compliance component to ascertain the entity's compliance with the laws, rules, ordinances, and orders pertaining to the office.

The Executive Recommendation will:

- Support the 642 full-time equivalent financial auditors that conduct field audits for public entities as required by state and federal law;
- Provide funding to support the costs incurred in conducting over 3,400 financial audits each year; and
- Fund travel and equipment expenses used by financial auditing staff which is necessary to perform their duties as they are required to travel and conduct on-site auditing services.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2008	FY 2009
GRF	GRF	070-321	Operating Expenses	17,099,021	18,012,353
AUS	109	070-601	Public Audit Exp Intra-State Fnd	5,841,425	5,953,174
AUS	422	070-601	Public Audit Exp Local Gvt Fnd	28,704,246	29,805,618
TOTAL FOR PROGRAM				51,644,692	53,771,145

PROGRAM SERIES 02: Fraud and Investigative Audit Services

This program series identifies fraud, waste, and abuse of public funds by public and private entities that receive public funds in an effort to protect scarce public resources and minimize the incidence of fraud, waste, and abuse of public funds.

Program 02.01: Healthcare Contract Audit

This program provides audit services that identify and report instances of noncompliance with federal and state rules and regulations. The Auditor develops interoffice agreements intended to help other state agencies meet federal audit requirements. Services include: audits of reimbursement claims submitted by doctors, hospitals, long-term care

facilities and other Medicaid providers; audits of county agencies that expend public assistance, child support enforcement and children services funds administered by the Ohio Department of Job and Family Services; audits of cost reports used to set payment rates for providers of Medicaid services; and assessments of controls employed by state agencies to minimize fraud, waste, and abuse. The Health Care Contract Audit Program aims to minimize the state's exposure to fraud, waste, and abuse by identifying funds to be recovered that otherwise would have been lost.

The Executive Recommendation will:

- Enable the identification of fraud, waste, and abuse associated with health care contracts and result in the recovery of state resources;
- Support a staff of 23 that conduct field-based auditing services; and
- Provide for equipment and travel to conduct on-site audits.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2008	FY 2009
GRF	GRF	070-321	Operating Expenses	401,245	426,474
AUS	109	070-601	Public Audit Exp Intra-State Fnd	1,768,758	1,763,056
TOTAL FOR PROGRAM				2,170,003	2,189,530

Program 02.02: Special Audits

This program conducts special audits to investigate allegations of fraud, theft, and misappropriation of public funds by public and private entities that receive public funds. Special audits are initiated based on evaluations of requests from public officials or initiated at the discretion of the Auditor of State pursuant to authority granted in the Ohio Revised Code, Chapter 117. Special audits enable the Auditor to hold accountable those who betray the public's trust and, in so doing, help to restore the public's confidence in those entrusted to manage public resources. The Taxpayer Protection Initiative, which was launched on October 1, 2003, has received more than 1,500 calls, from which 190 complaints have been derived. The Auditor's Office has also partnered with local organizations to conduct education and training seminars for law enforcement officials, financial experts, and other professionals from a wide range of disciplines.

The Executive Recommendation will:

- Enable the identification of fraud, waste, and abuse which results in the recovery of state resources;
- Support 12 staff that investigate allegations of fraud, theft, and misappropriation of public funds; and
- Provide for equipment and travel to conduct investigations and on-site audits.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2008	FY 2009
GRF	GRF	070-321	Operating Expenses	306,630	326,722
AUS	109	070-601	Public Audit Exp Intra-State Fnd	512,454	493,062
AUS	422	070-601	Public Audit Exp Local Gvt Fnd	300,291	294,100
TOTAL FOR PROGRAM				1,119,375	1,113,884

PROGRAM SERIES 03: Performance Audit Services

This program series conducts performance audits of public entities to help identify and correct inefficient managerial operations and waste of taxpayer dollars, in addition to general oversight and advice to ensure greater operational efficiencies of public offices and the maximization of taxpayer dollars.

Program 03.01: Performance Audit

The Performance Audit Section conducts operational audits, which entail a comprehensive review of any program or area of operation in which the Auditor of State believes that greater operational efficiencies or enhanced program results can be achieved. Typically, performance audits identify and help correct inefficient managerial operations and waste of taxpayer dollars, in addition to providing general oversight and advice to ensure efficient operation of public offices and maximization of taxpayer dollars.

The Auditor of State may conduct a performance audit of any school district or local government entity (counties, townships, villages, etc.) which has been designated as being in a state of fiscal caution (school districts only), watch or emergency pursuant to Section 3316.031 and Chapter 118 of the Ohio Revised Code. The Auditor of State is also authorized to conduct performance audits of any other public entity upon request.

The Executive Recommendation will:

- Fund 50 staff that conduct comprehensive field-based audits of operational efficiency; and
- Support travel and equipments costs incurred due to the need to conduct audits on-site.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2008	FY 2009
GRF	GRF	070-321	Operating Expenses	1,218,637	1,310,282
GRF	GRF	070-403	Fcsl Watch/Emergency Tech Asst	223,316	229,294
AUS	109	070-601	Public Audit Exp Intra-State Fnd	1,951,486	1,965,696
AUS	422	070-601	Public Audit Exp Local Gvt Fnd	467,493	465,308
TOTAL FOR PROGRAM				3,860,932	3,970,580

PROGRAM SERIES 04: Local Government Services

In an effort to assist local governments throughout Ohio, this program series offers consulting services which include accounting and technical assistance and training for local elected officials, in addition to providing financial and accounting expertise to entities in a state of fiscal watch or fiscal emergency.

Program 04.01: Local Government Services

The Local Government Services (LGS) Section provides consulting services and technical assistance (GAAP conversion, financial forecasts, records reconstruction and reconciliation, etc.) to local governments throughout Ohio. In addition to providing financial and accounting expertise to local governments requesting assistance, LGS fulfills the Auditor of State's role as financial supervisor to financial planning and supervision commissions established whenever a local government is declared to be in a state of fiscal emergency, pursuant to the Ohio Revised Code, Chapters 118 and 3316. LGS also provides a variety of training to locally elected officials.

LGS provides a variety of training programs for local and state government officials including: accounting and financial reporting to newly elected township clerks, city auditors, and village clerks and continuing education for village clerks pursuant to the Ohio Revised Code, Section 117.44. LGS also conducts training for local officials on the open government issues to educate both government officials and citizens about their rights and responsibilities pursuant to Ohio's open government laws.

The Executive Recommendation will:

- Support 63 staff that provide accounting services to local governments throughout the state;
- Provide technical assistance to school districts and local governments in fiscal watch and fiscal emergency status; and
- Fund required training in accounting and financial reporting to newly elected officials.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2008	FY 2009
GRF	GRF	070-321	Operating Expenses	2,252,256	2,406,331
GRF	GRF	070-403	Fcsl Watch/Emergency Tech Asst	376,684	370,706
AUS	422	070-601	Public Audit Exp Local Gvt Fnd	2,733,982	2,813,417
AUS	584	070-603	Training Program Fund	181,250	181,250
TOTAL FOR PROGRAM				5,544,172	5,771,704

Program 04.02: Uniform Accounting Network

The Uniform Accounting Network (UAN), established pursuant to the Ohio Revised Code, Section 117.101, offers an electronic data processing accounting system for townships, villages, libraries, and other local governments. Designed to help political subdivisions properly record and maintain accurate accounting records, the system includes hardware, software, training, and technical support. Approximately 1,600 political subdivisions and public offices currently participate in the Uniform Accounting Network Program.

The Executive Recommendation will:

- Fund 17 staff that perform training and technical support to the clients;
- Fund computer equipment purchases for entities in the program; and
- Support costs of the development and distribution of instructional manuals, explanation of software upgrades, and other documents on CD.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2008	FY 2009
AUS	675	070-605	Uniform Accounting Network Fnd	3,179,170	3,180,998
TOTAL FOR PROGRAM				3,179,170	3,180,998

PROGRAM SERIES 05: Program Management

This program series provides administrative support functions needed to support all other program areas within the Auditor of State's Office.

Program 05.01: Administration

This program includes human resources, information technology, finance, general services, records, graphics, legal, and public affairs functions not already allocated to other programs. The primary purpose of this program is to provide administrative support functions necessary to support all other program areas: the fiscal department provides routine financial information to management as well as prepares the annual fiscal reports; the information technology department maintains networks, serving nearly 900 personnel and procuring needed hardware and software; the legal department provides legal expertise to management and local governments; the public affairs department responds to all public information inquiries and the news media; and the Auditor's Office prepares and records all land deeds for state-owned properties.

The Executive Recommendation will:

- Fund 119 staff that performs management and administrative functions in support of the Auditor's Office core responsibilities. Support staff includes human resources, general services, records, graphics, information technology, legal, public affairs and fiscal functions not already allocated to other programs.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2008	FY 2009
GRF	GRF	070-321	Operating Expenses	10,191,763	10,289,320
AUS	109	070-601	Public Audit Exp Intra-State Fnd	925,877	825,012
AUS	422	070-601	Public Audit Exp Local Gvt Fnd	793,988	621,557
AUS	675	070-605	Uniform Accounting Network Fnd	138,166	136,338
TOTAL FOR PROGRAM				12,049,794	11,872,227

LINE ITEM SUMMARY - Auditor

FUND	ALI	ALI TITLE	FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 ESTIMATE	FY 2008 RECOMMENDED	% CHANGE	FY 2009 RECOMMENDED	% CHANGE
GRF	070-321	Operating Expenses	29,810,293	27,882,634	30,220,356	29,144,425	31,469,552	8.0	32,771,482	4.1
GRF	070-403	Fcsl Watch/Emergency Tech Asst	400,000	500,000	497,842	502,157	600,000	19.5	600,000	.0
GRF	070-405	Electronic Data Proc-Aud & Adm	807,513	797,434	795,925	857,156	0	(100.0)	0	.0
GRF	070-406	UAN/Technology Improvement Fnd	1,553,003	1,450,836	1,696,717	1,595,544	0	(100.0)	0	.0
TOTAL General Revenue Fund			32,570,809	30,630,904	33,210,840	32,099,282	32,069,552	(.1)	33,371,482	4.1
109	070-601	Public Audit Exp Intra-State Fnd	8,217,753	8,198,810	9,637,966	12,000,000	11,000,000	(8.3)	11,000,000	.0
422	070-601	Public Audit Exp Local Gvt Fnd	30,720,895	29,723,378	28,756,359	31,104,840	33,000,000	6.1	34,000,000	3.0
584	070-603	Training Program Fund	188,509	129,979	182,561	181,250	181,250	.0	181,250	.0
675	070-605	Uniform Accounting Network Fnd	3,537,192	2,001,698	3,104,119	3,317,336	3,317,336	.0	3,317,336	.0
TOTAL Auditor of State Fund Group			42,664,349	40,053,865	41,681,005	46,603,426	47,498,586	1.9	48,498,586	2.1
TOTAL Auditor of State			75,235,158	70,684,769	74,891,845	78,702,708	79,568,138	1.1	81,870,068	2.9