

State of Ohio
Auditor of State

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, school districts, universities, townships, and state agencies, 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 \$75.8 million and with a staff of 898 employees.

Executive Priorities for the Auditor Of State

- 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 in efforts.
- Identify fraud, waste, and abuse of public funds through the performance of special audits.
- In an effort to save taxpayer dollars, support local governments through a variety of services which include: training, technical assistance, consulting services, continuing education, conducting performance audits; and the development of recommendations for management and efficiency improvements.
- Issue warrants and process electronic fund transfers of the state for purposes of payroll, public assistance payments, vendors, and taxpayer refunds.

Summary of Budget History and Recommendations

(In thousands)				%		RECOMMENDED			
BUDGET FUND GROUP	FY 2002	ACTUAL FY 2003	FY 2004	ESTIMATE FY 2005	CHANGE FY 04-05	FY 2006	% CHANGE	FY 2007	% CHANGE
General Revenue Fund	33,611	34,181	32,571	31,876	(2.1)	31,876	.0	31,876	.0
Auditor of State Fund Group	41,345	45,935	42,694	43,325	1.5	43,888	1.3	43,888	.0
TOTAL	74,956	80,116	75,265	75,202	(.1)	75,765	.7	75,765	.0

(In thousands)				%		RECOMMENDED			
OBJECT OF EXPENSE	FY 2002	ACTUAL FY 2003	FY 2004	ESTIMATE FY 2005	CHANGE FY 04-05	FY 2006	% CHANGE	FY 2007	% CHANGE
Personal Services	63,141	67,533	64,753	71,571	10.5	64,205	(10.3)	64,205	.0
Purchased Services	1,110	1,091	612	0	(100.0)	0	.0	0	.0
Maintenance	8,430	8,271	8,001	3,252	(59.4)	9,665	197.2	9,541	(1.3)
Equipment	2,043	3,166	1,844	343	(81.4)	1,867	444.2	1,991	6.6
Transfer & Other	233	54	55	36	(35.0)	27	(24.1)	27	.0
TOTAL	74,956	80,116	75,265	75,202	(.1)	75,765	.7	75,765	.0

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PROGRAM SERIES 01: Financial Audit Services

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

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.

What the Budget Buys:

- Supports the 628 full-time equivalent financial auditors that conduct field audits for public entities as required by state and federal law;
- Funds equipment used by financial auditing staff which are necessary to perform duties as they are required to travel and conduct on-site auditing services; and
- Provides funding to support the costs incurred in conducting over 3,400 financial audits each year.

FUND GROUP	FUND	ALI	ALI NAME	RECOMMENDED	
				FY 2006	FY 2007
GRF	GRF	070-321	Operating Expenses	21,308,675	21,308,675
GRF	GRF	070-406	UAN/Technology Improvement Fund	1,031,206	1,031,206
AUS	109	070-601	Public Audit Exp Intra-State	6,138,000	6,138,000
AUS	422	070-601	Public Audit Exp Local Government	27,061,211	27,061,211
AUS	584	070-603	Training Program	11,812	11,812
TOTAL FOR PROGRAM				55,550,904	55,550,904

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: Health Care 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. In the past four fiscal years, the program identified \$22.4 million in misspent dollars, which resulted in \$5.6 million in actual recoveries for the state. As Medicaid continues to account for an ever-larger share of the state budget, these audits have the potential to identify significant cost savings for the state.

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What the Budget Buys:

- Enables the identification of fraud, waste and abuse associated with health care contracts and results in the recovery of state resources;
- Supports a staff of 25 that conduct field-based auditing services of agencies that request Auditor of State services; and
- Provides for travel and equipment expenses necessary in the conduct of on-site audits.

FUND GROUP	FUND	ALI	ALI NAME	RECOMMENDED	
				FY 2006	FY 2007
GRF	GRF	070-321	Operating Expenses	868,933	868,933
GRF	GRF	070-406	UAN/Technology Improvement Fund	31,771	31,771
AUS	109	070-601	Public Audit Exp Intra-State	1,674,000	1,674,000
TOTAL FOR PROGRAM				2,574,704	2,574,704

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 Chapter 117 of the Ohio Revised Code. 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 logged 415 consumer calls through July 13, 2004, from which 89 complaints have resulted and been investigated. 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. In fiscal year 2004, eight special audits were released in which \$6.4 million in findings for recovery were identified.

What the Budget Buys:

- Enables the identification of fraud, waste and abuse which results in the recovery of state resources;
- Supports 11 staff that investigate allegations of fraud, theft, and misappropriation of public funds; and
- Provides for equipment and travel to conduct investigations and on-site audits.

FUND GROUP	FUND	ALI	ALI NAME	RECOMMENDED	
				FY 2006	FY 2007
GRF	GRF	070-321	Operating Expenses	125,000	125,000
GRF	GRF	070-406	UAN/Technology Improvement Fund	31,771	31,771
AUS	109	070-601	Public Audit Exp Intra-State	465,000	465,000
AUS	422	070-601	Public Audit Exp Local Government	933,145	933,145
TOTAL FOR PROGRAM				1,554,916	1,554,916

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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 of the Auditor's Office conducts operational audits, which entail a comprehensive review of any programs or areas 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, 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. In fiscal year 2004, the Auditor of State's Office issued 25 performance audits of schools districts and local government entities, yielding 1,176 recommendations, which if fully implemented, would result in annual savings and revenue enhancements of \$38.7 million.

What the Budget Buys:

- Funds support 40 staff that conduct comprehensive field-based audits of operational efficiency; and
- Supports travel and equipments costs incurred due to the need to conduct audits on-site.

FUND GROUP	FUND	ALI	ALI NAME	RECOMMENDED	
				FY 2006	FY 2007
GRF	GRF	070-321	Operating Expenses	1,737,865	1,737,865
GRF	GRF	070-403	Fiscal Watch/Emergency Tech Assistance	250,000	250,000
GRF	GRF	070-406	UAN/Technology Improvement Fund	62,542	62,542
AUS	109	070-601	Public Audit Exp Intra-State	1,023,000	1,023,000
AUS	422	070-601	Public Audit Exp Local Government	622,097	622,097
TOTAL FOR PROGRAM				3,695,504	3,695,504

PROGRAM SERIES 04: Local Government Services

In an effort to assist local governments throughout Ohio, this program series offers a wide array of consulting services which include accounting and technical assistance, 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. LGS also provides a variety of training to locally elected officials. On average, LGS provides consulting services to approximately 350 local governments, not including fiscal watch and emergency assignments. In fiscal year 2004, 26 school districts and local governments were declared in Fiscal Watch or Fiscal Emergency pursuant to Chapters 118 and 3316 of the Ohio Revised Code, and received assistance from the Auditor of State.

LGS provides a variety of training programs for local and state government officials which include: accounting and financial reporting to newly elected township clerks, city auditors, and village clerks and continuing education for village clerks pursuant to Section 117.44 of the Revised Code. In 2004, Auditor of State conducted training for

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approximately 1,800 local government officials. 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.

What the Budget Buys:

- Supports 67 staff that conduct training on a variety of topics to elected officials and the general public;
- Provides technical assistance to school districts and local government in fiscal watch and fiscal emergency status;
- Funds required training in accounting and financial reporting to newly elected officials; and
- Supports the publication of accounting manuals and financial advisory bulletins distributed to assist local government officials in the performance of their duties and informs of changes in accounting and legal requirements.

FUND GROUP	FUND	ALI	ALI NAME	RECOMMENDED	
				FY 2006	FY 2007
GRF	GRF	070-321	Operating Expenses	3,475,731	3,475,731
GRF	GRF	070-403	Fiscal Watch/Emergency Tech Assistance	250,000	250,000
GRF	GRF	070-406	UAN/Technology Improvement Fund	127,083	127,083
AUS	422	070-601	Public Audit Exp Local Government	2,488,387	2,488,387
AUS	584	070-603	Training Program	119,438	119,438
TOTAL FOR PROGRAM				6,460,639	6,460,639

Program 04.02: Uniform Accounting Network

The Uniform Accounting Network (UAN), established pursuant to Section 117.101 of the Revised Code, 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. In fiscal year 2004, training was provided to nearly 1,700 clients in 65 different training forums on a variety of UAN applications (payroll, accounting, inventory, etc.) throughout the state. The UAN program is completely funded through user fees.

What the Budget Buys:

- Funds support 18 staff that perform training and technical support to the clients; and
- Supports costs of the development and distribution of instructional manuals, explanation of software upgrades, and other documents on CD.

FUND GROUP	FUND	ALI	ALI NAME	RECOMMENDED	
				FY 2006	FY 2007
GRF	GRF	070-406	UAN/Technology Improvement Fund	65,885	65,885
AUS	675	070-605	Uniform Accounting Network	3,317,336	3,317,336
TOTAL FOR PROGRAM				3,383,221	3,383,221

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PROGRAM SERIES 05: Warrant Issuance Reconciliation and EFT (Wire)

This program series is charged with processing payments owed by the state to employees (paychecks), taxpayers (income tax refunds), vendors (services rendered) and others pursuant to Section 117.45 of the Ohio Revised Code.

Program 05.01: Wire Unit Program

Pursuant to Section 117.45 of the Ohio Revised Code, the Auditor of State is generally charged with processing payments of the state's obligations through the issuance of paper warrants (i.e. checks) and through electronic fund transfer (EFT) that are approved by the Office of Budget and Management. In fiscal year 2004, the WIRE program processed 6.8 million paper warrants, and 3.1 million EFTs totaling \$1.4 billion and \$33 billion respectively for state payroll, public assistance payments, state vendors, and state tax refunds.

What the Budget Buys:

- Provides funding to support 10 staff that are responsible for database, server, and printing management and operations; and
- Supports equipment (computers, servers, printers, etc.), supplies (paper stock, ink, etc.), and fees charged by the three banks which the state has contracted to facilitate electronic fund transfer payments.

FUND GROUP	FUND	ALI	ALI NAME	RECOMMENDED	
				FY 2006	FY 2007
GRF	GRF	070-321	Operating Expenses Electronic Data Processing -Automation & Administration	289,644	289,644
GRF	GRF	070-405	Administration	823,193	823,193
GRF	GRF	070-406	UAN/Technology Improvement Fund	15,885	15,885
AUS	R06	070-604	Continuous Receipts	35,000	35,000
TOTAL FOR PROGRAM				1,163,722	1,163,722

PROGRAM SERIES 06: Program Management

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

Program 06.01: Administration

This program includes human resources, information technology, finance, general services, records, graphics, legal, and public affairs functions not already allocated to the other programs. The primary purpose of this program area 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 prepared the annual fiscal reports; the information technology department is responsible for maintaining networks, serving nearly 900 personnel and procurement of needed hardware and software; the legal department provides legal expertise to management and local governments; the public affairs department fulfills all public information inquiries to the general public and news media; and the Auditor's Office prepared and records all land deeds for state-owned properties. Providing these types of support enables staff in the other program areas to focus on fulfilling the Auditor's core responsibilities.

What the Budget Buys:

- Funds support 99 staff that perform management and administrative functions in support of the Auditor's Office core responsibilities.

FUND GROUP	FUND	ALI	ALI NAME	RECOMMENDED	
				FY 2006	FY 2007
GRF	GRF	070-321	Operating Expenses	1,158,577	1,158,577
GRF	GRF	070-406	UAN/Technology Improvement Fund	222,395	222,395
TOTAL FOR PROGRAM				1,380,972	1,380,972

LINE ITEM SUMMARY - Auditor

FUND	ALI	ALI TITLE	FY 2002 ACTUAL	FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 ESTIMATE	FY 2006 RECOMMENDED	% CHANGE	FY 2007 RECOMMENDED	% CHANGE
GRF	070-321	Operating Expenses	30,278,216	30,698,832	29,810,293	28,964,424	28,964,425	.0	28,964,425	.0
GRF	070-403	Fiscal Watch/Emergency Tech Assistn	735,179	811,669	400,000	500,000	500,000	.0	500,000	.0
GRF	070-405	Electronic Data Processng-Aud & Adm	823,194	896,111	807,513	823,193	823,193	.0	823,193	.0
GRF	070-406	UAN/Technology Improvement Fund	1,774,395	1,774,694	1,553,003	1,588,538	1,588,538	.0	1,588,538	.0
TOTAL General Revenue Fund			33,610,984	34,181,306	32,570,809	31,876,155	31,876,156	.0	31,876,156	.0
R06	070-604	Continuous Receipts	33,777	12,364	29,680	35,000	35,000	.0	35,000	.0
109	070-601	Public Audit Exp Intra-State	7,856,211	9,960,011	8,217,753	9,300,000	9,300,000	.0	9,300,000	.0
422	070-601	Public Audit Exp Local Government	31,983,724	31,869,701	30,720,895	31,802,420	31,104,840	(2.2)	31,104,840	.0
584	070-603	Training Program	146,614	105,444	188,509	188,000	131,250	(30.2)	131,250	.0
675	070-605	Uniform Accounting Network	1,324,746	3,987,381	3,537,192	2,000,000	3,317,336	65.9	3,317,336	.0
TOTAL Auditor of State Fund Group			41,345,072	45,934,901	42,694,029	43,325,420	43,888,426	1.3	43,888,426	.0
TOTAL Auditor of State			74,956,056	80,116,207	75,264,838	75,201,575	75,764,582	.7	75,764,582	.0