



MEMORANDUM

TO: Directors, Human Resources Administrators and Fiscal Officers of Agencies, Boards and Commissions

FROM: J. Pari Sabety, Director 

RE: Sub. H.B. 166

DATE: November 27, 2007

Sub. H.B. 166 was passed by the legislature and signed into law by the Governor on November 15, 2007. This bill:

- Creates an Office of Internal Auditing within the Office of Budget and Management and the position of Chief Internal Auditor;
- Requires the Office of Internal Auditing to plan for and conduct internal audits of certain state agencies and report audit findings;
- Calls for personnel who perform internal audit functions in affected agencies to become employees of the Office of Budget and Management and report to the Chief Internal Auditor;
- Establishes a State Audit Committee to serve in an advisory capacity to the Office of Internal Auditing; and
- Requires the OBM Director, in consultation with the Department of Administrative Services and the State Audit Committee, to develop a plan no later than April 30, 2008 to identify internal audit employees for transfer, establish a funding mechanism and fee structure to support the Office of Internal Auditing, and provide a reduction in the appropriation authority of agencies from which internal audit employees are transferred.

For purposes of the bill, "state agency" is defined as the administrative departments listed in ORC 121.02, and the Department of Taxation, and the Bureau of Workers' Compensation. Administrative departments include the Department of Commerce, the Department of Administrative Services, the Department of Transportation, the Department of Agriculture, the Department of Natural Resources, the Department of Health, the Department of Job and Family Services, the Department of Public Safety, the Department of Mental Health, the Department of Mental Retardation and Developmental Disabilities, the Department of Insurance, the Department of Development, the Department of Youth Services, the Department of Rehabilitation and Correction, the Environmental Protection Agency, the Department of Aging, the Department of Alcohol and Drug Addiction Services, and the Office of Budget and Management.

Executive Order 2007 – 25S, Creating the Division of Internal Control and Audit Oversight and the State of Ohio Audit Committee, has been rescinded and is superceded by Sub. H.B. 166. Over the next few months, we will be working with the Governor's office, the Human Resources

Division and the Office of Collective Bargainin in the Department of Administrative Services, and affected agencies to develop a plan for implementation of this bill. We are fortunate to have Brian Day joining our staff to fulfill the role of Chief Internal Controller on November 26, 2007. Brian, a Certified Public Accountant and a Certified Internal Auditor, brings over twenty years of auditing and internal controls experience to this position. He will fulfill all of the functions of the Chief Internal Auditor as outlined in the legislation. I have asked Brian Day and Janet Conkey, our Human Resources and Fiscal Administrator, to coordinate our efforts to implement this bill.

One of our first actions will be distribution of a survey to affected agencies to identify relevant information regarding staffing and funding of internal audit positions within each agency. To prepare for this task, we ask that each affected agency identify two points of contact: internal audit and human resources. Please provide the following information regarding these points of contacts: name, title, address, phone number, and e-mail address. We would appreciate it if you would e-mail this information to Janet Conkey at janet.conkey@obm.state.oh.us no later than December 5, 2007.

Many employees are understandably concerned about the implications of this legislation. Please understand that it is not the Administration's intent to physically relocate internal audit staff upon their transfer to the Office of Budget and Management. We anticipate that internal audit staff will continue to report to their existing work locations. Also, rest assured that we will centrally deal with most labor and collective bargaining concerns, and will involve you as appropriate during development of the plan and its later implementation. Any collective bargaining-related questions should be directed to the Office of Collective Bargaining. Please refrain from taking any actions or making any statements regarding this plan to union representatives or bargaining unit staff unless you receive specific instructions to do so.

We look forward to your assistance and cooperation as we move forward with this challenging process. Please feel free to contact me, Janet Conkey, or Brian Day directly with questions you may have.

JPS/jc