



Local Government Audit Support Fund

By Auditor of State Keith Faber

Our mission at the Auditor’s office is to make Ohio’s government more efficient, effective, and transparent. We can only achieve these goals by fostering good relationships with Ohio’s local governments. When state and local government work together, we can create a better overall product for Ohio taxpayers. When I stepped into office six months ago, one of the first priorities I identified was easing the financial load that our audit costs can put on local governments. While it is our statutory duty to ensure the appropriate spending of taxpayer dollars through our audits, our routine audits ideally should not be a burden, but instead a service to both local governments and taxpayers.

It’s important to note that the costs of financial audits for local governments are subsidized by the state. This makes audits by the state significantly less expensive than those performed by the private sector. However, just prior to assuming office, I learned that the fund we use to subsidize these audits had a structural imbalance of \$6,000,000.

This structural imbalance had been building over a number of years because rates had not been raised to cover the growing costs to conduct financial audits. We currently have a local audit rate of \$41 an hour, a rate that has not increased since 2011. This rate structure and level of spending was only possible in recent years by drawing down balances in the fund used to subsidize local audits. It became clear that this practice would not be sustainable through the upcoming

biennium. Our financial reality was crystal clear. The current way of doing business was no longer tenable. The simple fix to the existing fund imbalances would have been to raise audit rates by at least \$10 an hour on local governments. My goal for this budget submission was to remedy our financial issues without raising rates on local governments, who already carry a heavy financial burden.

Faced with having to raise audit costs and place an additional financial burden on local governments, I recommended the Ohio General Assembly approve a new \$10 million Local Government Audit Support Fund in the new biennial budget. The new Local Government Audit Support Fund would subsidize audits through a dedicated stream of general purpose tax dollars. The creation of such a fund would generate relief for some local governments and enable my office to avoid raising audit costs.

Beyond helping address our inherited structural imbalance, the Local Government Audit Support Fund is a mechanism to bring about greater transparency. It makes clear the role of state resources in offsetting audit costs charged to local governments in addition to helping avoid a spike in audit charges, and in some cases possibly beginning to provide audit expense relief.

Regular financial audits are essential. They give governments a clear picture of a year's worth of finance and provide a foundation from which governments can make financial decisions as they look into the future. As Auditor, it's my goal to provide this service to Ohio's local governments at a reasonable cost.

I'm pleased to announce that the General Assembly included the Local Government Audit Support fund in the budget, which was signed by Governor DeWine on July 17. As Auditor, supporting local governments will be a top priority. When the Auditor's office partners with local government officials, we are able to achieve the ultimate goal – a more effective, efficient, transparent Ohio.