

Ohio Compliance Supplement 2026 Updates

2026 LGOC

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Agenda



What is the Ohio Compliance Supplement?



2026 Updates – Ch. 1-3, OPM & IG

What is the OCS?

OCS = Ohio Compliance Supplement

Contains certain laws and regulations which are:

- of the type auditors generally consider direct and material
- or of considerable public interest

Is not a comprehensive listing of applicable laws and regulations

Is designed to help auditors and public offices identify and familiarize themselves with certain laws and regulations

Updates - When/How Often? How to Identify Changes?

Updated annually

Main OCS normally issued by December

Ch. 4 (school chapter) normally issued by June

Changes marked with ~~strike-out~~, double underline or wavy-underline

What is the effective date?

2026
OCS

Engagements of FYE
12/31/25 – 11/30/26

2025
OCS

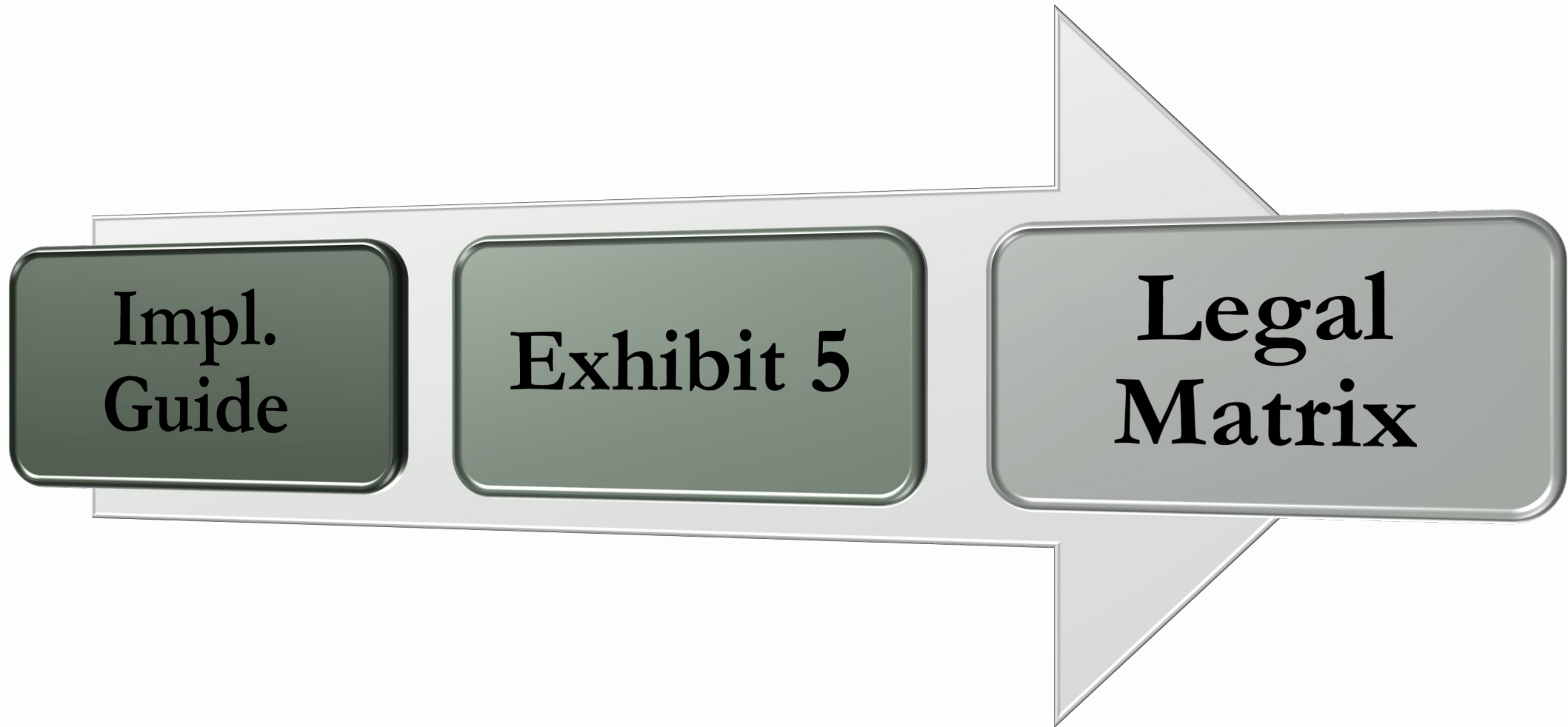
Engagements of FYE
12/31/24 – 11/30/25

Where is the OCS?

The screenshot shows the Ohio Auditor of State website. The header includes the logo for Keith Faber and a navigation menu with categories: AUDITS, LOCAL GOVERNMENTS, OPEN GOVERNMENT, TRAINING, and RESOURCES. The main content area is divided into two columns. The left column, titled 'Reference Materials', contains sections for 'Clients & IPA Firms' (with sub-links for GASB FAQ, Library FAQ and Program Codes, and Other Accounting FAQ) and 'Financial Statement Shells & Notes' (with sub-links for GAAP, OCBOA, Regulatory, and Specialized Footnotes). The right column, titled 'Ohio Compliance Supplement Manuals', lists the '2026' manuals: 'Ohio Compliance Supplement Implementation Guide (pdf)' (with sub-links for The Compliance ACE and Legal Matrix), 'Ohio Compliance Supplement Manual (pdf)' (with sub-links for Chapter 1 - Direct Laws, Chapter 2 - Indirect Laws and Statutorily Mandated Tests, and Chapter 3 - Stewardship), and 'Optional Procedures Manual (docx)'.

<http://www.ohioauditor.gov/references/compliancemanuals.html>

How to Use?



Legal Matrix

Step No.	Requirement	Township	Traditional Schools ⁴⁹	Union Cemetery District	Village
	General Budgetary Requirements (1-1 through 1-3)			✓ ² ✓ ³	
1-1	<i>Budgetary</i> - ORC 5705.38: Annual appropriation measures - classification	✓	✓	✓	✓
1-2	<i>Budgetary</i> - ORC 5705.41(D) and 5705.42: Restriction upon appropriation and expenditure of money - certificate of fiscal officer	✓	✓	✓	✓
1-3	<i>Budgetary</i> - ORC 5705.40: Amending or supplementing appropriation, ordinance – transfer – unencumbered balance – appropriation for contingencies	✓	✓	✓	✓
1-4	<i>Budgetary</i> - ORC 5705.09 and 5705.12: Establishing funds and permission to establish special funds	✓	✓	✓	✓
1-5	<i>Budgetary</i> - ORC 133.01, 1545.23, 3315.20, 5155.33, 5549.21, Various 5705 Sections, 5735.28: Distribution of levy revenue	✓	✓	✓	✓
1-6	<i>Budgetary</i> - ORC 5705.05 and 5705.14-.16: Transfer of funds ⁴⁷	✓	✓	✓	✓

How is the OCS Organized?

Chapter 1

Chapter 2

Chapter 3

Chapter 4

Optional
Procedures
Manual (OPM)

Implementation
Guide (IG)

DIRECT LAWS

Revised: HB 96, 136th GA
Effective: September 30, 2025

1

1-1 Compliance Requirement: *Budgetary* - Ohio Rev. Code § 5705.38 Annual appropriation measures - classification.

2

Summary of Requirements:

Ohio Rev. Code § 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1, or in the case of the City of Cincinnati, no later than October 1. This paragraph does not apply to school district appropriations.

3

In determining how the government ensures compliance, consider the following:	What control procedures address the compliance requirement?	W/P Ref.
<ul style="list-style-type: none">• Policies and Procedures Manuals• Knowledge and Training of personnel• Checklists• Review/Comparison/Recomputations of Purchase Documents• Budgetary/Purchasing Accounting/Monitoring System• Legislative and Management Monitoring• Management's identification of changes in laws and regulations• Management's communication of changes in laws and regulations to employees – Policies and Procedures Manuals		

4

Suggested Audit Procedures - Compliance (Substantive) Tests:

1. Read the minutes and determine if the governing board adopted an annual appropriation measure by the required date.
2. If a school district has delayed adoption of an annual appropriation measure, inquire about the reasons for the delay.

5

Audit implications (adequacy of the system and controls, and the direct and material effects of non-compliance, effects on the audit opinions and/or footnote disclosures, significant deficiencies/material weaknesses, and management letter comments):

2026 OCS Updates

Legislative Bills With OCS Impact



135th GA

- HB106
- HB257
- HB301
- HB315
- HB338
- HB497



136th GA

- HB54
- HB96 
- SB138
- SB147

Throughout OCS

Red COVID Language

- Removed where no longer relevant to the period covered by this OCS, and modified where appropriate.

GASB, AU-C, etc.

- Updated language, where needed, to sync to GASB, AU-C, etc.
- Added information regarding GASB 103 impact.

Throughout OCS

Section Headers

- Added section headers to each section to better identify the general subject content of each section.

1-1 Compliance Requirement: Budgetary - Ohio Rev. Code § 5705.38 Annual appropriation measures - classification.

2A-15 Compliance Requirement: Deposits and Investments - Ohio Rev. Code §§ 135.14 and 135.18 – Other Requirements.

Old Dates

- Removed/updated references to dates that are irrelevant to the periods covered by this OCS.

Implementation Guide

Implementation Guide

Introduction

- Added clarification about the requirements of AU-C 250.

Findings for Waste or Abuse

- Added definitions regarding waste and abuse based upon GAO's Yellow Book and AOS Bulletin 2024-005.

Implementation Guide

Findings for Recovery



- Added guidance in footnotes regarding naming bonding companies and employee dishonesty and faithful performance of duty policies in findings and clarified general liability insurance should not be named in findings.
- Added footnote regarding AOS Bulletin 2025-013 in relation to the reimbursement of sales tax by tax-exempt public offices.
- Clarifies the issuance (or lack thereof) of an FFR when the government identifies the FFR before the auditors do and the finding is repaid or resolved.

Implementation Guide

Appendix B – Contracts & Expenditures

- Updated bidding thresholds and certain language which was modified by HB 96.

Before Oct. 3, 2023	Oct. 3, 2023 – December 31, 2024	Calendar Year 2025	Calendar Year <u>2026³³</u>
\$50,000	\$75,000	\$77,250	<u>\$79,568</u>

Implementation Guide

Appendix C – Tax and Revenue Anticipation Notes

- Added language related to ORC 5705.2112 and 5705.233.

Appendix E – Deposits & Investments

- Updates made to Federal Agencies table, as needed.

Exhibit 4 – Changes to compensation

- Added information regarding compensation tables updated by HB 96 for county and township officials.
- Added a footnote regarding the timing of these changes to elected official's pay.

Implementation Guide

Legal Matrix

Throughout

- Updated to sync to edits made in corresponding OCS sections (ORC's, etc.)

Exhibit 5

- **Step 1-1** – Updated applicability to certain governments (Joint Township and Union Cemeteries).
- **FN 81** – Added footnote related to ORC 6101.44 and conservancy district funds.
- **Step 2-21** – Added section related to new cybersecurity requirements and marked subdivisions we determined applicable.
- **Step 2B-7** – Added Agricultural Societies to the list of applicable entities.
- **FN 2 and 16** – Clarified language regarding the applicability of budgetary requirements.
- **FN 4 and 63**– Updated footnotes regarding changes made to ORC 121.37 in HB 96.
- **FN 68** – Added clarification that ORC 9.24 applies to Park Districts.
- **FN 74** – Clarified that ORC 4115.05 regarding prevailing wages do not apply to school districts or educational service centers.

Implementation Guide

Legal Matrix

Exhibit 6

- **JEDD and JEDZ** – Added references to footnote 7 to which this footnote now applies because of HB 257.
- **FN 8** – Added footnote clarifying that, notwithstanding ORC 121.22(C), OPERS, OPFPF, SERS, and OHPRS may adopt a policy to allow board members to attend meetings via video conference because of HB 257.
- **FN 9** - Added clarification that employees of the state retirement systems are not state employees for the purposes of ORC 117.103.

Chapter 1

Direct Laws

Chapter 1

1-1: Budgetary - Annual appropriation measures – classification

- Updated language related to amounts/funds not subject to budgeting consistent with changes in HB 96.
- Clarified AOS policy regarding nonexpendable principal.

Chapter 1



1-4: Budgetary - Establishing funds and permission to establish special funds

- Reorganized funds into lists of funds which “must” be established and “may” be established.
- Includes extensive updates consistent with the updated May 2025 USAS Manual.

Chapter 1

1-5: Budgetary: Distributing revenue derived from tax levies, proceeds from sale of bond issue, proceeds from sale of permanent improvement

- Removed language regarding the prohibition of a Township paying certain expenses from general levies. Changes made to HB 315 rendered this guidance irrelevant.
- Added guidance that, for schools, a fund's special cost centers are considered in aggregate for evaluating compliance with ORC 5705.10 (negative fund balances).



1-6: Budgetary - Transfer of funds

- Modified based upon change to HB 96 which changed the numbering of the requirement for a county's establishment of the children services fund from ORC 5101.144 to 5180.411.

Chapter 1

1-8: Budgetary – Reserve balance accounts and funds

- Updated language related to certain reserve balance accounts and funds treatment for unencumbered balances based upon changes included in HB 96.
- Added suggested audit procedure for testing disbursement transactions from a county board of developmental disabilities reserve balance account established under ORC 5705.222
- Made pertinent edits related to this section included in HB 96.

1-9: Other Laws and Regulations – County Children Services Fund

- Similar to OCS 1-8, updated references for the children services fund resulting from changes in HB 96.

Chapter 1

1-10: Debt - Issuing or retiring bonds and notes

- Added information regarding townships borrowing money under ORC 505.86 and Ohio Atty General Opinion 2025-001 which opined that county land reutilization corporations are not financial institutions for purposes of ORC 505.86(F).

1-13: Debt – Governments investing in their own securities

- Added ORC 731.59 regarding custody of securities belonging to the treasury of any municipal corporation.

Chapter 1

1-14: Accounting and Reporting - Annual financial reporting

- Updated language in ORC 117.38 regarding budgetary comparison information reporting as included in HB 96.
- Included guidance related to this change in a footnote for the different basis of accounting.

1-16: Other Laws and Regulations - Health care self-insurance

- Added footnote to clarify actuarial certifications.

Chapter 1

1-21: Other Laws and Regulations – Permanent endowment funds

- Added requirements & tests related to conservancy districts and ORC 6101.47 regarding charitable trusts and social welfare trusts as enacted under HB 315.

1-24: Other Laws and Regulations – Expenditures by solid waste management districts

- Added footnote regarding how a county can withdraw from a joint solid waste management district under ORC 3734.522 (SB 147).

Appendix A: Agricultural Societies

- Updated reporting language regarding a legally adopted budget.

Chapter 2A

Indirect Laws

Chapter 2A

2A-1: Budgetary - Appropriations limited by estimated revenue

- Updated to add previously omitted language from ORC 5705.39.

2A-2: Budgetary - Restrictions on appropriating and expending money

- Added red COVID language regarding “deemed appropriated” consistent with language included in OCS 1-2.

Chapter 2A

All Contracts and Expenditures Sections

- Updated thresholds, where appropriate.
- Added requirements & test for ORC 9.24 (AOS FFR Database).



2A-3: Contracts and Expenditures - Municipal contracts

- Clarified ORC sections related to certain exclusions from requirements.

Chapter 2A

2A-5: Contracts and Expenditures - County notice and other bid procedures

- Added requirement regarding ORC 153.44 for the submission of plans to be submitted to certain officials within the County.
- Added exemption from bidding of minor repairs under ORC 153.31.
- Added exemption under ORC 153.36 for courthouse and jail projects.
- Updated advertisement requirements as enacted in HB 497.

2A-6: Contracts and Expenditures – Township's expenditures and competitive bidding

- Updated Town hall requirements as updated in HB 315.
- Modified requirement under ORC 5549.21 which previously required payments on account of machinery, tools, material and labor to be made from the Township Road Fund. These payments may now also be made from the Township's General Fund under modifications from HB 315.
- Updated the advertising requirements for contracts under various sections of the ORC.

Chapter 2A

2A-9: Contracts and Expenditures - Bidding required on improvement contracts (Colleges & Universities)

- Added information regarding where to find applicable thresholds, where appropriate.
- Also, updated wording changes to ORC 9.312 consistent with changes from HB 96.

2A-12: Contracts and Expenditures - Prevailing wage rates in public works contracts

- Updated to include language and references from ORC 4115.05.
- Removed footnote regarding 2008 Op. Att’y Gen. No. 2008-007 as the result of a court ruling.

Chapter 2A

2A-13: Accounting and Reporting – Required accounting records

- Updated to provide additional language as included in the OAC.
- Reorganized the section slightly to be clear to differentiate between OAC and GASB requirements.
- Updated for the addition of ORC 4113.14 from HB 106 (Pay Stub Protection Act).

2A-14: Deposits and Investments – Eligible investments for interim monies

- Removed ORC 135.144 which was repealed by HB 96. (Note that ORC 135.145 is still in effect and contains similar requirements.)
- ORC 135.03 was modified under HB 96 to clarify that eligible institutions under this section must have a banking office located in Ohio for an entity to be compliant.
- Added footnote regarding the enactment of ORC 135.032 in HB 301 regarding institutions that are party to a prompt corrective action.

Chapter 2A

2A-15: Deposits and Investments – Other requirements

- Added link to certification of exemption form.

2A-17: Deposits and Investments - Security for repaying county (and county hospital) public deposits

- Updated FDIC language to match FDIC guides.

Chapter 2A

2A-18: Deposits and Investments – Eligible investments for inactive county money

- Added footnote regarding the enactment of ORC 135.032 regarding institutions that are party to a prompt corrective action.
- Removed footnote related to commercial paper which was no longer necessary as a result of changes in HB 96.
- Updated list of nations the US does not diplomatically recognize.

2A-19: Deposits and Investments - Other County and County Hospital Investment Requirements

- Updated because of the repeal of ORC 135.144 under HB 96.

Chapter 2A

2A-21: Other Laws and Regulations – Political subdivision cybersecurity and adoption of a cybersecurity program



NEW

- Added this **NEW** section to test the requirements of ORC 9.64 and AOS Bulletin 2025-007 regarding cybersecurity and cybersecurity programs.
- **Important:** Auditors should pay special attention to the “Important Testing and Reporting Considerations” guidance included within this section.

Suggested Audit Procedures - Compliance (Substantive) Tests:

IMPORTANT TESTING AND REPORTING CONSIDERATIONS:

Chapter 2A

2A-21: Other Laws and Regulations – Political subdivision cybersecurity and adoption of a cybersecurity program (cont'd)

- Section includes guidance & compliance tests related to:
 - Cybersecurity Program Implementation Due Dates
 - Cybersecurity or Ransomware Incident Reporting Requirements
 - Ransomware Payment Only Permitted after Public Vote by Legislative Authority
 - Public Records Exemption



NEW

Chapter 2A

2A-21: Other Laws and Regulations – Political subdivision cybersecurity and adoption of a cybersecurity program (cont'd)

The Auditor of State will audit for the adoption of cybersecurity programs based upon the following implementation dates:

<u>Entity Type</u>	<u>Due Date</u>
County	January 1, 2026
City	January 1, 2026
All Other Entity Types	July 1, 2026



NEW

Chapter 2B

Statutorily Mandated Tests

Chapter 2B

2B-1: Contracts and Expenditures - Force accounts for certain municipal corp's

2B-2: Contracts and Expenditures - Force accounts for Counties

2B-3: Contracts and Expenditures - Force accounts for Townships

- Updated thresholds, where appropriate.
- Added safe harbor percentages from ODOT's website.
- Updated work exempt from competitive bidding/force account requirements, per HB 54.
- Information from ORC 5517.02 was added regarding projects undertaken by ODOT and subcontracted work.
- Modified throughout related to 2008 Op. Att'y Gen. No. 2008-007 and the outcome of *State ex rel. Renwand v. Bd. of Huron Cnty. Comm'rs*, 2010-Ohio-1477 ¶ 32 (6th Dist.).
 - Although the decision in *State ex rel. Renwand v. Bd. of Huron Cnty. Comm'rs*, 2010-Ohio-1477 addresses a county force account project, the Auditor of State will apply the principles of *Renwand* to municipal corporations and townships undertaking force account projects.

Chapter 2B

2B-5: Other Laws and Regulations - Landfill financial assurance responsibility and certifications; Solid waste transfer facility financial assurance responsibility and certifications

- Various clarifications made throughout section to clarify the requirements including guidance from the Ohio EPA related to when the post-closure care period ends for solid waste landfills.



2B-6: Other Laws and Regulations - Education Requirements

- Various edits made throughout related to changes from HB 96 including requirement for fiscal officers to maintain supporting documentation for trainings attended.
- Added OAC 117-14-02 which is the rule requiring fiscal officers to enter hours into the Fiscal Integrity Act portal. Also added related testing step.
- Updated guidance on obtaining CPIM confirmations from the Treasurer of State's office, including instructions, as these hours can now be obtained from the TOS Touchpoint system.

Chapter 2B

2B-7: Other Laws and Regulations - Fraud and abuse; conflict of interest; ethics

- Updated to include Ohio Ethics Commission Advisory Opinion No. 2025-02 and AOS Bulletin 2025-012 regarding the use of frequent flyer miles and other rewards points accrued during official business by public officials and employees.
- Added a footnote containing guidance regarding the applicability of fraud training under ORC 117.103 to employees of the state retirement systems.

Chapter 2B

2B-8: Other Laws and Regulations - Ohio Sunshine Laws

- Added ORC 121.221 regarding virtual meetings as enacted in HB 257. Also added related testing procedures.
- Added a footnote related to video records and whether they represent public records.
- Removed references to AOS Bulletin 2021-007 which was superseded by AOS Bulletin 2025-014 and added footnote regarding this public record & open meeting law community school matter. Details of the requirements will be included for testing in the **2027 OCS**.

2B-8 Exhibit A: Other Laws and Regulations - AOS Bulletin 2019-003 – Star Rating System (StaRS)

- Subsequent to issuance of the 2026 OCS, AOS determined this section will no longer require testing, beginning with audit periods ending 11/30/2025 & 12/31/2025.

Chapter 3

Stewardship

Chapter 3

3-3: General - Appointments, compensation, contracts, etc.

- Updated virtual meeting footnote applicable to entities for virtual participation for the enactment of ORC 121.221 in HB 257.
- Added information related to ORC 325.25 regarding programs to recognize outstanding employee performance by counties.
- Added footnote related to ORC 305.021, as enacted by HB 96, related to county engineer supplemental compensation when serving as another county's engineer.

3-4: General – Prohibited political activities

- Added guidance regarding ORC 9.03 related to levy and bond issuance campaigns and reference to AOS Bulletin 2025-010 and AOS FAQs related to these issues.

Chapter 3

3-9: Courts – Records required of county courts

- Added information regarding the differences between a county court and other courts at a county and included a hyperlink to the Ohio Supreme Court website which contains a listing Ohio trial courts by County.

3-12: Courts – Court collection, custody and disbursement of fees, fines, costs, and deposits

- Added references to the sections which were amended by legislation (HB 338 and 96) since the previous issuance of the OCS.
- Removed ORC 5310.05-.06 as these sections were repealed.
- Added clarification and a footnote related to penalties for late filing of monies collected under ORC 3109.14.

Chapter 3

3-14: Other Laws and Regulations – Counties FOJ

- Removed reference to testing disbursements only if significant unusual items are noted by auditors through scanning procedures within the Sample Questions and Procedures section.
 - Testing of disbursements is required annually as noted in Step 8 in the FOJ Audit Program Steps portion of this OCS section.

3-15: Other Laws and Regulations – Twp Reimbursement of ins. Premiums

3-16: Other Laws and Regulations - Cafeteria Plans

- Updated thresholds, where appropriate.
- Clarifications made to the Sample Questions and Procedures when reimbursements are identified. (3-15 only)

Optional Procedures Manual (OPM)

Optional Procedures Manual

O-1: Budgetary – Certification of available revenue

- Similar to updates made in OCS 1-1 and 1-8, updated language related to the certification of unencumbered balances for certain funds consistent with changes in HB 96, and clarified AOS policy regarding nonexpendable principal.

O-3: Deposits and Investments – Allocating interest among funds for subdivisions other than counties

- Clarified the definition of revenue under 7 CFR § 210.2 includes state revenues and Federal cash reimbursements.

Optional Procedures Manual

O-5: Contracts and Expenditures - County credit and procurement cards

- Updated 113.40 reference, per HB 96 edit.
- Updated footnote regarding Amazon Business Prime (and other similar) memberships.

O-7: Contracts and Expenditures - Government credit cards & purchasing cards

- Added similar footnote as contained in O-5 related to Amazon Business Prime (and other similar) memberships.
- Added a footnote regarding SB 138 requiring ADAMH boards to adopt a credit card policy if they have not already done so in accordance with ORC 9.21.

Optional Procedures Manual

O-9: Accounting and Reporting – Books to be kept by the clerk of court of common pleas

- Added requirement enacted by HB 96 requiring clerk of courts to make available online the general docket of the court for remote access and printing including all individual documents in each case file pertaining to criminal cases filed.

O-12: Other Laws and Regulations - Allocating Audit Costs

- Updated to agree to AOS Bulletin 2025-006.

O-13: Other Laws and Regulations - Continuing Professional Training (CPT) for law enforcement agencies

- Revised step due to the expiration of the previously tested pilot program to incorporate the current training and associated requirements.

★ Key Take Aways ★

IG

FFR's - Clarification on naming bonding companies/general liability ins.

1-4

1-4: Budgetary - Establishing funds and permission to establish special funds - *Reorganized, HB 96 updates, & updates for May 2025 USAS Manual.*

1-5

Budgetary: Distributing revenue - *Added guidance that, for schools, a fund's special cost centers are considered in aggregate for evaluating compliance with ORC 5705.10 (negative fund balances).*

★ Key Take Aways ★

Ch. 2

All Contracts and Expenditures Sections - *Added requirements for ORC 9.24 (AOS FFR Database).*

2A-21

Other Laws and Regulations – Political subdivision cybersecurity and adoption of a cybersecurity program – *NEW SECTION*

2B-6

Other Laws and Regulations - Education Requirements – *Added fiscal officers must maintain documentation for trainings attended, enter hours into FLA portal, and info on new CPIM confirmation portal*

**2B-8
Exhibit
A**

Other Laws and Regulations - AOS Bulletin 2019-003 – Star Rating System (StaRS) – *n/a*

Center for Audit Excellence

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