

# OHIO AUDITOR OF STATE KEITH FABER



**From:** Auditor of State's Center for Audit Excellence  
**To:** All IPAs  
**Subject:** 2019 OCS Optional Procedures Manual  
**Date:** April 26, 2019

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The 2019 OCS Optional Procedures Manual (OPM) has been finalized and is posted to the Auditor of State internet site at:

[https://ohioauditor.gov/references/compliancemanuals/2019/OptionalProceduresManual\\_2019.d  
ocx](https://ohioauditor.gov/references/compliancemanuals/2019/OptionalProceduresManual_2019.docx)

There are several updates throughout the manual that auditors should take time to review.

Please pay special attention to the changes in section O-22 and the related Audit Division Advisory Memo (ADAM) (attached) related to credit card legislation changes.

**Important Note:** OPM Section 0-22 must be tested for all new audits, and AUPs for applicable entities. Additionally any audits or AUPs that are in progress (i.e. not yet dated) should incorporate and test this section. AUPs in progress will need to request the related procedures.

Please contact Teresa Hicks with the Center for Audit Excellence at [TMHicks@ohioauditor.gov](mailto:TMHicks@ohioauditor.gov) with any questions.



OHIO AUDITOR OF STATE  
KEITH FABER

**Audit Division Advisory Memo 2019-01**

**To:** Audit Division Staff and Independent Public Accountants

**From:** Center for Audit Excellence

**Date:** April 26, 2019

**Subject:** **Optional Procedure Manual, Section O-22 updates for HB 312**

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**Purpose**

The purpose of this Advisory Memo is to provide implementation guidance for testing / reporting House Bill (HB) 312 requirements for credit card accounts as outlined in the Optional Procedure Manual (OPM) Section O-22, *Misc. local legislative body policies; charter requirements – Establishment of policies, restrictions on use, prohibitions for government credit cards and purchasing cards.*

**House Bill 312**

As noted in AOS Bulletin 2018-003, HB 312 amended several Ohio Revised Code sections to regulate the use of credit and debit cards. HB 312 requirements are effective November 2, 2018, which allowed until February 2, 2019 for the entity to develop and adopt a written policy for the use of credit card accounts. The Bulletin and OPM matrix detail the entities to which these requirements apply.

The ability for local governments to use credit card accounts is not new. HB 312 defined ‘credit card accounts’ and established procedural safeguards by requiring the local governments to adopt one of two internal control models for credit card usage. Otherwise, a legislative authority must adopt a written policy before the use of a card account. The Bulletin and OPM describe the two internal control models. It is not enough for a local government to just adopt a policy. The key to the safeguards working to prevent fraud, waste, and abuse is a local government’s effective implementation of their enacted procedures and making perpetual updates to meet changing needs.

**Testing / Reporting**

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This HB did not change the audit evidence (AU-C 500) required to support underlying expenditures. Required audit evidence includes original, itemized invoices to support each transaction. A credit account billing statement alone is not considered sufficient evidence to support the proper public purpose of the underlying transactions. Auditors should continue to determine whether expenditures agree to supportive documentation (i.e. original invoices) and determine if they were for a proper public purpose.

In addition, even though the adoption of one of the required internal control models may be outside the audit period (i.e. 12/31/18 FYE), due to the importance of these safeguards, we feel it vital

- auditors review these policies to determine if they were adopted by February 2, 2019 or adopted before the use of a credit account,
- that policies were in compliance with the statutory requirements, and
- whether the local government implemented the policy (i.e. through walkthrough) and other procedures as outlined in the OPM section.

***OPM Section O-22 must be tested for all audits of applicable entities subject to the 2019 Ohio Compliance Supplement.*** Testing procedures will also be included in the 2019 AUP and Basic Audit shells. In the initial year of testing, unless the procedures result in Findings For Recovery and / or significant noncompliance due to a lack of audit evidence for the underlying expenditure, AOS will communicate noncompliance or control weakness findings regarding the local government's implementation of HB 312 to management verbally. Documentation should be retained in the audit working papers to support the finding, as well as the verbal discussion with management. If the entity has not adopted a policy by the time the audit report is issued, and there have been no significant audit evidence findings or fraud identified, auditors should discuss with management the need to develop a policy by 2019 calendar year end for review during the 12-31-19 FYE audit, unless they do not plan on using a credit card account. In subsequent audit periods, auditors should follow up on any findings issued, including verbal comments, to determine if the local government is complying with the requirements.