

# OHIO AUDITOR OF STATE KEITH FABER



**From:** Auditor of State's Center for Audit Excellence

**To:** All IPA Firms

**Subject:** OCS Chapter 4 – Schools

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Chapter 4 of the 2023 Ohio Compliance Supplement (OCS) was posted to the Auditor of State's website in May. <http://www.ohioauditor.gov/references/compliancemanuals.html>  
(If you have trouble seeing Chapter 4 at this link, please refresh your screen.)

As a reminder, all other sections of the OCS were posted in November 2022, and Chapter 4 is new this year. Schools operate on a June 30 fiscal year end basis and legislative changes impacting school audits are often still occurring after our November release. For this reason, beginning with this fiscal year 2023 OCS, steps that are ***only*** applicable to Traditional Schools, Community Schools, ESCs, or STEM/STEAM Schools are self-contained in Chapter 4 to allow AOS to update and release school compliance changes separately from the remainder of the Supplement at a more appropriate time. Sections of the OCS which apply to schools ***and*** other entity types are retained in Chapters 1-3 or the OPM.

As a result of this being a new chapter, all sections have been assigned a new number. Each section number contains the new number and '(Previously....)' as a crosswalk from 2023 to 2022 section numbers. In addition, we created the crosswalk document, which is posted to the link above, taking you the other way (from 2022 to 2023 section numbers).

A summary of Chapter 4 changes from 2022 to 2023 is attached.

Questions can be directed to [KMBerger-Davis@ohioauditor.gov](mailto:KMBerger-Davis@ohioauditor.gov).

# Ohio Compliance Supplement May 2023

## Ch. 4 - Summary of Changes

**NOTE: Red text throughout the 2023 Ohio Compliance Supplement is related to COVID-19**

Due to the Auditor of State’s annual Fall/Winter release of the Ohio Compliance Supplement (OCS) AOS created Chapter 4. Schools operate on a June 30 fiscal year basis and legislative changes impacting school audits are often still occurring in the Fall/Winter months. For this reason, beginning with the fiscal year 2023 Supplement, OCS and Optional Procedures Manual (OPM) steps that are *only* applicable to Traditional Schools, Community Schools, ESCs, or STEM/STEAM Schools will be self-contained in Chapter 4 to allow AOS to update and release school compliance changes separately (generally in the Spring/Early Summer) from the remainder of the Supplement when appropriate. Sections of the Ohio Compliance Supplement which apply to schools *and* other entity types are retained in Chapters 1-3 or the OPM.

<i>CHAPTER 4 SECTIONS</i>	<i>PREVIOUSLY INCLUDED IN OCS CHAPTERS / MANUALS</i>
<i>CHAPTER 4A – DIRECT LAWS</i>	<i>CHAPTER 1</i>
<i>CHAPTER 4B – INDIRECT LAWS</i>	<i>CHAPTER 2</i>
<i>CHAPTER 4C – STATUTORILY MANDATED TESTS</i>	<i>CHAPTER 2</i>
<i>CHAPTER 4D – STEWARDSHIP</i>	<i>CHAPTER 3</i>
<i>CHAPTER 4E – SCHOOL OPTIONAL PROCEDURES</i>	<i>OPTIONAL PROCEDURES MANUAL (OPM)</i>

**Highlighted items below are changes from the previous version of the OCS which are considered significant.**

<b>Overall</b>	<p><b>Renumbering Sections</b> – Sections have been renumbered from previous years, due to being pulled out of prior chapters and moved into the new Chapter 4. (Crosswalk on AOS Internet, OCS page, will assist with locating new section numbers.)</p> <p><b>Table of Contents</b> – Added guidance related to the legal matrix and reviewing footnotes on the legal matrix.</p>
<b>Chapter 4A – Direct Laws (Previously Ch. 1)</b>	<p><b>4A-2 (Previously 1-11): Permissible expenditures for school districts participating in classroom facilities assistance programs; Interest accounting and allocation and maintenance plan funding and expenditures</b> – Updated guidance due to passage of HB 140. Various other clarifications made throughout, including guidance &amp; new testing step regarding transfers out of the 034 Fund into other funds are illegal.</p> <p><b>4A-3 (Previously 1-12): Community School Debt</b> - Added suggested audit procedure for the testing of material debt covenants.</p> <p><b>4A-4 (Previously 1-26): School District Funding</b> – Updated guidance due to passage of HB 583 &amp; HB 110, new OAC 3301-35-16, and revised OAC 3301-35-01 &amp; 3301-69-02. Additional clarifications made throughout, including Remote Learning Plans no longer being an option, going back to full testing of this section, and ODE guidance that blended learning is not to be used on an emergency or contingent basis.</p> <p>Note: After Ch. 4 was published, further clarification was posted in the Teams CFAE Communications channel explaining that while the ODE blended learning guidance added is not incorrect, it can be misunderstood. The crux of the issue is that a blended learning plan involves the combination of in-person and online learning. While the decision to adopt a blended learning plan cannot be made on a contingent basis, a blended learning plan can be adopted to permit online delivery based on contingent events (as long as the school can comply with the remaining provisions of the OAC when the plan provides that an online delivery day can be selected on a contingent or emergency basis).</p>

	<p><b>4A-5 (Previously 1-27): Community School Funding</b> – Updated guidance due passage of HB 110 &amp; SB 229, and revised OAC 3301-102-02 &amp; 3301-35-01. Additional clarifications made throughout, including Remote Learning Plans no longer being an option, going back to full testing of this section, adding testing steps in 4A-5B for e-schools <u>not</u> implementing a DOPR program, and ODE guidance that blended learning is not to be used on an emergency or contingent basis (see note above on 4A-4).</p>
<p><b>Chapter 4B – Indirect Laws (Previously Ch. 2)</b></p>	<p><b>4B-2 (Previously 2-5): Accounting for management company expenses</b> – Rearranged &amp; clarified audit procedures.</p> <p><b>4B-4 (Previously 2-13): Sponsor monitoring of community schools</b> - Updated guidance due passage of HB 583 and revised OAC 3301-102-02 &amp; 3301-35-01. Additional clarifications made throughout, including removing guidance related to Remote Learning Plans, and adding information for if the sponsor mandates competitive bidding procedures through their contract.</p> <p><b>4B-5 (Previously 2-14): Operator relationship with community schools</b> – Clarified audit procedure regarding personal property purchased by operator with state funds, for use in operating the community school.</p> <p><b>4B-6 (Previously O-14): Board of Education and Governing Board of Educational Service Centers procedures for bidding and letting of contracts</b> – Updated guidance due to passage of HB 687. Additional clarifications made throughout, including modifying the considerations for COVID 19, adding that this section is also applicable to ESC's, and updating the attachment on competitive bidding schemes &amp; tips. Note: As with all bidding sections, this was moved from the OPM into the Indirect Laws section.</p>
<p><b>Chapter 4C – Statutorily Mandated Tests (Previously Ch. 2)</b></p>	<p><b>4C-2 (Previously O-6): Restriction upon school district expenditures and certifying adequate revenues. Application: City, local, exempted village and joint vocational school districts</b> - This was moved from the OPM into the Statutorily Mandated Tests section.</p>
<p><b>Chapter 4D – Stewardship (Previously Ch. 3)</b></p>	<p><b>Throughout</b> – Added clarification regarding the testing frequency of sections.</p> <p><b>4D-1 (Previously 3-19): Dropout Prevention and Recovery School Eligibility Requirements</b> – Updated guidance due to passage of HB 583, and revised OAC 3301-102-10.</p> <p><b>4D-2 (Previously 3-20): Transportation T-1 and T-2 Forms</b> – Updated guidance due to passage of HB 45 &amp; 583. Additional clarifications made throughout, including updated ODE guidance, and information on materiality.</p> <p><b>4D-3 (NEW): College Credit Plus Program (CCP)</b> – New section to test the requirements in ORC 3365.04.</p>
<p><b>Chapter 4E – School Optional Procedures (Previously OPM)</b></p>	<p><b>4E-1 (Previously O-5): School districts and community schools five-year projections</b> – Updated guidance due to revised OAC 3301-92-04.</p> <p><b>4E-2 (Previously O-7): Capital and maintenance reserve account</b> – Updated guidance due to passage of HB 110, and revised OAC 3301-92-02.</p>
<p><b>Implementation Guide</b></p>	<p><b>Exhibit 5: Legal Matrix</b> – Clarified applicable OCS sections and footnotes.</p>