**The Ohio Compliance Supplement Optional Procedure Manual (OPM)**

*The Auditor of State selects a few audits randomly each year, to test requirements listed in this OCS Optional Procedures Manual. These requirements represent additional tests of compliance, which are not included in the other chapters ~~1 through 3~~ of the Ohio Compliance Supplement. However, the omission of these requirements from the Supplement does not lessen a government’s responsibility for compliance and for instituting controls it believes are necessary to assure compliance with any laws and regulations that apply to the government. See the OCS Implementation Guide for more information about the Auditor of State’s compliance testing requirements.*

*Tests of the compliance requirements included in this OPM will help ensure public officials entrusted with public resources are meeting their responsibility for complying with these laws and regulations.*

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

**The legal matrix matches the applicability of OCS steps to various entity types. The information in the matrix does not necessarily encompass every item requiring testing for these entities. Additionally, when footnotes in the matrix reference specific sections of the Ohio Rev. Code, you should read those sections when planning and/or conducting the audit.**

**The legal matrix is depicted in a separate Excel file:** [**https://ohioauditor.gov/ocs/2023/Legal\_Matrix.xlsx**](https://ohioauditor.gov/ocs/2023/Legal_Matrix.xlsx)**. Entities are included alphabetically in the tab titled “OPM”.**

Compliance Requirements Page

[Optional Procedure Manual 3](#_Toc118898101)

[O-1 Compliance Requirement: Ohio Rev. Code §§ 5705.28(B)(2), 5705.36, 5705.39 and 5705.41 Certification of available revenue. 3](#_Toc118898102)

[O-2 Compliance Requirements: Ohio Rev. Code §§ 5705.02, 5705.07, and 5705.18 and Ohio Const. Art. XII, Section 2 - Ten mill limitation. (These tests apply only to years in which inside or outside millage increases. That is, you need not test this requirement for years in which there have been no new levies as long as there is documentation in the permanent file of voter approval for all outside millage.) 6](#_Toc118898103)

[O-3 Compliance Requirements: Ohio Const. Art. XII, Section 5a; Ohio Rev. Code §§ 135.21, 5705.10, 3315.01, 3318.12, 3375.391 and 5705.131; and 1982 Op. Att’y. Gen. No. 82-031; and 2 C.F.R. § 200, and 7 C.F.R. § 210.2 and 210.14(a) – Allocating interest among funds for *subdivisions other than counties.* 7](#_Toc118898104)

[O-4 Compliance Requirements: Ohio Const. Art. XII, Section 5a; Ohio Rev. Code §§ 135.351-.352 and § 5705.10 & .131; and 1982 Op. Att’y. Gen. No. 82-031, – Allocating interest among county funds. 10](#_Toc118898105)

[O-5 (Previously O-12) Compliance Requirement: Ohio Rev. Code §§ 301.27 (county credit cards) and 301.29 (county procurement cards or “p-cards.”) - County credit and procurement cards. 12](#_Toc118898106)

[O-6 (Previously O-21) Compliance Requirements: Ohio Rev. Code § 9.314 – Reverse Internet auction. 16](#_Toc118898107)

[O-7 (Previously O-22) All Local Governments Compliance Requirement: Misc. local legislative body policies; charter requirements – Establishment of policies, restrictions on use, prohibitions for government credit cards and purchasing cards. 18](#_Toc118898108)

[O-8 (Previously O-23) Compliance Requirement: 17 C.F.R. § 240.15c2-12 - Issuing municipal securities 26](#_Toc118898109)

[O-9 (Previously O-24) Compliance Requirement: Ohio Rev. Code § 2303.12 - Books to be kept by clerk of the court of common pleas. 29](#_Toc118898110)

[O-10 (Previously O-25) Compliance Requirement: Ohio Rev. Code § 2101.12 - Records to be kept by the probate court. 30](#_Toc118898111)

[O-11 (Previously O-26) Compliance Requirement: Ohio Rev. Code § 307.515 - Fines and penalties for violation of liquor control laws and state traffic laws paid to the county law library resources fund (various courts). 31](#_Toc118898112)

[O-12 (Previously O-27) Compliance Requirement: Ohio Rev. Code § 117.13(C)(3), 2 C.F.R. § 200.425, and AOS Bulletin ~~2021-006~~ 2022-006 – Allocating Audit Costs 32](#_Toc118898113)

[O-13 Compliance Requirement: Section 701.70 of Am. Sub. HB No. 110 134th G.A., Ohio Rev. Code § 109.803, and Audit Bulletin 2022-004 – Continuing Professional Training (CPT) pilot program funding for law enforcement agencies (NEW) 34](#_Toc118898114)

[OPM APPENDIX 5705.36 (applies to O-1) 37](#_Toc118898115)

[LEGAL MATRIX 39](#_Toc118898116)

# Optional Procedure Manual

### O-1 Compliance Requirement: Ohio Rev. Code §§ 5705.28(B)(2), 5705.36, 5705.39 and 5705.41 Certification of available revenue.

**Summary of Requirement:**  On or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year.

Except, a taxing authority shall *exclude* the following from unencumbered fund balances:

* Budget stabilization reserves [§§ 5705.13, 5705.29(G)]
* Nonexpendable trust principal balances and any additions to principal not from the fund’s reinvested earnings [§ 5705.131]
* The balance in a township reserve balance account established under § 5705.132

The certification for a school district must separately show the amount of any notes and unpaid outstanding expenses that were due prior to June 30 which are to be paid from advancements of property tax settlement money.

Ohio Rev. Code § 5705.36(A)(2) provides that subject to divisions (A)(3) and (4), upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater or less than the amount included in an official certificate, the fiscal officer **may** **certify** the amount of the deficiency or excess to the commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the deficiency or excess.

In comparison, subsections (A)(3) and (A)(4) indicate when a fiscal officer **shall certify** excesses/deficiencies to the commission.

* Upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater than the amount included in an official certificate and the legislative authority intends to appropriate and expend the excess revenue, the fiscal officer shall certify the amount of the excess to the commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the excess. [§ 5705.36(A)(3)]
* Upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency. [§ 5705.36(A)(4)]

The total appropriations made during the fiscal year from any fund shall not exceed the amount set forth as available for expenditure from such fund in the official certificate of estimated resources, or any amendment thereof, certified prior to the making of the appropriation or supplemental appropriation.

The intent of this statutory requirement is to require the fiscal officer to obtain such a “reduction” certificate when it appears that budgetary resources will fall short of earlier estimates, reducing the possibility that deficit spending will occur.

**NOTE: An appropriation for the new federal funds is effectively created by operation of Ohio Rev. Code § 5705.42. Ohio Rev. Code § 5705.42 indicates Federal and State grants or loans are “deemed appropriated” for such purpose by the taxing authority as provided by law. In addition, those moneys are also treated as if they are in the process of collection by the fiscal officer of the subdivision. This means that under Ohio Rev. Code § 5705.42, the moneys are treated by the fiscal officer as if they have been appropriated for a specific purpose, without requiring the taxing authority to adopt an amended appropriation measure. However, the fiscal officer should include the appropriated amounts on the (amended) certificate if the legislative authority intends to appropriate and expend the excess revenue. The amounts need not be included on the (amended) certificate until the entity intends to spend the monies. The fiscal officer should also record the estimated revenues from the amended certificate and appropriation in the accounting system.**

Ohio Rev. Code § 5705.36 ***does not*** require that subdivision fiscal officers certify changes to the budget commission so as to obtain an amended certificate of estimated resources which matches actual resources for the year to the penny (a “zero variance”). ***Citations for noncompliance with this provision will not be issued by the Auditor of State’s Office for circumstances outlined in OPM Appendix 5705.36 at the end of this Manual.*** Additionally, citations for noncompliance with this provision will not be issued by the Auditor of State’s Office unless other budgetary violations are present under Ohio Rev. Code § 5705.39 or 5705.41(B) (See OCS Chapter 2).

**5705.28(B)(2) Requirements for entities that do not levy taxes**

If an entity levies taxes, the sections above apply. However, some entities with taxing authority do not levy taxes. When they do not levy taxes, Ohio Rev. Code § 5705.28 (B)(2) permits a comparable, but somewhat streamlined budget process. Ohio Rev. Code § 5705.28(B)(2) requires entities to follow Ohio Rev. Code § 5705.36.

**Suggested Audit Procedures - Compliance (Substantive) Tests:**

1. Inspect the copy of the certificate retained by the subdivision showing the total amount from all sources, which is available for expenditures and the balances existing at the end of the preceding year.
2. Through inquiry, knowledge of the client, and review of documents (such as the record of minutes and accounting ledgers), determine whether the client has established any of the reserve balance accounts, or nonexpendable trust funds described.
3. If reserve balance accounts or nonexpendable trust funds have been established, calculate or inspect the client’s or budget commission’s calculations that the certification excludes balances in those accounts/funds. (That is, these amounts are not available for appropriation.)
4. For school districts, calculate or inspect the client’s or budget commission’s calculations that the certification includes any spending reserve available for appropriation during the current fiscal year.
5. For school districts receiving an advance on the August property tax settlement, determine through inquiry, inspection of ledgers, vouching, or other such means, whether significant payments were made on notes or outstanding expenses which were due prior to June 30 (since some school districts routinely request advances to take advantage of short-term investment opportunities, you should consider whether these payments could have been made in the absence of the advance, without placing undue distress on the school district).
6. If such notes or outstanding expenses have been identified, compare the amounts to the amounts separately identified on the school district’s copy of the certificate.

***Only test if Ohio Rev. Code § 5705.39 or 5705.41(B) violations were noted in OCS Chapter 2 testing:***

1. If the government is not in fiscal emergency, and has funds in violation of 5705.39 or 5705.41(B), compare actual resources (i.e. beginning unencumbered fund balance + actual receipts) to appropriations as of the fiscal year end. If actual resources are less than appropriations and do not meet any of the exceptions listed in ***OPM Appendix 5705.36*** at the end of this Manual, also cite 5705.36 for not requesting a reduced certificate.

**Audit Procedures, Government Personnel Interviewed and Dates:**

**Conclusion (management letter comments):**

### O-2 Compliance Requirements: Ohio Rev. Code §§ 5705.02, 5705.07, and 5705.18 and Ohio Const. Art. XII, Section 2 - Ten mill limitation. (These tests apply only to years in which inside or outside millage increases. That is, you need not test this requirement for years in which there have been no new levies as long as there is documentation in the permanent file of voter approval for all outside millage.)

**Summary of Requirements:** Generally, the aggregate amount of taxes that may be levied on any taxable property in any one year is not to exceed ten mills on each dollar of tax valuation. (Charter governments may use a different limit authorized in their charter.) This limitation is known as the *ten mill limitation*, or *inside millage*. The ten mill limitation may only be exceeded (a) by a vote of the people, or (b) by a charter that provides for a higher limitation, which may be levied without a vote of the people.

**POSSIBLE NONCOMPLIANCE RISK FACTORS:**

***Note*: In assessing the risk of noncompliance, auditors should consider whether the government has obtained bond counsel for recent debt issuances. Typically, bond counsel will evaluate (and possibly opine) on a government’s compliance with the ten-mill limitation laws. A recent opinion or evaluation by bond counsel (especially during or near the current audit period) may lower the risk of noncompliance.**

**However, governments that can issue general obligation bonds without a vote of the people may be at a greater risk for noncompliance if they are already nearing the ten-mill limitation. For example, assume a subdivision within a county is at 90% of the ten-mill limitation and the county auditor subsequently reappraises and lowers property values within the subdivision by 11%. The reappraisal would cause the subdivision to exceed the ten-mill limitation.**

**Suggested Audit Procedures - Compliance (Substantive) Tests:**

1. Inspect the tax budget for the year and determine if the ten mill limitation was exceeded.
2. If the ten mill limitation was exceeded, inspect the document entitled *Resolution Accepting Amounts and Rates as Determined by the Budget Commission and Authorizing the Necessary Tax Levies and Certifying Them to the County Auditor*, indicating outside millage was authorized by a vote of the people or was authorized by appropriate charter provisions. Secure copies for the permanent files, if appropriate. (These tests apply only to years in which inside or outside millage increases. That is, you need not test this requirement for years in which there have been no new levies as long as there is documentation in the permanent file of voter approval for all outside millage.)

**Audit Procedures, Government Personnel Interviewed and Dates:**

**Conclusion (management letter comments):**

### O-3 Compliance Requirements: Ohio Const. Art. XII, Section 5a; Ohio Rev. Code §§ 135.21, 5705.10, 3315.01, 3318.12, 3375.391 and 5705.131; and 1982 Op. Att’y. Gen. No. 82-031; and 2 C.F.R. § 200, and 7 C.F.R. § 210.2 and 210.14(a) – Allocating interest among funds for *subdivisions other than counties.*

**Summary of Requirements**: The distribution of interest earned on monies held for the treasuries of other subdivisions (i.e. as fiscal agent or custodian) is generally subject to Ohio Rev. Code § 135.21 and § 5705.10, although specific exceptions may exist. As a general rule:

* Interest earned on monies deposited by a treasurer which do not belong in the treasury of the subdivision, due to their status as custodial funds,[[1]](#footnote-2) because he is acting as ex officio treasurer, or otherwise, generally must be apportioned to the funds to which the principal belongs. [Ohio Rev. Code § 135.21]
* All other interest earned must be credited to the general fund of the subdivision [Ohio Rev. Code § 135.21], with the **following exceptions:**
	+ Interest earned on money derived from a motor vehicle license or fuel tax must follow the principal[[2]](#footnote-3). [Ohio Const. Art. XII, Section 5a, and 1982 Op. Att’y. Gen. No. 82-031]
	+ Federal regulations may require local governments to credit interest earned on federal money to the fund to which the principal belongs. Most Federal agencies have codified the Uniform Guidance (2 C.F.R. § 200) that describe the accounting for interest earnings. In some situations, interest earnings on Federal money must follow the fund to which the principal belongs (such as interest earned on revolving loans). Conversely, local governments must generally refund interest earned in excess of $500 if the grant falls under the Uniform Guidance annually to the Federal agency if the grant is advance funded. Auditors should refer to the applicable Federal program regulations and grant agreements to determine whether interest earned on federal money must be credited to the fund where the principal belongs. **While interest earned on federal funds usually must be deposited into the federal program fund per UG, the American Rescue Plan Coronavirus State and Local Fiscal Recovery Fund provides a rare exception to this rule, which permits local governments to deposit interest earned on these federal funds into the General Fund.**
	+ Interest earned on principal of a non-expendable trust fund[[3]](#footnote-4) established to receive donations or contributions that the donor or contributor requires to be maintained intact must be credited to the non-expendable trust fund to which the principal belongs. [Ohio Rev. Code § 5705.131].
	+ Interest earned on debt proceeds from debt issued under Ohio Rev. Code Chapter 133 may be used for purposes for which the debt was issued, or, as authorized by the taxing authority, or another fund or account and used for the purposes of that fund or account. The premium and accrued interest from such a sale shall be paid into the sinking fund or the bond retirement fund of the subdivision. [Ohio Rev. Code § 5705.10(E)] (***Note***: *Proceeds* exclude accrued interest and premiums, which the entity must credit to the sinking or bond retirement fund.)

**School District Exceptions:**

* Notwithstanding Ohio Rev. Code §§ 3315.12 and 3315.14, the board of education of any school district may adopt a resolution requiring the treasurer of the district to credit the earnings made on the investment of the principal of the moneys specified in the resolution to the fund from which the earnings arose, or any other fund of the district as the board specifies in its resolution. [Ohio Rev. Code § 3315.01(A)].

This procedure does not apply to the earnings made on the investment of a school district’s bond retirement fund, the sinking fund, a project construction fund established pursuant to Ohio Rev. Code § 3318.01 to § 3318.20 (see school Classroom Facilities Assistance Program requirements described earlier in OCS Chapter 4 ~~1~~), or the payments districts receive from the school foundation program. [Ohio Rev. Code § 3315.01(B)]

* All investment earnings of a school district project construction fund shall be credited to the fund.[[4]](#footnote-5) After a certificate of completion has been issued for a project under § 3318.48 (Ohio Facilities Construction Commission) of the Ohio Revised Code:

(A). At the discretion of the school district board, any investment earnings remaining in the project construction fund that are attributable to the school district’s contribution to the fund shall be: (a) retained in the project construction fund for future projects; (b) transferred to the district’s maintenance fund required by division (B) of Ohio Rev. Code § 3318.05 or § 3318.43, and the money so transferred shall be used solely for maintaining the classroom facilities included in the project; (c) transferred to the district’s permanent improvement fund. [Ohio Rev. Code § 3318.12(C)(1)]

1. Any investment earnings remaining in the project construction fund that are attributable to the state’s contribution to the fund shall be transferred to the state commission for expenditure pursuant to Ohio Rev. Code §§ 3318.01 to 3318.20 or §§ 3318.40 to 3318.45. [Ohio Rev. Code § 3318.12(C)(2)]
* All revenue, as defined in 7 C.F.R. § 210.2, received by or accruing to the food service fund of any school district or community schools including but not limited to, children’s payments, earnings on investments, and other local revenues should be credited to and used by those funds. (7 C.F.R. § 210.2 and 210.14(a)).

**Cemetery Exception:**

Interest earned on a cemetery bequest fund that is attributable to an individual bequest is credited to that fund. That is, interest attributable to an endowment for the benefit of individual cemetery lots should follow the principal of the endowment (i.e., typically classified as a Permanent Fund under GASB Statement No. 54) [Ohio Rev. Code § 759.36, § 759.14, and § 517.15[[5]](#footnote-6)]. However, interest attributable to endowments generally benefitting the cemetery as a whole may be allocated to a cemetery fund (i.e., typically classified as a Special Revenue Fund under GASB Statement No. 54) to be used for general cemetery purposes.

**Library Exception**:

* The board of library trustees of any free public library district may adopt a resolution requiring the treasurer of the district to credit the earnings made on the investment of the principal of the moneys specified in the resolution to the fund from which the earnings arose or any other fund of the district as the board specifies in its resolution. [Ohio Rev. Code § 3375.391]
* This does not apply to the earnings made on the investment of any library bond retirement fund or any sinking fund. [Ohio Rev. Code § 3375.391]

**Suggested Audit Procedures – Compliance (Substantive) Tests:**

Trace a representative selection of interest earned during the fiscal year and determine that it was paid into the proper funds.

**Audit Procedures, Government Personnel Interviewed and Dates:**

**Conclusion (management letter comments):**

### O-4 Compliance Requirements: Ohio Const. Art. XII, Section 5a; Ohio Rev. Code §§ 135.351-.352 and § 5705.10 & .131; and 1982 Op. Att’y. Gen. No. 82-031, – Allocating interest among county funds.

**Summary of Requirements**: Ohio Rev. Code § 135.351(A) and § 5705.10 govern the distribution of interest earned on money in the county treasury. Generally, all interest must be credited to the county general fund. The following are exceptions to this general rule:

Ohio Rev. Code § 135.351(B) establishes requirements for distributing monies belonging to other subdivisions which are invested or deposited by the county. If such monies are not distributed as required in divisions (B) (1), (2), or (3), Ohio Rev. Code § 135.351(C) requires that all interest accruing after the required distribution date be paid to the subdivisions.

Interest earned on money derived from a motor vehicle license or fuel tax (including local motor vehicle license tax imposed under Ohio Rev. Code Chapter 4504, motor vehicle license tax imposed under Ohio Rev. Code § 4503.02, highway use tax and gasoline tax imposed under Ohio Rev. Code Chapter 5728, and motor vehicle fuel tax imposed under Ohio Rev. Code Chapter 5735 [1982 Op. Att’y. Gen. No. 82-031]) must be paid into the fund to which the principal belongs, not to the general fund. Ohio Const. Art. XII, Section 5a, Ohio Constitution; 1982 Op. Att’y. Gen. No. 82-031.

Most Federal agencies have codified the Uniform Guidance (2 C.F.R. § 200) that describe the accounting for interest earnings. In some situations, interest earnings on Federal money must follow the fund to which the principal belongs (such as interest earned on revolving loans). Conversely, local governments must generally refund interest earned in excess of $500 if the grant falls under the Uniform Guidance annually to the Federal agency if the grant is advance funded. Auditors should refer to the applicable Federal program regulations and grant agreements to determine whether interest earned on federal money must be credited to the fund where the principal belongs. **While interest earned on federal funds usually must be deposited into the federal program fund per UG, the American Rescue Plan Coronavirus State and Local Fiscal Recovery Fund provides a rare exception to this rule, which permits local governments to deposit interest earned on these federal funds into the General Fund.**

Interest earned on all funds under the control of the board of park commissioners shall be credited to such funds. [Ohio Rev. Code § 1545.22(B)(1), as referenced from Ohio Rev. Code § 135.351(A)].

Interest earned on the investment of monies in the county library and local government support fund (now legally known as: “county public library funds”) must be credited to that fund [Ohio Rev. Code § 135.352].

Interest earned on debt proceeds from debt issued under Ohio Rev. Code Chapter 133 must be used for purposes for which the debt was issued or credited to the general fund. [Ohio Rev. Code § 5705.10(E)] (***Note***: *Proceeds* exclude accrued interest and premiums, which the entity must credit to the sinking or bond retirement fund.)

Interest earned on principal of a non-expendable trust fund[[6]](#footnote-7) established to receive donations or contributions that the donor or contributor requires to be maintained intact must be credited to the non-expendable trust fund to which the principal belongs. [Ohio Rev. Code § 5705.131]

**Suggested Audit Procedures – Compliance (Substantive) Tests:**

Trace a representative selection of interest earned during the fiscal year and determine that it was paid into the proper funds.

**Audit Procedures, Government Personnel Interviewed and Dates:**

**Conclusion (management letter comments):**

**Revised: SB 287, 134 GA**

**Effective: Sept. 13, 2022**

### O-5 (Previously O-12) Compliance Requirement: Ohio Rev. Code §§ 301.27 (county credit cards) and 301.29 (county procurement cards or “p-cards.”) - County credit and procurement cards.[[7]](#footnote-8)

**Summary of Requirements:**

**Note: Procurement card purchases charged, in whole or in part, to federal programs may need to follow Federal Procurement Rules described in the Uniform Guidance. Auditors should refer to the terms and conditions of the federal program to determine if Procurement applies. If Federal Procurement rules apply, local governments must comply with Federal, state and local (including charter) requirements regarding procurement card purchases. Where conflicts exist, the most restrictive requirement prevails. See** [**AOS COVID-19 FAQ’s**](https://ohioauditor.gov/resources/covid19_faqs.html) **and Federal Procurement guidance for Clients on the AOS** [**website**](https://ohioauditor.gov/resources/covid19_clients.html) **for additional procurement guidance related to certain COVID funding.**

**§ 301.27 (credit cards) requirements include the following:**

***Note***: Ohio Rev. Code § 113.40(A)(1) includes credit cards as *financial transaction devices.* Under Ohio Rev. Code § 301.27, a credit card includes gasoline and telephone credit cards but excludes any procurement card authorized under Ohio Rev. Code 301.29.

1. County employees, including commissioners and appointing authorities (i.e. other elected officials), can charge *only the following* work-related expenses to credit cards:

* Food
* Transportation
* Gas & oil (only for vehicles the county owns or leases)
* Motor vehicle repair and maintenance
* Telephone
* Lodging
* Internet service providers
* Expenses for children temporarily in the care of a public children services agency
* Webinar expenses
* Purchase of automatic or electronic data processing or record-keeping equipment, software, or services if the county has established an automatic data processing board. The purchases must comply with Ohio Rev. Code §§ 307.84 to 307.847 and shall not exceed ten thousand dollars per quarter, unless approved by county resolution.
* Expenses related to temporary and necessary assistance care provided by the county veterans service office.

2. Appointing authorities must receive the commissioners’ approval to have credit cards.

3. The county must charge credit card expenses to appropriations established for the costs described in (1.) above. That is, the county cannot appropriate money for “credit card expenses.”

4. Unless the commissioners resolve otherwise:

* Every cardholder must submit a monthly estimate of credit card charges by appropriation code. (***Note***: commissioners may authorize periods exceeding one month for submitting estimates.)
* The commissioners may amend the estimates, and then must “pre-certify” them, by appropriation line item total, to the auditor, who then must certify that amounts are available and appropriated under § 5705.41(D) to pay these costs.

The resolution can exempt all credit cards from requirement (4), or can exempt specified cards.

5. Regardless of whether the county estimates and “pre-certifies” expenses, credit card expenses cannot exceed appropriations.

6. Commissioners can approve payments exceeding authorized card policy limits after the fact.

7. If commissioners do not waive over expenditure, the cardholder or office holder and surety are liable.

8. Institutions issuing cards can impose finance or late charges, but only if the commissioners authorize these charges.

9. Counties, with approval from the board of commissioners, are authorized to incur late fees, penalties, or interest/finance charges as a result of credit card use. [Ohio Rev. Code §§ 301.27(B)(2) and 301.29(B)]

**Credit Card Balances**

Counties with board of commissioner’s approval are authorized to carry credit card balances past the due date.

**§ 301.29 p-card requirements include the following:**

***Note***: Ohio Rev. Code § 301.29 defines procurement cards as any *financial transaction device* as defined in Ohio Rev. Code § 301.28 charge cards, debit cards, or prepaid or stored value cards the commissioners deem to be procurement cards. P-card requirements are similar to credit card requirements above, **except**:

1. The Commissioners must competitively bid with companies offering the card services.

2. Commissioners must approve, by resolution involving advice of the county auditor:

* The expenditure classes (i.e. object codes) for which employees can use these cards. (P-cards are not limited to the expense types listed for credit cards in step 1 above.).
* Limitations on the number of transactions chargeable each day, month or other period.
* Procedures for revoking the card.

3. The county auditor shall **consult with the Auditor of State** in developing controls to implement p-cards.

**Cash withdrawal Considerations** (excerpted from [**Audit Bulletin 2016-004**](https://ohioauditor.gov/publications/bulletins/2016/2016-004.pdf)**):**

Cash withdrawals are a tiny subset of all credit card activity, and require specific controls. These specific controls are in addition to the controls, which should govern credit card use generally.

Ohio law does NOT explicitly authorize a public entity to use a credit card to withdraw cash from a financial transaction device or automated teller machine (hereinafter, ATM), or to obtain cash (back) in a credit card transaction. However, if the governing body of the public entity determines that cash withdrawals are necessarily implied from its other powers (See *State ex rel. A. Bentley & Sons Co. v. Pierce*,96 Ohio St. 44, 47, 117 N.E. 6, 7 (1917); *City of Youngstown v. Craver*,127 Ohio St. 195, 201, 187 N.E. 715, 717 (1933)), that determination should be memorialized by specific legislative action (or where applicable, administrative action). The action should explicitly authorize the cash withdrawals and reference the entities credit card policy.

AOS will presume that a cash withdrawal which has not been properly authorized was not made for a proper public purpose. Any such unauthorized cash withdrawal transaction may result in a non-compliance citation and/or finding for recovery, including joint and several liabilities, against the person or persons responsible for such misuse. Further, each such act may constitute a violation of Ohio Rev. Code § 2913.21, “Misuse of a Credit Card”.

**Suggested Audit Procedures - Compliance (Substantive) Tests:**

1. The steps below apply to both credit and p-cards, unless otherwise stated.
2. Obtain and review copies of existing policies for county credit cards and purchasing cards.
3. Compare it with the CCAO sample policy: [https://ccao.org/wp-content/uploads/CAB 2005-07.pdf](https://ccao-my.sharepoint.com/personal/nciolli_ccao_org/_layouts/15/onedrive.aspx?id=%2Fpersonal%2Fnciolli%5Fccao%5Forg%2FDocuments%2FAdministrative%2FNEW%20WEBSITE%20STUFF%2FCABs%2FPre%2D2016%2FCAB%202005%2D07%20County%20Credit%20Card%20Law%20Changes%2Epdf&parent=%2Fpersonal%2Fnciolli%5Fccao%5Forg%2FDocuments%2FAdministrative%2FNEW%20WEBSITE%20STUFF%2FCABs%2FPre%2D2016&ga=1). (The policies need not be identical, but auditors should check for omissions of important elements the CCAO example includes.)
4. Determine who is responsible for monitoring the usage of these items. Document how they review card users and charges.
5. Obtain and scan the list of authorized users. Determine how the county assures only authorized personnel use the cards.
6. Scan a selection of credit or p-card transactions and determine whether use was by an authorized user and within the guidelines established in the policy. Include usage by the chief executive officer, chief financial officer, and elected officials in the review.
7. Through inquiry and scan of transactions, determine if any cash withdrawals were made. If so:
8. Determine if the policy explicitly allows for cash withdrawals and when related legislative or administrative action was passed.
9. Determine if appropriate and specific additional controls are implemented for cash withdrawal transactions.
10. If we note unauthorized use, did the entity’s monitoring procedures identify the misuse? Was the employee notified of the improper use or was the matter otherwise appropriately corrected?
11. For Credit Card use, determine if:[[8]](#footnote-9)
	1. Any late fees, penalties or interest/finance charges were incurred during the fiscal year regardless if due to cash withdrawals when testing Step 7, or credit or procurement card use, and if so, whether charges were authorized by the board of commissioners.
	2. Any credit card balances due remain unpaid.

**Audit Procedures, Government Personnel Interviewed and Dates:**

**Conclusion (management letter comments):**

### O-6 (Previously O-21) Compliance Requirements: Ohio Rev. Code § 9.314 – Reverse Internet auction.

**Summary of Requirements:**

Any political subdivision purchasing services or supplies[[9]](#footnote-10) subject to competitive bidding requirements may purchase the services or supplies by reverse auction in lieu of written proposals. [Ohio Rev. Code § 9.314(B)]

A political subdivision shall solicit proposals through a request for proposals. The request for proposals shall state the relative importance of price and other evaluation factors. The political subdivision shall give notice of the request for proposals in accordance with the rules it adopts. [Ohio Rev. Code § 9.314(C)]

A political subdivision may award a contract to the offeror whose proposal the political subdivision determines to be the most advantageous to the political subdivision, taking into consideration factors such as price and the evaluation criteria set forth in the request for proposals. The contract file shall contain the basis on which the award is made. [Ohio Rev. Code § 9.314(E)]

The rules that a political subdivision adopts under this section may require the provision of a performance bond, or another similar form of financial security, in the amount and in the form specified in the rules. [Ohio Rev. Code § 9.314(F)]

As used in this Ohio Rev. Code § 9.314:

* “**Contracting authority**” has the same meaning as in section 307.92 of the Ohio Rev. Code.
* “**Political subdivision**” means a municipal corporation, township, county, school district, or other body corporate and politic responsible for governmental activities only in geographic areas smaller than that of the state and also includes a contracting authority.
* “**Reverse auction**” means a purchasing process in which offerors submit proposals in competing to sell services or supplies in an open environment via the internet.
* “**Services**” means the furnishing of labor, time, or effort by a person, not involving the delivery of a specific end product other than a report which, if provided, is merely incidental to the required performance. “Services” does not include services furnished pursuant to employment agreements or collective bargaining agreements.
* “**Supplies**” means all property, including, but not limited to, equipment, materials, other tangible assets, and insurance, but excluding real property or interests in real property.

**Suggested Audit Procedures - Compliance (Substantive) Tests:**

If the local government has elected to use reverse internet auction in lieu of sealed competitive bidding as may be otherwise required, review the minutes and obtain related contract files and review the documentation for a few auctions to determine whether:

1. The entity adopted rules governing the use of reverse internet auction and whether the entity followed significant provisions in those rules, including giving notice of the Request For Proposal (RFP) and required submission of financial security (if any). (Retain a copy of the rules (or relevant excerpts) in the working papers).
2. Proposals were made using RFPs and the RFPs included an indication of the relative importance of price and other proposal evaluation factors.
3. The contract file documents the basis on which the selected proposal was awarded. Be alert for obvious departures from the evaluation factors and related importance as stated in the RFP.

**Audit Procedures, Government Personnel Interviewed and Dates:**

**Conclusion (management letter comments):**

### O-7 (Previously O-22) All Local Governments Compliance Requirement: Misc. local legislative body policies; charter requirements – Establishment of policies, restrictions on use, prohibitions for government credit cards and purchasing cards.

*►* ***Section O-7 ~~O-22~~ is not applicable to Counties[[10]](#footnote-11),******see Section O-5*** [***~~O-12~~***](#_O-12_Compliance_Requirement:) ***regarding Ohio Rev. Code requirements for county credit and purchasing cards.***

**Note: Procurement card purchases charged, in whole or in part, to federal programs may need to follow Federal Procurement Rules described in the Uniform Guidance. Auditors should refer to the terms and conditions of the federal program to determine if Procurement applies. If Federal Procurement rules apply, local governments must comply with Federal, state and local (including charter) requirements regarding procurement card purchases. Where conflicts exist, the most restrictive requirement prevails. See** [**AOS COVID-19 FAQ’s**](https://ohioauditor.gov/resources/covid19_faqs.html) **and Federal Procurement guidance for Clients on the AOS** [**website**](https://ohioauditor.gov/resources/covid19_clients.html) **for additional procurement guidance related to certain COVID funding.**

**Summary of Requirements:**

Political subdivisions, except colleges and universities, are required to implement a credit card policy if they hold a credit card account. The following table identifies the Ohio Rev. Code provision that governs the use of credit card accounts for each government entity, as well as a catchall provision for entities that do not have a specific statute:

|  |  |
| --- | --- |
| **Government Entity** | **Ohio Rev. Code Provision** |
| County, refer to ***Section O-5  ~~O-12~~*** | § 301.27 |
| Municipal Corporation | § 717.31 |
| Board of Education of any School District  | § 3313.311 |
| Governing Board of an Education Service Center | § 3313.311 |
| Governing Authority of an IT Center | § 3313.311 |
| Community School | § 3314.52 |
| College Prep Boarding Center | § 3328.52 |
| Regional Water & Sewer District | § 6119.60 |
| Township | § 505.64 |
| Township Park District | § 511.234 |
| Park District | § 1545.072 |
| Agricultural Society | § 1711.131 |
| Library | § 3375.392 |
| STEM Schools | § 3326.52 |
| Soil and Water Conservation District  | § 940.11 |
| Health District | § 3709.42 |
| Any Political Subdivision not listed above  | § 9.21 |

Ohio Rev. Code § 9.21 (H) says a "Credit Card Account" generally means any:

* bank-issued credit card account,
* store-issued credit card account,
* financial institution-issued credit card account,
* financial depository issued credit card account,
* affinity credit card account,
* any other card account allowing the holder to purchase goods or services on credit or to transact with the account, and
* any debit or gift card account related to the receipt of grant moneys.

Note: We also interpret credit card accounts to include online purchasing accounts (e.g., Amazon Business which include the ability for local governments to set internal controls over employee spending).

"Credit card account" does not include:

* a debit card account,
	+ Note: Ohio Rev. Code § 9.22 says “No political subdivision may hold or utilize a debit card account, except for law enforcement purposes. Possession or use of a debit card account by a political subdivision except for law enforcement purposes is a violation of section 2913.21 of the Ohio Revised Code. This section does not apply to debit card accounts related to the receipt of grant moneys.”
* procurement card account,
* gasoline credit card,
	+ Note: gasoline credit card is a card utilized strictly for fuel and automotive parts or repairs purchases.
* telephone credit card account, or
	+ Note: telephone credit card account is an account utilized to enable users to make long distance phone calls.
* any other card account where merchant category codes are in place as a system of control for use of the card account.

House Bill 312 (132 GA) requires political subdivisions (not including counties or colleges/universities) to follow procedures for the use of credit card accounts, including adopting a policy, conducting a periodic review, and in some cases providing itemized receipts to the political subdivision. The statute establishes two separate internal control models for credit card usage by political subdivisions: the custody and control model and the compliance officer model. Not later than February 2, 2019, the legislative authority of a political subdivision that holds a credit card account must adopt one of these written policies for the use of credit card accounts. Otherwise, a legislative authority must adopt a written policy before the use of a card account. The policy must include provisions addressing all the following:

* The appointment of a compliance officer, where applicable;
* The officers or positions authorized to use a credit card account;
* The types of expenses for which a credit card account may be used;
* The procedures for acquisition, use, and management of a credit card account and presentation instruments related to the account including cards and checks;
* The procedure for submitting itemized receipts to the fiscal officer or the fiscal officer’s designee;
* The procedure for credit card issuance, credit card reissuance, credit card cancellation and the process for reporting lost or stolen credit cards;
* The political subdivision’s credit card account’s maximum credit limit or limits; and
* The actions or omissions by an officer or employee that qualify as misuse of a credit card account.

**Custody and Control Model**

The custody and control model is a system in which the treasurer or fiscal officer maintains physical control over all credit cards of the entity and may use a system requiring the cards to be “signed out” by authorized, designated users. Entities utilizing the custody and control model should specify the following items in their written policies, approved by the governing board:

Specific statutes amended or enacted from this bill include:

* Who the authorized, designated users are,
* A reasonable length of time the card is allowed to be out of the control of the treasurer or fiscal officer for the transaction(s) to be completed, [[11]](#footnote-12) and
* The procedures that should be followed to submit itemized receipts, as well as any other entity specific requirements that would fit the needs of a political subdivision.
* An officer or employee is liable in person and upon any official bond the officer or employee has given to the political subdivision to reimburse the treasury for the amount for which the officer or employee does not provide itemized receipts in accordance with the credit card policy.

**Compliance Officer Model**

The compliance officer model is a system in which the treasurer or fiscal officer does not maintain physical control of the credit cards. In this instance, a political subdivision must appoint a compliance officer. The compliance officer should not be the treasurer or fiscal officer and should not be an authorized user of the card or authorize use of the credit card by an individual. In certain instances in which the compliance officer is authorized to use a credit card, the compliance officer must have their credit card statement reviewed by the executive or legislative body of the entity.

A quarterly review process should take place where the compliance officer reviews the number of cards the entity has, the number of active cards the entity has, and the credit limit for each card. (See the entity specific sections below for specific requirements of the compliance officer model.)

**Additional General Requirements**

The name of the political subdivision must appear on each presentation instrument related to the account including cards and checks.

The use of a credit card account for expenses beyond those authorized by the legislative authority constitutes misuse of a credit card account. An officer or employee of the political subdivision or a public servant as defined under section 2921.01 of the Ohio Revised Code who knowingly misuses a credit card account held by the legislative authority violates section 2913.21 of the Ohio Revised Code, which is a misdemeanor of the first degree.

The fiscal officer or the fiscal officer’s designee annually must file a report with the legislative authority detailing all rewards received based on the use of the political subdivision’s credit card account.

No political subdivision may hold or utilize a debit card account, except for law enforcement purposes. Possession or use of a debit card account by a political subdivision, except law enforcement, is a violation of section 2913.21 of the Ohio Revised Code.

The requirements set forth in House Bill 312 do not apply to debit card accounts related to the receipt of grant moneys.

**Late Fees, Penalties, and Interest/Finance Charges**

Political subdivisions, except counties with board of commissioner’s approval, are not authorized to incur late fees, penalties, or interest/finance charges as a result of credit card use.

**Credit Card Balances**

Political subdivisions, except counties with board of commissioner’s approval, are not authorized to carry credit card balances past the due date.

**Entity Specific Requirements:**

***Township Specific Requirements* [Ohio Rev. Code § 505.64]**

If a township fiscal officer does not retain general possession and control of the credit card and the entity must utilize the compliance officer model, the following applies:

In a township that has adopted a limited home rule government under Chapter 504 of the Ohio Revised Code, the board must appoint a compliance officer to perform the duties as outlined under the policy requirements. The compliance officer may not use a credit card account and may not authorize an officer, employee, or appointee to use a credit card account, with the exception of a board of township trustees serving in the role of compliance officer, then they may use a credit card if so authorized under the policy adopted by the township and may authorize an officer, employee, or appointee to use a credit card account as provided in the policy requirements. The fiscal officer is not eligible for appointment as compliance officer.

In a township that has not adopted a limited home rule government under Chapter 504 of the Ohio Revised Code, the fiscal officer must present credit card account transaction detail from the month previous, monthly to the board. The board must review the credit card transaction detail and the chairperson of the board must sign an attestation stating the board reviewed the credit card account transaction detail.

The compliance officer, if applicable, and the board, at least once every six months, must review the number of cards and accounts issued, the number of active cards, and accounts issued the cards’ and accounts’ expiration dates, and the cards’ and accounts’ credit limits.

The fiscal officer or the fiscal officer’s designee annually must file a report with the board detailing all rewards received based on the use of the township’s credit card account.

***Municipal Corporations (Cities and Villages) Requirements* [Ohio Rev. Code § 717.31]**

If a city auditor or village fiscal officer does not retain general possession and control of the credit card and the entity must utilize the compliance officer model, the following applies:

In a municipal corporation that has the authority to operate a mayor’s court pursuant to Chapter 1905, of the Ohio Revised Code, the chief executive officer of the municipal corporation must appoint a compliance officer to perform the duties enumerated under the policy established. The compliance officer may not use a credit card account and may not authorize an officer or employee to use a credit card account. The village clerk or city auditor is not eligible for appointment as compliance officer.

In a municipal corporation that does not have the authority to operate a mayor’s court pursuant to Chapter 1905 of the Ohio Revised Code, the village clerk or city auditor must present monthly the legislative authority credit card account transaction detail from the previous month. The legislative authority must review the credit card account transaction detail and the presiding officer of the legislative authority must sign an attestation stating the legislative authority reviewed the credit card transaction detail.

The compliance officer, if applicable and the legislative authority at least quarterly must review the number of cards and accounts issued, the number of active cards and accounts issued, the cards’ and accounts’ expiration dates, and the cards’ and accounts’ credit limits.

The village clerk or city auditor, as applicable, or the designee of that applicable officer annually must file a report with the legislative authority detailing all rewards received based on the use of the municipal corporation’s credit card account.

***School District, Educational Service Center, or Information Technology Center Requirements* [Ohio Rev. Code § 3313.311 applicable to traditional schools, ESCs, and ITCs]**

If a School District, Educational Service Center (ESC), or Information Technology Center (ITC) treasurer does not retain general possession and control of the credit card the governing authority must appoint a compliance officer.

Unless the compliance officer is a superintendent of a school district or chief administrator of an ITC, the compliance officer may not use the credit card account. The compliance officer may not authorize an officer or employee to use a credit card account. If a school district superintendent acting as compliance officer has authority to use a credit card account, the treasurer or the treasurer's designee, who must not be the school district superintendent, must review monthly the credit card account transaction detail and must sign an attestation stating the treasurer or designee reviewed the credit card account transaction detail. If the chief administrator of an ITC acting as compliance officer has authority to use a credit card account, the governing authority must review monthly the credit card account transaction detail and must sign an attestation stating the governing authority reviewed the credit card account transaction detail. The treasurer of the board of education, treasurer of the ESC, and chief fiscal officer of the ITC are not eligible for appointment as compliance officer. The superintendent of a school district or chief administrator of an ITC is eligible for appointment as compliance officer.

The compliance officer at least once every six months must review the number of cards and accounts issued, the number of active cards and accounts issued, the cards’ and accounts’ expiration dates, and the cards’ and accounts’ credit limits.

The treasurer or chief fiscal officer, as applicable, or the designee of that applicable officer annually must file a report with the board or authority detailing all rewards received based on the use of the credit card account.

***Community School and STEM School Requirements* [Ohio Rev. Code § 3314.52 applicable to community schools; Ohio Rev. Code § 3326.52 applicable to STEM schools]**

If a community or STEM school treasurer does not retain general possession and control of the credit card, the governing authority must appoint a compliance officer.

Except for a chief administrator of a community or STEM school serving as compliance officer, the compliance officer may not use a credit card account. The compliance officer may not authorize an officer or employee to use a credit card account. If a chief administrator acting as compliance officer has authority to use a credit card account, the governing authority must review the credit card account transaction detail monthly, and must sign an attestation stating the governing authority reviewed the credit card account transaction detail. The designated treasurer is not eligible for appointment as compliance officer. The chief administrator is eligible for appointment as compliance officer.

The compliance officer and the governing authority at least quarterly must review the number of cards and accounts issued, the number of active cards and accounts issued, the cards’ and accounts’ expiration dates, and the cards’ and accounts credit limits.

The designated treasurer or the designated treasurer’s designee annually must file a report with the governing authority detailing all rewards received based on the use of the community or STEM school’s credit card account.

***College Preparatory Boarding School Requirements* [Ohio Rev. Code § 3328.52]**

If the treasurer of the college-preparatory boarding school does not retain general possession and control of the cards, the board should appoint a compliance officer.

Except for a chief administrator of college-preparatory boarding school serving as compliance officer, the compliance officer may not use a credit card. If the chief administrator acting as compliance officer has authority to use a credit card account, the board must review the credit card account transaction detail monthly, and must sign an attestation stating the board reviewed the credit card account transaction detail. The treasurer is not eligible for appointment as compliance officer. The chief administrator is eligible for appointment as compliance officer.

The compliance officer and the governing body at least quarterly must review the number of cards and accounts issued, the number of active cards and accounts issued, the cards’ and accounts’ expiration dates, and the cards’ and accounts’ credit limits.

The treasurer or the treasurer’s designee annually must file a report with the board detailing all rewards received based on the use of the college-preparatory boarding school’s credit card account.

***Library Requirements* [Ohio Rev. Code § 3375.392]**

If the fiscal officer of a free public library or library district does not retain general possession and control of the credit card account, and presentation instruments related to the account include cards and checks, the board must appoint a compliance officer.

The compliance officer may use a credit card account only upon authority from the fiscal officer of the free public library or library district, except the director of a free public library or library district serving in the role of compliance officer may use a credit card if so authorized under the policy. If the compliance officer has authority to use a credit card account, the fiscal officer or the fiscal officer’s designee, who must not be the compliance officer, monthly must review the credit card account transaction detail and must sign an attestation stating the fiscal officer or designee review the credit card account transaction detail. The compliance officer may not authorize an officer, employee, or appointee to use a credit card account, except a director serving in the role of compliance officer may authorize an officer, employee, or appointee to use a credit card account. The fiscal officer of the free public library or library district is not eligible for appointment as compliance officer. The director is eligible for appointment as compliance officer.

The compliance officer must review the number of cards and accounts issued at least once every six months, the number of active cards and accounts issued, the cards’ and accounts’ expiration dates, and the cards’ and accounts’ credit limits.

The fiscal officer or the fiscal officer’s designee annually must file a report with the board detailing all rewards received based on the use of the free public library’s or library district’s credit card account.

Other entity specific information can be found at:

* Ohio Rev. Code § 9.21 applicable to political subdivisions;
* Ohio Rev. Code § 511.234 applicable to Township Park Districts;
* Ohio Rev. Code § 940.11 applicable to Soil and Water Conservation Districts;
* Ohio Rev. Code § 1545.072 applicable to Park Districts;
* Ohio Rev. Code § 1711.131 applicable to Ag Societies;
* Ohio Rev. Code § 6119.60 applicable to Regional Water & Sewer Districts;

**Cash Withdrawal Considerations** (excerpted from [**AOS Bulletin 2016-004**](https://ohioauditor.gov/publications/bulletins/2016/2016-004.pdf)**):**

Cash withdrawals are a tiny subset of all credit card activity, and require specific controls. These specific controls are in addition to the controls, which should govern credit card use generally.

Ohio law does NOT explicitly authorize a public entity to use a credit card to withdraw cash from a financial transaction device or automated teller machine (hereinafter, ATM), or to obtain cash (back) in a credit card transaction. However, if the governing body of the public entity determines that cash withdrawals are “necessarily implied” from its other powers (See *State ex rel. A. Bentley & Sons Co. v. Pierce*,96 Ohio St. 44, 47, 117 N.E. 6, 7 (1917); *City of Youngstown v. Craver*,127 Ohio St. 195, 201, 187 N.E. 715, *717 (1933)*), that determination should be memorialized by specific legislative action (or where applicable, administrative action). The action should explicitly authorize the cash withdrawals and reference the entities credit card policy.

AOS will presume that a cash withdrawal which has not been properly authorized was not made for a proper public purpose. Any such unauthorized cash withdrawal transaction may result in a non-compliance citation and/or finding for recovery, including joint and several liabilities, against the person or persons responsible for such misuse. Further, each such act may constitute a violation of Ohio Rev. Code § 2913.21, “Misuse of a Credit Card”.

**Suggested Audit Procedures - Compliance (Substantive) Tests:**

1. Inquire with management to determine a complete listing of all credit card accounts. For all credit card accounts obtain:
	1. copies of existing internal control policies,
	2. a list(s) of authorized users, and
	3. a list of all credit card account transactions.
2. Determine if the established policy(ies) is:[[12]](#footnote-13)
	1. in compliance with the statutory requirements, and
	2. implemented by the entity (i.e. through walkthrough) including reviews performed by compliance officer and/or fiscal officer/treasurer/director/equivalent and filing of any necessary annual reports.
3. Through inquiry and scan of transactions (including a few transactions from the chief executive officer, chief fiscal officer, and elected officials in this review) determine if:
4. Use was by an authorized user within the guidelines established in the policy,

b. Each transaction is supported with original invoices and for a proper public purpose, and

1. Any cash withdrawals were made. If so determine if:
	* The policy explicitly allows for cash withdrawals and when related legislative or administrative action was passed.
	* Appropriate and specific additional controls are implemented for cash withdrawal transactions.

4. For Credit Card use, determine if:[[13]](#footnote-14)

* 1. Any late fees, penalties or interest/finance charges were incurred during the fiscal year regardless if due to cash withdrawals identified when testing Step 3.
	2. Any credit card balances due remain unpaid.

**Audit Procedures, Government Personnel Interviewed and Dates:**

**Conclusion (management letter comments):**

### O-8 (Previously O-23) Compliance Requirement: 17 C.F.R. § 240.15c2-12 - Issuing municipal securities

**Summary of Requirement**: Underwriters contracting subsequent to July 3, 1995 to issue municipal securities (bonds, notes, or other secured debt instruments issued by any state or local government regardless of whether the government is a municipality) will be subject to the amended disclosure requirements of the Rule. The SEC has imposed certain requirements on underwriters (such as brokers and dealers) selling securities. The Rule prohibits underwriters from selling municipal securities unless they have performed due diligence procedures. Other requirements:

1. The underwriter must review and agree to provide a copy of the official statement to any requesting party ***when issuing / marketing securities***. (That is, this step only applies when securities are issued.) The official statement must include:
	1. The terms of the proposed issue.
	2. Financial and/or operating data from each person material to potential investors, including information from all obligated persons.
	3. A description of the secondary market disclosure undertaking.
	4. Disclosure of any past failures to make required disclosures within the past five years.
2. Annual[[14]](#footnote-15) and material event information is to be filed with the Municipal Securities Rulemaking Board (MSRB) under its Electronic Municipal Market Access (EMMA) system. "Small issuers" that enter into such agreements are required to make certain annual filings in the EMMA system. The MSRB has published a notice detailing its requirements for such filings in the EMMA system including that all submissions are to be electronic; all documents submitted must be in PDF and configured to permit documents to be saved, viewed, printed and retransmitted by electronic means (any PDF documents submitted after January 1, 2010 must also be word searchable); and all submissions must be accompanied by identifying information as prescribed by the MSRB. Further information is available at the SEC's website and the MSRB's website: <http://emma.msrb.org/> [http:/www.msrb.org/EducationCenter/Issuers/Disclosing.aspx/](http://www.msrb.org/EducationCenter/Issuers/Disclosing.aspx/).
3. The issuer and/or obligated persons (i.e., entities directly or contingently responsible for repaying the securities) must agree in writing, to provide to all approved to the State Information Depository (SID): See the note immediately following this section for the name and address of the SID[[15]](#footnote-16). <http://www.ohiosid.com>
4. The following requirements are applicable for both EMMA and SID.
	1. Annual financial information and operating data. [17 C.F.R. **§** 240.15c2-12(b)(5)(i)(A)]
	2. Timely material event notices. Underwriters must also establish procedures to assure they receive these notices. (“Timely” is now defined as within 10 days.) Material events include: [17 C.F.R. **§** 240.15c2-12(b)(5)(i)(C-D)]
	3. Principal and interest payment delinquencies;
	4. Non-payment related defaults;
	5. Unscheduled draws on debt service reserves reflecting financial difficulties;
	6. Unscheduled draws on credit enhancements reflecting financial difficulties;
	7. Substitution of credit or liquidity providers, or their failure to perform;
	8. Adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
	9. Modifications to rights of security holders;
	10. Bond calls;
	11. Defeasances;
	12. Release, substitution, or sale of property securing repayment of the securities;
	13. Debt ratings changes;
	14. Failure to provide required annual financial information on or before the date specified;
	15. ~~Disclosure of asset-backed securities under SEC Rule Ga-1;~~
	16. Bankruptcy, insolvency, receivership or similar event of obligated person;
	17. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, and
	18. Appointment of a successor or additional trustee, or the change of name of a trustee.
	19. Incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material; and
	20. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties.

 ***Note***: All material events are required to be disclosed no later than 10 business days after the event.

1. Audited financial statements, when and if available. [17 C.F.R. **§** 240.15c2-12(b)(5)(i)(B)]
2. Timely notice of failure to provide required financial information.[17 C.F.R. **§** 240.15c2-12(b)(5)(i)(D)]
3. Exemptions: Certain municipal security issues are exempted from the Rule such as:
	* 1. Security issues of less than $1 million. [17 C.F.R. **§** 240.15c2-12(a)]
		2. Securities with maturities of 18 months or less. [17 C.F.R. **§** 240.15c2-12(d)(3)]
		3. Securities sold in denominations of at least $100,000. [17 C.F.R. **§** 240.15c2-12(d)(1)]

 AND

have 35 or fewer "sophisticated investors" and no re-offering of the securities;

 OR

* have a maturity of nine months or less.

**Suggested Audit Procedures - Compliance (Substantive) Tests:**

1. Scan copies of **annual** information submitted to the MSRB and the State Information Depository (SID). Document that such information was:
2. filed with the MSRB/SID15,
	* Scan the continuing disclosure agreement to confirm there was no requirement to file with the SID. If the continuing disclosure agreement required filing with the SID and no filing was made, auditors should cite the government for failing to meet the continuing disclosure agreement.
3. whether the auditor noted any material errors or omissions to the information. (*We do not expect auditors to make time-consuming examinations of data. Instead, scan for obvious errors, such as omission of financial statements or footnotes, omission of a debt rating change, whether the contractually agreed basis of accounting was followed, whether information requiring* *audit includes an opinion, etc.)*
4. In conjunction with other procedures related to debt issued subsequent to July 3, 1995, document whether any material events (as defined in SEC Rule 15c2-12) came to the auditor’s attention. Document whether such material events were promptly disclosed to MSRB/SID.
5. Auditors should obtain written representations that management has transmitted all required information to MSRB/SID and underwriters required by SEC Rule 15c2-12.

**Audit Procedures, Government Personnel Interviewed and Dates:**

**Conclusion (management letter comments):**

### O-9 (Previously O-24) Compliance Requirement: Ohio Rev. Code § 2303.12 - Books to be kept by clerk of the court of common pleas.

**Summary of Requirements:** The clerk of the court of common pleas shall keep at least the following books: They shall be called the appearance docket, trial docket and printed duplicates of the trial docket for the use of the court and the officers thereof, journal, and execution docket.

**POSSIBLE NONCOMPLIANCE RISK FACTORS:**

***Note*: Due to the large volume of over the counter cash receipts and the complexity of statutory fines and fees, the risk of noncompliance in courts is inherently higher. In assessing the risk of noncompliance, auditors should consider whether courts have historically demonstrated effective internal controls and compliance with applicable requirements. Additionally, adequate training of court personnel, segregation of duties, and supervisory monitoring controls can help mitigate the risk of noncompliance with court requirements.**

**Suggested Audit Procedures - Compliance (Substantive) Tests:**

Determine if the aforementioned records are maintained. (***Note***: We will normally know this from performing financially-related audit procedures.)

**Audit Procedures, Government Personnel Interviewed and Dates:**

**Conclusion (management letter comments):**

### O-10 (Previously O-25) Compliance Requirement: Ohio Rev. Code § 2101.12 - Records to be kept by the probate court.

**Summary of Requirement:** In part, the law requires probate courts must maintain:

(A) Administration docket

(B) Guardian docket

(C) Civil docket

(D) Minutes journal

(E) Record of wills[[16]](#footnote-17)

(F) Execution dockets

**POSSIBLE NONCOMPLIANCE RISK FACTORS:**

***Note*: Due to the large volume of over the counter cash receipts and the complexity of statutory fines and fees, the risk of noncompliance in courts is inherently higher. In assessing the risk of noncompliance, auditors should consider whether courts have historically demonstrated effective internal controls and compliance with applicable requirements. Additionally, adequate training of court personnel, segregation of duties, and supervisory monitoring controls can help mitigate the risk of noncompliance with court requirements.**

**Suggested Audit Procedures - Compliance (Substantive) Tests:**

Determine if aforementioned records are maintained. (***Note***: We will normally know most of this from performing financially-related audit procedures.)

**Audit Procedures, Government Personnel Interviewed and Dates:**

**Conclusion (management letter comments):**

### O-11 (Previously O-26) Compliance Requirement: Ohio Rev. Code § 307.515 - Fines and penalties for violation of liquor control laws and state traffic laws paid to the county law library resources fund (various courts).

Ohio Rev. Code § 307.515(C) - Court of **common pleas** and **probate court** to pay fines and penalties to the county law library resources fund.

Ohio Rev. Code § 307.515(A) - Allowance to the county law library resources fund from fines and penalties of **municipal courts**.

**Summary of Requirement:** These sections provide for distributing certain fines and penalties to county law library resources fund.

**POSSIBLE NONCOMPLIANCE RISK FACTORS:**

***Note*: Due to the large volume of over the counter cash receipts and the complexity of statutory fines and fees, the risk of noncompliance in courts is inherently higher. In assessing the risk of noncompliance, auditors should consider whether courts have historically demonstrated effective internal controls and compliance with applicable requirements. Additionally, adequate training of court personnel, segregation of duties, and supervisory monitoring controls can help mitigate the risk of noncompliance with court requirements.**

**Suggested Audit Procedures - Compliance (Substantive) Tests:**

***Note***: The Ohio Rev. Code sections listed in this step are provided for your reference. When testing the collection and distributions of fines, auditors must refer to the applicable statutes governing the amounts to collect and amounts and methods of distribution, regardless of whether listed here. These tests should also be part of the ***financial*** audit of courts.

Inquire and examine how the court identifies fines and penalties collected under the statutes above and ensures they are properly distributed to the county law library resources fund. Ask the court to show you a few fines and penalties for violation of liquor control laws and state traffic laws. Determine these collections were properly distributed to the county law library resources fund. *(Typically, we only require a low degree of assurance over compliance with this requirement. However, where courts are a material audit cycle and where courts are relying on general IT controls to identify and accumulate fines and penalties subject to distribution to the law library resources fund, auditors should evaluate general IT controls (AOS staff should complete the RCEC) for automated court systems.)*

**Audit Procedures, Government Personnel Interviewed and Dates:**

**Conclusion (management letter comments):**

### O-12 (Previously O-27) Compliance Requirement: Ohio Rev. Code § 117.13(C)(3), 2 C.F.R. § 200.425, and AOS Bulletin [~~2021-006~~](https://ohioauditor.gov/publications/bulletins/2021/2021-006.pdf) [2022-006](https://ohioauditor.gov/publications/bulletins/2022/Bulletin_2022-006.pdf) – Allocating Audit Costs

**Summary of Requirements**: Local governments can charge audit costs to funds other than the general fund only if the charges are properly allocated to those funds.

**Ohio Rev. Code § 117.13(C)(2)** provides the fiscal officer may allocate the charges billed for the cost of the audit to appropriate funds using a methodology that follows guidance provided by the auditor of state.

Except for Federal funds that account for activity of Federal awards governed by Uniform Guidance as discussed below, the fiscal officer may distribute the cost to each fund audited in accordance with its percentage of the total cost. The fiscal officer should determine which funds should be charged a percentage of the audit costs. Governments should have a reasonable, documented methodology for allocating these costs. This methodology should consider and incorporate the requirements in Uniform Guidance [2 C.F.R. 200.425](https://www.ecfr.gov/cgi-bin/text-idx?SID=c4df8c859175a2d782ed85a6b5e8d215&mc=true&node=se2.1.200_1425&rgn=div8) discussed below. The Auditor of State is of the opinion that most operating funds of a local government, including utility funds (i.e., water, sewer, electric, refuse), special levy funds, funds that receive gas taxes, and motor vehicle registration fees can be charged a portion of the audit costs.

In determining a percentage of total cost that may be charged to a fund, any reasonable and rational method such as a percentage of the fund’s revenue or expenditures compared to the total revenue or expenditures for all funds, excluding custodial funds and federal funds discussed in the following paragraphs, would be acceptable. A local government’s indirect cost allocation plan may also be an acceptable method for allocating audit costs.

When the audit ~~Other funds of a local government that may be charged a percentage of the audit costs~~ include bond, grant, trust, custodial or other similar ~~and grant~~ funds, there may be limitations to a local government’s ability to allocate costs back to certain funds. In these circumstances, AOS strongly encourages local governments work with their legal counsel before allocating such costs back to bond, grant, trust, custodial or other restricted funds. The ability to charge bond funds, for example, will depend on the allowable uses defined in the bond legislation. Trust and other funds that receive donations restricted to specific purposes will require analysis by the fiscal officer of the restrictions imposed by the donor and/or trust agreement to determine if any audit costs may be charged to those funds. Custodial funds (previously referred to as agency funds) should not be charged for any share of the cost of an audit for the fiscal officer’s role as the fiscal agent.

~~In determining a percentage of total cost that may be charged to a fund, any reasonable and rational method such as a percentage of the fund’s revenue or expenditures compared to the total revenue or expenditures for all funds, excluding custodial funds, would be acceptable. A local government’s indirect cost allocation plan may also be an acceptable method for allocating audit costs.~~

For federal grant funds, Uniform guidance 2 C.F.R. 200.425 notes a reasonably proportionate share of costs of audits required by, and performed in accordance with, the Single Audit Act are allowable costs, except as otherwise noted in the section[[17]](#footnote-18). Local governments can request their auditors provide a breakdown of hours directly attributable to the Single Audit for allocating these costs. The proportionate share of the audit costs can be directly charged to a Federal award. If not directly charged to the Federal award, the proportionate share of the financial audit costs related to auditing federal awards can be charged and allocated through an indirect cost pool for a cost allocation plan or indirect cost proposal. In accordance with 2 C.F.R. § 200.414(f), governments without an approved indirect cost allocation plan can charge a 10% de minimis rate of Modified Total Direct Costs (2 C.F.R. § 200.1) to eligible Federal award programs. Most governments, meeting the requirements specified in 200.414 (f), that do not have a current indirect cost rate can use the 10% de minimis rate indefinitely until or unless an approved indirect cost rate is obtained, provided that costs are consistently charged as either indirect or direct costs, but not both, from year to year. Local governments utilizing this provision must charge 10% de minimis rate across all Federal programs for which it is allowable pursuant to award terms and conditions of their awards. Local governments can also refer to the online AOS Client Resource,

[*Can Audit Costs Be Paid Using Federal Grants?*](https://ohioauditor.gov/resources/covid19/Audit_Costs.pdf)

See 2 C.F.R. § 200.425 for further explanation of allowable and unallowable audit costs, and [2 CFR FAQ](https://www.cfo.gov/assets/files/2CFR-FrequentlyAskedQuestions_2021050321.pdf) Q-99 - Q-103 for guidance when the auditee charges non-single, internal, legislative or performance audit[[18]](#footnote-19)costs. Other audit costs are allowable if specifically approved by the awarding or cognizant agency as a direct cost to an award or included as an indirect cost in a cost allocation plan or rate.

**Suggested Audit Procedures - Compliance (Substantive) Tests:**

1. Determine if the government charges funds other than the general fund for audit costs. If so, review documentation supporting how the government determines a reasonable basis for allocating audit costs to funds other than the general fund. (Lack of formal documentation should not result in a citation or finding for adjustment if the allocation is reasonable.)
2. Determine if the government allocates audit costs to grant funds. If so, review documentation supporting the government allocated the audit costs to grant funds in accordance with Federal guidelines.

**Audit Procedures, Government Personnel Interviewed and Dates:**

**Conclusion (management letter comments):**

**Revised: HB 110, 134 GA Effective: September 30, 2021**

### O-13 Compliance Requirement: Section 701.70 of Am. Sub. HB No. 110 134th G.A., Ohio Rev. Code § 109.803, and Audit Bulletin [2022-004](https://ohioauditor.gov/publications/bulletins/2022/Bulletin_2022-004.pdf) – Continuing Professional Training (CPT) pilot program funding for law enforcement agencies (NEW)

**Summary of Requirements**: Section 701.70(A) of Amended Substitute House Bill 110 of the 134th General Assembly required the Attorney General, not later than December 1, 2021, to create a pilot program, for state funding of the training of peace officers and troopers that is required under Ohio Rev. Code § 109.803. The program is a one-year program, operating in calendar year 2022. The Ohio Rev. Code § 109.803 training requirements specify that, with limited exceptions, every appointing authority must require its appointed peace officers and troopers to complete up to 24 hours of continuing professional training each calendar year, as directed by the Ohio Peace Officer Training Commission. Under the pilot program, not later than December 2, 2021, each law enforcement agency with peace officers or troopers who are subject to the Ohio Rev. Code § 109.803 training requirement was required to certify to the AGO the total of all salaries to be paid in calendar year 2022 to officers or troopers of the agency who will receive that training in calendar year 2022 and their hourly rates of pay.

From money appropriated for the pilot program, the AGO must pay each law enforcement agency with peace officers or troopers who are subject to the Ohio Rev. Code § 109.803 training requirement an amount to cover up to 50% of the total cost of the salaries of the officers or troopers who will receive that training in calendar year 2022, as certified by the agency, during the period of the training. The amount paid must cover only the period when the officers or troopers are receiving that training, and may not exceed an amount covering 24 hours of the training. No payment may be made under the program after January 1, 2023. If a law enforcement agency does not use all of the money for the salaries it certified, it must return the unused money to the AGO. Each law enforcement agency that receives money under the pilot program must submit to the AGO, by the date the AGO specifies[[19]](#footnote-20), a report that states the amount of money the agency received, how and when that money was used, and any other information the AGO requires with respect to the use of the money.

***Accounting***

Ohio Admin. Code 109:2-18-04(H) states that each appointing authority that receives funds under this rule shall keep those funds separate from any other funds of the appointing authority and shall use those funds solely to defray the cost of continuing professional training programs. Therefore, local governments that receive CPT funding may account for the monies in one of two ways:

1. Establish a separate fund. Ohio Rev. Code §5705.10(I) requires that monies paid into this fund must be used only for the purposes for which the fund is established. Note: AOS Bulletin 2022-004 served as approval for establishing such a fund and no additional AOS approval was required.
2. Pay these monies into an already existing fund that may make allowable compensation payments for law enforcement salaries.

If option 2 is selected the local government is required to maintain separate accountability through specific account codes or other accounting records (for example, spreadsheets) to segregate the receipt and uses of this funding.

***Allowable Expenditures***

CPT funding may be used solely to defray costs of continuing professional training programs required under Ohio Rev. Code §109.803 for peace officers and troopers. Monies may only be used to pay for the costs of the associated required training, such as the costs of registration for training seminars, the costs to the local law enforcement agencies of putting on their own training that is compliant with OPOTC-approved curricula, or the cost of regular pay for the time spent by a peace officer when receiving the required 24 hours of training. (Sec. 701.70(A)(4) of Am. Sub. HB 110; Ohio Admin. Code 109:2-18-04)

***Documentation Requirements***

Each agency should maintain documentation that will allow for separate accountability for the CPT funding. The accounting records should be maintained in a manner to demonstrate compliance with the aforementioned CPT requirements as well as allow the agency to complete the required reporting to the AGO. Each expenditure should be carefully tracked and adequate documentation of the expenditure be maintained. This includes accounting for the money received, tracking each expenditure carefully and maintaining adequate documentation including, but not limited to, copies of invoices and other underlying supporting documentation and records reflecting the CPT training topics and dates each peace officer or trooper completed in 2022.

Ohio Admin. Code 109:2-18-05 requires appointing authorities to maintain records sufficient to demonstrate compliance with the minimum training requirements. This includes authentic copies of lesson plans with copies of sign in sheets or authentic copies of certificates of successful completion to demonstrate the topics and dates that training was completed.

**Suggested Audit Procedures - Compliance (Substantive) Tests:**

1. Determine if the government received monies from the Attorney General’s Office for the CPT pilot program. If so:
	1. Determine the government sufficiently maintained separate accountability of the funds using one of the two options above.
	2. Scan expenditures made from these monies and determine if expenditures were only made for allowable purposes and that expenditures contain appropriate supporting documentation.
	3. Select a few peace officers and agree trainings attended to certificates of completion or copies of sign-in sheets.
	4. Review the Attorney General Office’s (AGO) CPT webpage (<https://www.ohioattorneygeneral.gov/CPT>) and determine the reporting requirements prescribed by the AGO. Determine the government complied with the applicable requirements including submission of the required report by the required date.

**Audit Procedures, Government Personnel Interviewed and Dates:**

**Conclusion (management letter comments):**

OPM APPENDIX 5705.36 (applies to O-1)

**Conditions not requiring a citation under Ohio Rev. Code** § **5705.36**

The following examples illustrate circumstances under which a variance between the amended certificate of estimated resources and the actual resources is not indicative of a deleterious budgetary effect.

1. Additional revenue is estimated by the entity, but the entity does not obtain an amended official certificate of estimated resources as it does not anticipate appropriating the resources or incurring any obligations until the next fiscal year. For example, if an auditee determines six weeks before fiscal year end that it will receive an additional $50,000 in a state grant fund, but it does not anticipate that this money will be appropriated, expended, or obligated until the next fiscal year and, therefore, does not obtain an amended official certificate of estimated resources, a variance between the amount of the most recent amended official certificate of estimated resources and a higher amount of actual resources attributable to this increase would not warrant a citation in the audit report.
2. Additional revenue is estimated by the entity, which obtains an amended official certificate of estimated resources, appropriates the additional revenue, and incurs obligations. The entity elects, however, to defer receipt of the additional revenue until the next fiscal year, when the related cash disbursements will be made. For example, a school district may obtain a new certificate due to an anticipated state loan and appropriate and obligate the resources in question. As payment will not, however, be due until the next fiscal year, it defers actual receipt of the loan proceeds. The result is a variance between the amount of the most recent amended official certificate of estimated resources and the lower amount of actual resources. A citation would not, however, be appropriate.
3. Actual revenue falls below the amount of the amended official certificate of estimated resources, but is sufficient to cover actual expenditures and encumbrances for the fiscal year. For example, an entity may have an amended official certificate of estimated resources in the amount of $100,000, actual revenues of $90,000, and expenditures and encumbrances of $85,000. Under such circumstances, the failure to obtain an amended certification reflecting the lowered revenue level would not be required.
4. Actual revenue falls below the amount of the amended official certificate of estimated resources, but appropriations and expenditures plus obligations incurred prior to the point at which a revised estimate could have been made exceed the amended estimate. For example, an entity may have an amended certificate of estimated resources in the amount of $100,000, in reliance upon which it adopts appropriations of $95,000 and incur obligations of $95,000. When it thereafter estimates that actual resources will be $90,000, should it obtain an amended official certificate of estimated resources? And, if so, in what amount? Where expenditures are made or obligations incurred within the limits of an existing certificate and an amended certificate is subsequently obtained pursuant to Ohio Rev. Code § 5705.36 in an amount below the amount of expenditures and outstanding obligations, Ohio Rev. Code § 5705.36 prohibits the reduction of appropriations below that amount necessary to cover "obligations certified from or against the obligation." Thus, appropriations and expenditures and obligations incurred may exceed the year-end amount of the amended official certificate of estimated resources although no statutory violation has occurred. Under the circumstances set forth above, a reduced certificate in the amount of $95,000, the lowest lawful amount to which appropriations can be reduced, should be obtained. This satisfies the control objective of the statute by preventing unlawful expenditures and obligations in excess of the estimated amount, but recognizes the legal prohibition upon any further reduction in appropriations.
5. The determination of compliance should be made on the basis of the currently estimable legal resources. For example, a subdivision has estimated proceeds of $100,000, appropriates and expends or obligates $100,000, but determines that actual resources for the fiscal year will be only $80,000. It may, however, by transfer or borrowing, obtain the extra $20,000. In determining whether a "reduction" certificate should have been obtained, look to what actions have been formally taken by the taxing authority of the subdivision. If no action was taken to transfer or borrow the $20,000, a citation may be appropriate. If the money was transferred or borrowed so as to increase total actual resources to $100,000, no citation would be necessary.

LEGAL MATRIX

The legal matrix matches the applicability of OPM steps to various entity types. The information in the matrix does not necessarily encompass every item requiring testing for these entities. Additionally, when footnotes in the matrix reference specific sections of the Ohio Rev. Code, you should read those sections when planning and/or conducting the audit.

The legal matrix is depicted in a separate Excel file: [**https://ohioauditor.gov/ocs/2023/Legal\_Matrix.xlsx**](https://ohioauditor.gov/ocs/2023/Legal_Matrix.xlsx). Entities are listed alphabetically across the top of the worksheet.

1. 1985 Op. Att’y. Gen. No. 85-085 defines *Custodial Funds* as those funds held in possession of the treasurer of a government body for some other entity, but are considered to be outside the treasury of the governmental body – and not available for use by that governmental body itself. This would include funds properly classified as fiduciary funds per GASB Cod. 1300.102(c). [↑](#footnote-ref-2)
2. This includes local motor vehicle license tax imposed under Ohio Rev. Code Chapter 4504, motor vehicle license tax imposed under Ohio Rev. Code 4503.02, highway use tax, and gasoline tax imposed under Ohio Rev. Code Chapter 5728, and the motor vehicle fuel tax imposed under Ohio Rev. Code Chapter 5735. [1982 Op. Att’y. Gen. No. 82-031] [↑](#footnote-ref-3)
3. For accounting purposes, funds this Ohio Rev. Code section describes would be *permanent* funds under GASB Statement No. 54 or *private purpose trust* funds under GASB Statement No. 34. [↑](#footnote-ref-4)
4. Although community schools have a single fund presentation, they are required to maintain accounting records according to USAS which necessitates compliance with these requirements. [↑](#footnote-ref-5)
5. Ohio Rev. Code § 517.15 says, “Upon unanimous consent of the board of trustees, the board may use the principal of the fund if the board is unable to maintain, improve, and beautify township cemeteries using only the income from the fund.” See also OCS 1-21 ~~1-28~~ – Permanent cemetery endowment fund. [↑](#footnote-ref-6)
6. For accounting purposes, funds the Ohio Rev. Code describes in this section would be *permanent* funds under GASB Statement No. 54 or *private-purpose trust* funds under GASB Statement No. 34. [↑](#footnote-ref-7)
7. Auditors and governments may wish to refer to the Auditor of State’s Best Practices for discussions about procurement cards at <https://ohioauditor.gov/publications/bestpractices.html>. [↑](#footnote-ref-8)
8. Staff should consult with their assistant legal counsel assigned to the region and CFAE when cash withdrawal or credit card balances remain unpaid or a pattern of late fees, penalties or interest/finance charges is occurring without board approval. [↑](#footnote-ref-9)
9. Ohio Rev. Code § 9.314 prohibits a political subdivision from purchasing supplies or services by reverse auction if the contract concerns the design, construction, alteration, repair, reconstruction, or demolition of a building, highway, road, street, alley, drainage system, water system, waterworks, ditch, sewer, sewage disposal plant, or any other structure or works of any kind. [Ohio Rev. Code § 9.314(B)(2)] [↑](#footnote-ref-10)
10. The testing procedures in this section are derived primarily from Ohio Rev. Code § 9.21 and do not apply to counties. The legal matrix for the OPM has been updated to reflect this. Counties may utilize section [O-5](#_O-12_Compliance_Requirement:) ~~O-12~~ instead. [↑](#footnote-ref-11)
11. The policy should also include a reasonable length of time the card is allowed to be out of the control of the treasurer or fiscal officer for the transaction(s) to be completed. Auditors should evaluate the length of time a card is out of the control of the treasurer or fiscal officer for reasonableness on a case-by-case basis. [↑](#footnote-ref-12)
12. Any comments resulting from testing the credit card requirement should be documented in the working papers and communicated verbally. [↑](#footnote-ref-13)
13. Staff should consult with their assistant legal counsel assigned to the region and CFAE when cash withdrawal or credit card balances remain unpaid or a pattern of late fees, penalties or interest/finance charges is occurring. [↑](#footnote-ref-14)
14. Moody’s Investors Service issued information on May 9, 2018 noting that effective 7/1/18 (for fiscal years ending after 7/1/17), Moody’s requires audited financial statements within 12 months of year end. In certain circumstances, Moody’s may accept unaudited statements but if audited statements are not received within 18 months, they will consider withdrawing their bond rating of the entity. The audit requirement also applies to issuers with a biennial audit cycle, however, biennial issuers are required to provide unaudited financial statements during the “off-year.” For example, if an issuer is expected to complete an audit for fiscal years ending June 30, 20XX and 20XY, the issuer will be required to provide sufficient unaudited information at the end of fiscal 20XX. [↑](#footnote-ref-15)
15. Although 17 C.F.R. **§** 240.15c2-12 no longer requires filing with the SID, continuing disclosure agreements may include a requirement to file with the SID. [↑](#footnote-ref-16)
16. The record of wills may serve as a source of obtaining missing trust documents to support trust fund obligations for some of our governments. [↑](#footnote-ref-17)
17. The costs of audits that are not required by the Single Audit Act and Subpart F are not allowable under 2 C.F.R. § 200.425, including performance audits. [↑](#footnote-ref-18)
18. Performance audits are not allowable costs per 2 C.F.R. FAQ Q-101. [↑](#footnote-ref-19)
19. Reporting guidelines were not scheduled to be finalized until later in the fall of 2022 according to CPT Update Bulletin CPT2022-03.2 available on the Ohio Attorney General’s website at <https://www.ohioattorneygeneral.gov/CPT>. [↑](#footnote-ref-20)