



Dave Yost
Ohio Auditor of State



OHIO AUDITOR OF STATE OFFICE ACCOMPLISHMENTS

Senate Bill 4 – Performance Audit Legislation

Auditor Yost's first initiative after taking office was Senate Bill 4 – performance audit legislation. Sponsored by Senator Tim Schaffer (R-Lancaster) and passed unanimously by both the Ohio House and Senate, this legislation requires performance audits of state agencies. The first state agencies to undergo performance audits were: the Ohio Department of Education, Ohio Department of Jobs and Family Services, the Ohio Department of Transportation and the Ohio Housing Finance Agency.

Senate Bill 4 also created the Leverage for Efficiency, Accountability and Performance Fund (LEAP Fund). The LEAP Fund is a revolving loan fund to advance costs of a performance audit to state agencies and local governments that might otherwise not be able to afford to have one conducted. Costs are repaid the following year from the savings reaped from the audit's recommendations and sown again into the new performance audits.

Formerly known as the Performance Audit Division, the Ohio Performance Team (OPT) was formed to conduct all performance audits of state agencies and local governments. The team is comprised of professionals with a blend of government and industry backgrounds and in-depth experience in research, operations and management, as well as experienced performance auditors. Unlike a traditional audit that focuses on activity in the past, OPT functions more like a consulting group in its proactive, forward focus.



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House Bill 326

Public officials who knowingly use public funds for political purposes now face criminal penalty thanks to House Bill 326, signed by Governor Kasich on June 5, 2012.

Sparking the legislation were findings issued in an audit of the Toledo Area Regional Transit Authority (TARTA). In 2007 and 2008, TARTA illegally loaned \$66,885 to Citizens for TARTA, the political action committee tasked with helping gather resources to fund TARTA levy campaigns. To make matters worse, TARTA's director was also the deputy treasurer for Citizens for TARTA.

House Bill 326, introduced in September 2011 and jointly sponsored by Representative Jeffrey McClain (R-Upper Sandusky) and Representative Brian Hill (R-Zanesville), amended the Ohio Revised Code to institute a penalty of a misdemeanor of the first degree. The bill was enacted into law in June 2012.

Performance Audit of the Auditor of State's Office

As a firm believer in the benefits of performance audits, Auditor Yost promised that the first state agency to undergo a performance audit would be the Auditor of State's office. Through a series of data requests, surveys, interview and site visits, the performance audit analyzed operations of the Auditor of State's office, including nature and scope of work performed, organization

and structure, finance, audit costs, and audit processes and procedures.

The firm Plante Moran conducted the performance audit, and "found that Auditor Yost and the AOS (Auditor of State) staff, professionally and competently, fulfill the mission and obligations of the office. The staff appear focused on the financial integrity of services to their clients."

Some key recommendations from the performance audit include:

- Evaluate GAAP reporting requirements. For certain public offices, the audit found cash basis financial statements could be sufficient.
- Make arrangements for better processes for the collection of delinquent audit fees. Consider requesting advance payments from fiscally-challenged entities.
- Increase efficiency of audit procedures by enhancing performance measurements for audit staff, making changes to the types of service performed, and streamlining certain audit standards and practices.
- Evaluate the need to enhance staff retention-related policies which would include flex-time, work from home and reduced work schedules. Look for opportunities to provide incentives for staff that show the capability and desire for advancement.

An ad hoc committee was formed of local government stakeholders and private sector peers to help the Auditor of State's office review audit processes to find efficiencies.



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Lake County Study

The Auditor of State's office conducted a first-of-its-kind study in Ohio with the Lake County Capital Equipment Utilization Study, identifying underused equipment at 24 local governments. The study began with a preliminary overview of more than 1,000 pieces of equipment used by nine cities, nine villages, five townships and Lake County, with a statistical study done on 390 pieces of seasonal and non-seasonal equipment used for roadway repair, utility maintenance and construction activities.

The analysis revealed that some equipment is used as little as little as 3 percent of the time, or about one day a month. Based on the study results, the Lake County governments continued to work with the Auditor of State's office to identify ways to boost usage rates and share services for cost savings.

Fiscal Caution Designation for Local Governments

In 2011, Auditor Yost worked with the legislature to include in the state's biennial budget a provision that adds a "fiscal caution" designation to Ohio's local government fiscal distress system. Much like the system for Ohio's public schools, the new provision allows the Auditor of State to provide an early warning system to local governments whose fiscal policies or budgetary conditions, if not corrected, could lead to the more severe declarations of fiscal watch or emergency.

Unlike fiscal watch or fiscal emergency, control stays in the hands of the local officials after a declaration of fiscal caution. The entity is given 60 days to develop a written proposal to submit to the Auditor of State's office that eliminates the conditions that prompted the fiscal caution declaration.



First Report on Supplemental Nutrition Assistance Program (SNAP)

Shortly after taking office, Auditor Yost received reports of fraudulent activity involving the Supplemental Nutrition Assistance Program (SNAP) – also known as the Food Stamps program. In 2011 alone, the State of Ohio reissued nearly 340,000 food stamp EBT cards – and since 2006, 17,000 recipients received 10 or more reissued cards. To dig deeper into the problem, Auditor Yost ordered an evaluation of the SNAP program at the Ohio Department of Job & Family Services (ODJFS) and selected county departments of ODJFS.

In January 2012, Auditor Yost reported that ODJFS had not developed policies or procedures for monitoring, identifying and



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combating fraud related to the reissuance of EBT cards. Auditor Yost offered several recommendations to ODJFS to improve oversight.

The evaluation recommended that ODJFS request statistical data from the card service provider, which would allow ODJFS and county departments to more readily identify individuals who should be investigated for fraud. Formal policies and procedures should be adopted for evaluating suspected fraud. It was also suggested that ODJFS work with the federal awarding agency and the Ohio General Assembly to increase penalties for those who commit fraud against the program and to develop penalties for those who abuse the card reissuance process. Follow-up reviews during the 2012 State of Ohio Single Audit showed that ODJFS began implementing policy changes. On June 28, 2016, Auditor Yost released a second report identifying potential fraud in the Food Stamps program.

Local Government Collaboration

Auditor Yost understands that government must find ways to do more for its citizens with fewer resources. For some local governments, it may mean collaborating with other local governments to share services. For others, it may mean permanently joining together as a single, lower-cost government.

To make this process easier for Ohio's local governments, Auditor Yost worked with the General Assembly to include, in the state's 2011 biennial budget, provisions that removed

barriers in state law. Local governments now have the universal authority to engage in shared services agreements.

For governments that believe merging is their best option for streamlining operations and cutting costs, the process was made simpler. Under the new law, townships and municipalities that voluntarily initiate a consolidation may do so by either legislative action or citizen petition, subject to final voter approval. In addition, the law provides an option for township-to-township mergers, not available under prior law. Mergers may be initiated either by a petition of the people or by the local legislative authorities with approval of the people.

Auditor of State Office Lease Renegotiation

Governments at every level must become more efficient for taxpayers, and the Auditor of State's office is no different. Through the renegotiation of the office's lease agreements in downtown Columbus and in the seven additional regional offices, Auditor Yost was able to save Ohio's taxpayers more than \$1 million.

Reducing Audit Costs

A policy announced in September 2012 offers two ways for smaller Ohio governments to qualify for lower-cost audits. Auditors estimate that as many as one in four governments could save up to half their traditional audit costs.



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1. Agreed-Upon Procedures

Agreed-upon procedures (AUP) engagements review key internal controls and perform targeted testing of significant transactions for qualifying public offices. The process allows for lower audit costs while providing accountability for the public dollars government entities receive and spend. To make these audits available to more governments, the Auditor of State's office recently expanded access to AUP engagements for governments with annual expenditures of less than \$5 million, up from \$1 million previously.

2. Basic Audits

For Ohio's smallest entities, the Auditor of State's office offers a basic audit option. The basic audit is an on-site, limited review available to qualifying governments that disburse less than \$100,000 annually. Entities that undergo basic audits typically save between 70 and 80 percent of full audit costs.

Performance Audits of State Agencies (2013-2014)

During FY 2012, the Auditor of State's office began to carry out performance audits of the first four state agencies under authority of Senate Bill 4, enacted in 2011. During the year, the Ohio Performance Team (OPT) conducted field work for the Ohio Department of Transportation, the Ohio Department of Education and the Ohio Department of Job and Family Services. A performance audit of

a fourth agency, the Ohio Housing Finance Agency, was contracted out to an independent public accounting firm.

More than \$78 million in potential savings was identified at the Ohio Department of Job and Family Service, Education and Transportation, as well as the Ohio Housing Finance Agency. The return on investment for Ohio's taxpayers was \$47 for each dollar spent to audit. Below is the summary of potential savings identified for the four state agencies.

- The Ohio Department of Transportation (ODOT): Auditors identified \$23 million in potential savings in areas including maintenance, mowing schedules and coordination of services between offices.
- The Ohio Department of Education: The audit identified more than \$5.7 million in potential savings in areas including information management and staffing.
- Ohio Department of Job and Family Services: Nearly \$47.5 million could be saved if the department adopts practices including fighting Medicaid fraud on the front end.
- The Ohio Housing Finance Agency: \$1.6 million in potential savings in areas including staffing.

Statewide Audit of Student Attendance Data

In 2012, Auditor Yost launched a statewide audit of Ohio's schools to investigate attendance data manipulation, known as "scrubbing." Auditor Yost's audit of attendance practices



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in Ohio's schools began when results of an internal audit at Columbus City Schools revealed irregular attendance and enrollment practices and similar allegations surfaced at Toledo Public Schools and Lockland City Schools.

The purpose of the audit was threefold: (1) to identify systemic, and potentially duplicitous, student attendance and enrollment practices among Ohio schools; (2) to provide recommendations to ODE and the Ohio General Assembly for making future policy and legislative improvements to Ohio's accountability system; and (3) to determine whether schools were "scrubbing" enrollment data.

With help from statisticians from The Ohio State University, the three-phase audit examined more than 130 school districts around the state. Final results released in February 2013 found that nine school districts "scrubbed" attendance records.

Recommendations were made to the Ohio Department of Education and the Ohio General Assembly to improve the state's system of accountability and data reporting. The audit findings resulted in disciplinary action and recalculation of district report cards by the Ohio Department of Education.

Columbus City Schools Special Audit

A special audit at Columbus City Schools revealed a top-down culture of data manipulation and employee intimidation

involving altering attendance records and changing grades. Among those tested, 99 percent of erased absences and 83.5 percent of grade changes were not supported with appropriate documentation.

Interviews with more than 230 teachers, 40 principals and assistant principals, 20 office personnel and 25 Kingswood data center employees revealed a top-down culture of data manipulation and employee intimidation. They also confirmed the process of withdrawing and re-enrolling students with poor attendance and poor Ohio Graduation Test scores. By doing so, these students' test scores were "rolled up" to the state and not included in the district's report card score.

The data indicated that in one instance 374 students were withdrawn and re-enrolled on the same day. The Auditor of State's office selected 106 high school student files for an extensive review and executed a search warrant on May 2, 2013 to receive the files. Of 106 students examined, the district could only provide documentation to support two withdrawals and could not provide any documentation to support re-enrollments.

A review of a sample of 200 letter grade changes found that 83.5 percent of the data tested did not have documentation to support the grade changes. Auditors could not determine whether the grade change was for a reasonable purpose. Auditors also randomly selected 120 students with absences retroactively erased during May and June 2011 for examination. Of the 10,440



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collective absences, the district only provided adequate supporting documentation for four of the erased absences. In addition, 87 percent of the 10,440 absences were erased more than 30 days after the date of the absence.

The audit also reported additional findings and offered recommendations related to “zombie 12th graders,” course credits granted through the Virtual Credit Advancement Program, changes in the number of unexcused absences during the October Count Week, “drop out” codes, and mid-year enrollment breaks. The special audit findings were referred to the Columbus City Attorney, the Franklin County Prosecutor and the United State Attorney’s office for their consideration.



Share Ohio

In June of 2014, Auditor of State Dave Yost launched Share Ohio, a website that helps communities share equipment to save taxpayer dollars.

At no cost to local governments, Share Ohio allows government officials to enter their entity’s capital equipment into a database for the purposes of loaning to and borrowing from other nearby entities. Users also can track inventory within each department and facilitate internal sharing of equipment. Share Ohio gives entities the ability to track

utilization rates of equipment and run corresponding reports. The Auditor of State’s office provides Share Ohio users with a FEMA resources definitions handbook and sample shared services agreements to help streamline the process.

Auditor Yost began working with the Lake County governments in 2011 to find innovative ways for governments to “skinny down” while still maintaining vital services. A first-of-its-kind equipment utilization study of 24 local governments in Lake County was released on April 10, 2012 and found that some capital equipment was used as little as 3 percent of the time, or once a month. The results of the capital equipment utilization study led to the development of ShareOhio.gov.

Performance Audits of State Agencies (2014-2015)

ORC §117.46 (enacted in 2011) requires the Auditor of State to conduct performance audits of at least four state agencies each biennium. The state agencies receiving performance audits during the biennium ending in FY 2015 include:

- **The Ohio Department of Natural Resources** – The report suggested ODNR review its fee and seasonal workforce structures to create a potential annual financial impact of more than \$8.2 million and one-time savings of more than \$3.9 million. Strategic investments into cabins and



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campgrounds within Ohio's state parks could generate more than \$3.3 million in average annual returns and \$3.8 million in one-time cost avoidance.

- **The Ohio Department of Transportation** – Additional efficiencies in the department's fleet operation could save more than \$1.7 million.

- **The Ohio Department of Rehabilitation and Correction** – Auditors determined that improvements to data quality and collection could save more than \$200,000 annually.

- **The Ohio Environmental Protection Agency** – The report identified more than \$3.7 million in potential savings in the areas of fleet management, laboratory operations, certified professionals, solid waste operator certification and solid waste fee operations.

House Bill 2 – Charter School Reform

The Auditor of State's office spent months pushing for more oversight of Ohio charter schools. The House took up consideration of House Bill 2 in January of 2015 and the Senate introduced SB 148 in April. Many of Auditor Yost's recommendations were included in the Substitute House Bill, including:

- An expanded footnote disclosure by management companies to account for how they spend the school's foundation revenue;
- Preventing a sponsor's employee from serving on a charter school board to eliminate

conflicts of interest;

- Prohibiting a sponsor from selling services to the school it sponsors;

- A right of action for the sponsor to stand in the shoes of the board for purposes of bringing an action for breach of fiduciary duty against a school fiscal officer;

- Prohibiting a sponsor from delegating 100 percent of duties/authority to a third party vendor, and

- Requiring that sponsors check the charter school board members, developers and personnel against the Auditor of State's office finding for recovery database.

The General Assembly passed HB 2 on October 2015, and the bill was signed into law on November 1. The office's successful inclusion of the expanded footnote disclosure means that management companies that receive more than 20 percent of a charter school's annual gross revenue now have an increased disclosure requirement. In other words, audit staff can now see how many dollars a management company spends on a school's core duty – education.

Ohio Stops Fraud Mobile Application

In fiscal year 2014, the Auditor of State's office changed the game in the fight against fraud with the Ohio Stops Fraud mobile application, unveiled in January. The Ohio Stops Fraud app took the Auditor of State's office mobile and allows both iPhone and



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Android users to report suspected fraud anywhere, anytime.

Before Ohio Stops Fraud, tips were traditionally received through the fraud hotline, website or U.S. mail. Now, it's even easier to report fraud with the app's unique features. The goal of Ohio Stops Fraud is to help ensure Ohio's tax dollars are used properly. By placing this tool in the hands of every Ohioan, the Auditor of State's office is building an army of citizen auditors to help fight fraud together. The app is available in the Apple App Store and Google Play Store.



First Charter School Attendance Count

In response to reports of irregular attendance and enrollment practices within several Ohio charter schools, the Auditor of State's office conducted an unannounced student head count at 30 of Ohio's site-based charter schools. On Oct. 1, 2014, more than 30 auditors and/or investigators went to the charter schools to verify the accuracy of the enrollment and attendance data reported to the Ohio Department of Education (ODE).

Out of the 30 schools reviewed, seven schools reported attendance numbers that were unusually high when compared to the

actual head count. For example, when Auditor of State staff went into the Academy for Urban Scholars in Youngstown, they found zero students in the school where 95 students were supposed to be enrolled. The other six schools had attendance variances between 34 percent and 83 percent when compared to July 2014 enrollment estimates. In other words, all seven schools' attendance rates were significantly lower than the enrollment numbers reported to ODE. All seven schools are classified as Dropout Recovery and Prevention schools by ODE and serve predominantly dropout recovery students. The Auditor of State's office referred these schools to ODE and their sponsors for further investigation.

A second set of nine schools were identified as having attendance variances of 10 percent or more, but were considered less severe or substantiated in some way. Several of these schools were referred to ODE for review. The remaining 14 schools were found to have attendance variances of 10 percent or less, and the Auditor of State's office does not believe they require further investigation by ODE.

The report provided four policy recommendations to the Ohio Department of Education and one policy recommendation to charter school sponsors. At the time of the report's release, Auditor Yost stressed Ohio's need for legislative reform to strengthen the integrity of charter schools and restore public confidence in them. He used the results of the head count to develop recommendations for



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the Ohio General Assembly's charter school reform legislation.

Sunshine Audits

In his never-ending push for government transparency, Auditor Yost announced in March 2015 that his office would provide a path for average citizens to avoid long, expensive legal battles over public records.

Sunshine Audits were created to provide limited scope reviews that determined if a public entity violated the Ohio Public Records Act. Private citizens and organizations could initiate a Sunshine Audit by filing a complaint with the Auditor of State's Open Government Unit.

In the first year of the audits, the Auditor of State's office received 16 Sunshine Audit complaints against state agencies, counties, cities, universities and school districts from across the state. Of those, the Open Government Unit determined that eight entities were in compliance with the Ohio Public Records Act.

Five entities were found to be initially noncompliant, meaning they did not release the public records at first but did so after they were contacted by the Auditor's office. The entities involved in the remaining three public records complaints were found to be noncompliant, meaning they did not properly follow the Public Records Act.

Findings of noncompliance were forwarded

to the entities' regions and included in their regularly scheduled financial audit. The five cases in which entities ultimately turned over public records after being contacted by the Auditor's office demonstrated that entities were responsive to the Sunshine Audit findings.

Feedback received from citizens who initiated Sunshine Audits was positive. Several described the Sunshine Audits as being easier, less costly and less time-consuming than the courts. Complainants also said they were pleased with the option to remain anonymous throughout the process, which was not possible through the Attorney General's Mediation Program.

Due to changes in state law that took effect Sept. 28, 2016, the Auditor of State's office no longer accepts requests for participation in the Sunshine Audit program. Senate Bill 321 makes it easier and less-costly for Ohioans to navigate the public records request process and resolve disputes by creating a new procedure through the Court of Claims of Ohio for hearing denials of access to public records.

Fiscal Integrity Act

The majority of Ohio's fiscal officers and treasurers do an exceptional job for taxpayers. However, since taking office in January 2011, Auditor Yost found that far too many were taking advantage of their positions.

Several audits discovered taxpayers were footing the bill for inappropriate items like boxer shorts and golf outings, while other



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audits found that fiscal officers overpaid themselves and sometimes had virtually no documentation for financial transactions. In response to these findings, Auditor Yost collaborated with State Representatives Christina Hagan and Tim Schaffer to propose HB 10, the Fiscal Integrity Act in the 130th General Assembly. The legislation aimed to increase accountability in Ohio's local governments and provide additional training for individuals entrusted with tax dollars.

Thanks to the careful stewardship of the legislature, HB 10 was signed into law in December 2014 to protect Ohio's tax dollars and to provide a sound educational structure for all fiscal officers and treasurers across Ohio. The Fiscal Integrity Act was enacted on March 23, 2015.

Public Integrity Assurance Team (PIAT)

In May of 2015, Auditor Yost announced the formation of the Public Integrity Assurance Team – a single source of expertise for investigating fraud in government.

The former Special Audit Section, Special Investigations Unit and portions of the Auditor of State's legal staff joined forces with the mission to promote clean, ethical government while exposing corruption and wrongdoing where it exists. Comprised of forensic auditors, investigators and attorneys, the team has decades of experience and working relationships with law enforcement at the local, state and federal levels.

When the Public Integrity Assurance Team is engaged, there is no need to hire outside assistance – their expertise allows them to take a case from an initial complaint through conclusion. In cases where local officials have conflicts that make them unable to conduct investigations, the Public Integrity Assurance Team brings independence.

Anti-Monopoly Constitutional Amendment

Amid rising concerns of a monopoly being written into the Ohio Constitution, Auditor Yost pressed for a constitutional amendment in 2015 to prohibit monopolies and special business interests from being written into the Ohio Constitution.

In May of 2015, Auditor Yost proposed draft language to the Constitutional Modernization Commission for an amendment that would make it harder for groups with special interests from using elections as a means of bettering themselves financially. The proposed amendment would require a two-step ballot process for such groups, requiring them to first gain voter approval for an exception to the amendment and then approval of the issue itself.

Auditor Yost urged lawmakers to help craft a final draft for the amendment, which ultimately became House Joint Resolution 4. After passing through the Ohio Senate and House, the resolution appeared on the November 2015 ballot and was approved by voters.



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HINKLE

Annual Financial Data Reporting System

The HINKLE System

Formerly known as the Annual Financial Data Reporting System (AFDRS), the HINKLE System is an internet-based application that allows certain financial statement, debt, and demographic data to be entered and/or uploaded and transmitted to the Auditor of State's office to satisfy the filing requirements prescribed by the Ohio Revised Code and the Ohio Administrative Code.

All entities required to file annually with the Auditor of State's office are required to file via the HINKLE System. The system increases uniformity in financial reporting, generates the statutory reports for the governor and general assembly required pursuant to ORC §117.38, and provides users of this information improved access and functionality.

In 2015, Auditor Yost renamed AFDRS the HINKLE System in recognition of Deputy Chief Auditor Bob Hinkle's three decades of service to the Auditor of State's office. For years, one of Mr. Hinkle's goals had been to simplify the financial reporting process by going digital with an online system. Under Auditor Yost's administration, Mr. Hinkle's idea came to fruition with the creation of

the Annual Financial Data Reporting System (AFDRS).

Financial Health Indicators

The Ohio Auditor of State's Office has assisted local governments in effectively handling financial, accounting and budgetary issues for more than 25 years. As fiscal distress became more apparent due to the harsh economic times, the Ohio Auditor of State developed a set of Financial Health Indicators to recognize early signs of fiscal stress at specific local governments.

The indicators are a collection of financial information, percentages and ratios gathered from annual financial statements, filed by the local governments, which are useful in predicting financial stability, and in determining signs of fiscal stress in local governments that report financial statements prepared in conformity with Generally Accepted Accounting Principles (GAAP).

When the office created the indicators, the original intent was for entities to use them to determine their own fiscal health. However, the Auditor of State's office is currently in the process of building a report to generate back to cities and counties when they file their financial reports via the HINKLE System as a preliminary report, and then again when their audit report is issued as a final report.



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House Bill 384 – Performance Audits of Higher Education Institutions

Performance audits conducted by the Auditor of State's office identify millions in potential savings for entities across Ohio each year. Auditor Yost believes that organizations at every level of government have areas where dollars can be saved, and Ohio's state colleges and universities are no exception.

In an effort to bring the benefits of performance audits to higher education institutions in Ohio, Auditor Yost partnered with members of the Ohio General Assembly to draft House Bill 384. Sponsored by Representatives Tim Schaffer and Mike Duffey, the legislation would amend current law and grant the Auditor of State's office the authority to conduct performance audits of state institutions of higher education as one of the four required performance audits each biennium.

Like the performance audits of state agencies, institutions of higher education would be required to report to the General Assembly on any recommendations that are not implemented within three months after the end of the comment period.

The bill was signed into law by Governor Kasich on Jan. 4, 2017.

SkinnyOhio.org Update

In January of 2016, the Auditor of State's office unveiled the new and improved skinnyOhio.org – a resource for governments across Ohio to learn about and share innovative practices that can help “skinny down” government and save tax dollars.

First launched in 2011, skinnyOhio.org serves as an online clearinghouse of performance audit recommendations, shared service examples, and other resources for smarter, streamlined government. The new site is organized to help governments “Think it,” “See it” and “Do it.”



- The “Think it” page showcases areas where savings are often found in government and offers ideas to help increase efficiency and cut costs without sacrificing quality.

- The “See it” page houses two valuable databases containing specific examples of how governments and schools have streamlined operations or partnered together to deliver more cost-effective public services. The Performance Audit Database stores searchable, real-world savings recommendations identified by the Auditor of State's performance audits. In the Savings Idea Center, governments and



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school systems can find proven examples of how similar entities have already put innovative ideas into practice.

- The “Do it” page provides tips and resources that make it easier to get cost-saving projects up and running. This page answers questions related to the feasibility of implementing a project, as well as how to find funding sources.

SkinnyOhio.org was codified in FY 2012 by the Ohio General Assembly with the passage of House Bill 487, making it a permanent website for Ohio’s taxpayers.

Fiscal Distress Initiative

The Auditor of State’s office is working on reforming ORC 118 – the fiscal emergency code section. Working closely with Local Government Services (LGS), the legislative team developed suggestions to change the make-up of the financial planning commission, the commission’s powers, and items related to the creation and content of the financial recovery plan. LGS noticed that the processes school districts use to get out of fiscal are more objective and efficient, whereas cities and other local governments in fiscal distress encounter delays or undue influence from one of the commissions. The proposed changes address these obstacles and attempt, where appropriate, to mirror the school district fiscal distress statutes, where that system has been found to be effective.

Like many agencies, the Governor’s office

agrees that the fiscal emergency process takes too long and needs reform. The Auditor of State’s office is committed to creating a fiscal emergency process that works more efficiently while better serving local governments. Senator Larry Obhof has agreed to draft bill language to assist the office, and the goal is to have a sponsor for the bill in the near future.

PIAT Fraud Prevention and Detection Training

Too often, the auditing staff uncovers evidence of theft and misspending while reviewing the financial documents of local governments and school districts. Frustrated that the signs of theft are sometimes overlooked, Auditor Yost created a statewide training program designed to help school board members, county commissioners and other public officials with oversight authority to recognize some of the tell-tale signs of fraud.

Yost and the office’s fraud fighters embarked on a seven-city training tour, providing expert tips on spotting the signs of theft and answering questions of those responsible for financial oversight. More than 600 people attended the sessions, all provided free of charge in each region of the state. The feedback was extremely positive, with some suggesting the training be made mandatory for all government officials.

Brendan Inscho, director of the auditor’s



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Public Integrity Assurance Team (PIAT), which created the training program, said theft is possible when institutions do not have sufficient internal controls and multiple checks on receipts and expenditures. Inscho said local officials told him they were most appreciative of being encouraged to ask questions and demand documentation.

Since Dave Yost became Auditor in 2011, the office's audits and investigations have identified more than \$22 million in stolen or illegally spent tax dollars. Some 120 people have been convicted for crimes uncovered by audit investigators during that time.



Second Unannounced Statewide Student Head Count

As a follow-up to his first unannounced statewide head count of community school attendance, Auditor Yost in May 2016 reported that a second "surprise" audit found attendance among non-Dropout Recovery and Prevention (DORP) schools had improved.

Auditor Yost made numerous recommendations for improving accountability at community schools and suggested the Ohio Department of Education (ODE) be restructured. "This review makes it clear that we need to continue to strengthen our system of accountability," Auditor Yost said.

The second unannounced count occurred on Nov. 9, 2015 and involved 44 site-based community schools. Among them were six schools that ranked among the lowest in the 2014 review (a seventh was not included in the 2015 review because it had suspended operations). The 2016 surprise head count also included 10 traditional schools located near the community schools.

With one exception, the non-DORP community schools' attendance rates ranged from about 73 to 99.9 percent. One community school's attendance was 29.3 percent. The traditional school attendance in similar geographic areas ranged from 75.2 to 99.9 percent.

Of the 30 non-DORP community schools audited in the second review, all but one had attendance rates greater than 73 percent. In fact, at Westside Academy, a start-up community school in Franklin County, the attendance rate was 99.85 percent on the day the student count was taken.

During the first unannounced head count review in 2014, auditors found attendance at 23 percent of community schools (7 of 30) was



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severely below what was on file with ODE, while it was 7 percent (3 of 44) during the second head count.

Auditors found that attendance rates for 14 DORP community schools they visited in November were at or below 50 percent, compared to a high of 66 percent a year ago when seven DORP community schools were reviewed. This year, audit staff also examined head counts at 10 traditional schools, and found attendance averaged about 91 percent on the day of the count.

The review prompted auditors to report three schools to the Ohio Department of Education for what appeared to be a violation of their operating charters.

The report made eight recommendations to ODE and the Ohio General Assembly for improvements to reporting requirements and other measures aimed at safeguarding public dollars, some of which were also part of the January 2015 report.

House Bill 5 – Feasibility Studies for Local Governments and State Agencies

Gov. John Kasich signed House Bill 5 into law on June 6, 2016, allowing local governments and state agencies to request feasibility studies from the Auditor of State's office. The studies will measure the potential benefits of sharing resources with neighboring entities.

House Bill 5 also establishes a grant program to cover the full cost of the studies. All local governments and state agencies are eligible to apply for one of the dozen or so grants, which are funded by the Auditor of State's Leverage for Efficiency, Accountability and Performance Fund (LEAP Fund). The size of the grants will vary depending on the scope of the studies.

Following a selection process, the Auditor's Ohio Performance Team (OPT) will conduct the studies and hold a public meeting at the conclusion of each one to discuss the findings. The participating governments are not required to follow through with the recommendations.

The studies are completely voluntary, and entities can opt out if they are included in another government's application. The Auditor of State's office began accepting applications in October.

In addition to the feasibility studies, House Bill 5 alleviates liability concerns for governments considering collaborative partnerships by allowing for the risk of loss to pass from the lender to the borrowing entity in shared service agreements. Ohio law previously prohibited local governments from indemnifying one another, meaning owners of shared resources would bear the liability for any possible loss.



Dave Yost
Ohio Auditor of State

OHIO AUDITOR OF STATE OFFICE ACCOMPLISHMENTS

Ohio Charter School Summit

Education leaders who gathered at a Charter School Summit in Columbus heard from the nation's foremost experts on community schools, discussed how to interpret recent changes in Ohio law that will improve accountability, and listened to inspirational speeches from widely respected speakers and charter school graduates.

The two-day conference, hosted by Ohio Auditor Dave Yost, provided financial, professional and academic training to those who work in both traditional and non-traditional schools, sponsors or operators of community schools, and those who regulate them. Almost 330 people attended the summit, which concluded Aug. 12, 2016.

Auditor Yost called on state lawmakers to reform how electronic schools are funded, a request that drew the support of the Senate president as well as a leading charter school organization.

Yost worked with legislative leaders in 2015 to pass charter school reforms, but said then that higher standards for electronic schools are necessary because it is difficult to measure whether students are adequately participating in instruction. He noted in both of his landmark charter school attendance audits that measuring engagement with students who are in a blended school environment or in virtual schools is extremely difficult given state law and policies at the Ohio Department of Education – a reason they were not included in the head count audit.

The keynote speeches by Dr. Steve Perry, Paolo DeMaria and Geoffrey Canada were among the highlights of the two-day, 24-session summit. The Auditor's office has held fiscal training each year for community schools as well as other local governments. The training was expanded this year because of new standards created in House Bill 2, which was approved by the legislature and signed by Gov. John Kasich in 2015. Yost worked with members of the General Assembly to craft the reforms for charter schools, attended by more than 120,000 Ohio children.

Second Report on Supplemental Nutrition Assistance Program (SNAP)

On July 6, 2016, Auditor Yost told Congress that while he does not believe fraud is rampant in Ohio's Supplemental Nutrition Assistance Program, he said it does exist and is "significant" given that \$2.5 billion in food stamp benefits are issued to Ohioans each year.

During his testimony, Yost shared findings from his office's second audit of the Ohio Department of Jobs and Family Services (ODJFS) with the House Committee on Agriculture. The audit examined spending during the first six months of 2015 to identify structural program weaknesses but also found some instances of fraud.

Among the findings:

- Instances where dead people received benefits more than a year after their death and cases where someone was still using the card;



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- 173 people with balances in excess of \$5,000, including one with \$20,000;
- \$28.5 million spent at small retailers in even-dollar transactions in excess of \$100; and
- \$28.7 million spent by Ohioans in states as far away as Texas, Florida and Minnesota.

Yost encouraged federal lawmakers to consider an alternative approach to one-size-fits-all by giving states the ability to be creative and innovative so that the most efficient, fraud-resistant method to provide the needy with food assistance can be developed.

At the conclusion of the hearing, Rep. K. Michael Conaway, R-Texas, chairman of the House Committee on Agriculture, said the unusual recipient activity presented by Auditor Yost “is suspicious. ... There is plenty of meat in your information, your data mining, for me to say that this should have been fodder for additional investigations. I understand the challenge of ... small dollar errors, but nevertheless each of those chip away at the public integrity and the public support.”

Cybercrime Prevention

In June 2016, Auditor Yost urged fiscal personnel at local governments across Ohio to be on high alert for cybercrimes targeting tax dollars. The warning was prompted by an increase in reported attacks at several governments, including school districts, counties and townships.

Many of the attacks were carried out using a practice known as ‘phishing’ – sending email

containing either a link or an attachment that, when opened, infects computers or entices the recipient to share account information and passwords. Some of the attachments launch viruses that essentially take data hostage until a ransom is paid.

To see the potential impact of the attacks for himself, Auditor Yost asked his office’s IT department to send phishing email to his entire staff. After 7.2 percent took the bait, all employees were required to complete cybercrime prevention training. Afterward, only 4.5 percent of staff fell for the scam when tested with another wave of phishing email.

Two months after Yost’s initial warning, staff from the Auditor’s office met with bank executives to brainstorm ways for local governments to shield their bank accounts from similar threats. Both sides agreed that an anti-fraud bank service called Positive Pay is the most effective, yet low-cost option available for protecting public funds.

The Auditor’s office conducted a survey of 784 local government officials and found 49 percent of respondents weren’t familiar with the service. However, the results showed 41 percent of governments that use services like Positive Pay have prevented fraudulent checks from being paid or caught an inadvertent error.

Auditor Yost dedicated an issue of his *Best Practices* newsletter to the topic, offering detailed explanations and advice to local governments on how to effectively use the services to safeguard their funds.