



DAVE YOST
Ohio Auditor of State



Upcoming Audit Changes and Common Audit Issues

MVSBO Chapter Meeting
January 31, 2018

Agenda

- 
- Changes and Updates
 - Relevant Terminology
 - Sources of Issues
 - Common Noncompliance Citations
 - Common Internal Control Deficiencies

Changes and Updates

{ What You Can Expect to See in
Future Audits

GASB Pronouncements

GASB 75: OPEB

- Effective Fiscal Year 2018
- Postemployment Benefits Liability – Healthcare, etc.

GASB 84: Fiduciary Activity

- Effective Fiscal Year 2020
- Change in Student Activities Reporting

<http://gasb.org/>

2018 Compliance Supplement

ORC
5705.29

- Spending Reserve
- No Particular Purpose

ORC
5705.14

- Tax Commissioner
Approval of Transfers

ORC
1715.51-.59

- Permanent Funds

2018 Compliance Supplement

Public Records

- Excludes Competitive Bid Information and Public Depository Information

Competitive Bids

- \$50,000 for Certain School Building Projects

HB410

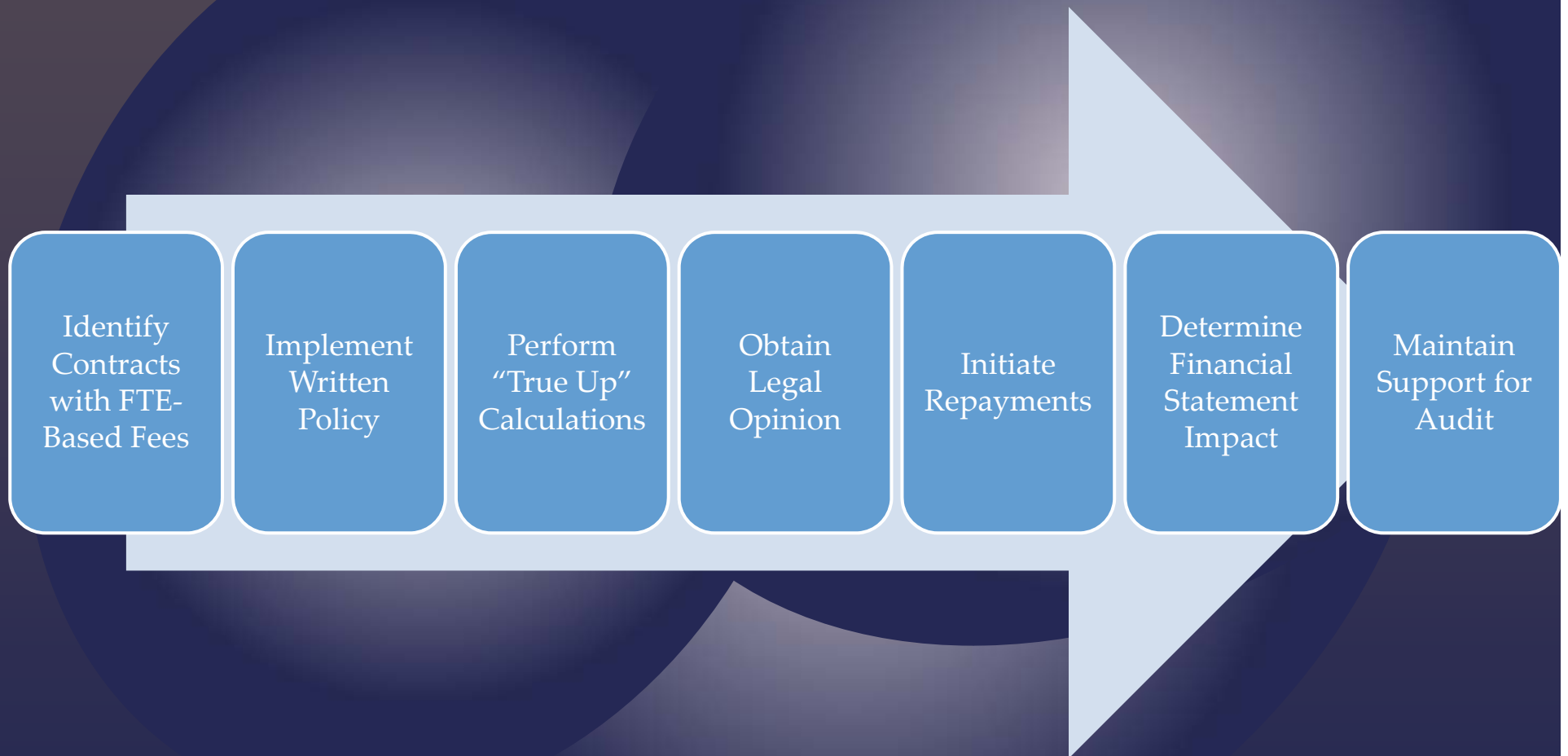
- Excessive Absences

2018 Compliance Supplement

Ohio Pooled Collateral System (OPCS)

- Went Live July 1, 2017
- Create Accounts to Monitor Compliance
- <https://opcs.ohio.gov/login#/>

Contracts Based on FTE



Uniform Guidance

New Frequently Asked Questions

- <https://cfo.gov//grants>

Written Policies

- Cash Management
- Allowable Costs
- Procurement
- Conflict of Interest
- Relocation Costs of Employees
- Travel Costs
- Time and Effort

Uniform Guidance

Procurement

- Three Year Grace Period
- Micro Purchase, Small Purchase, Competitive Bidding

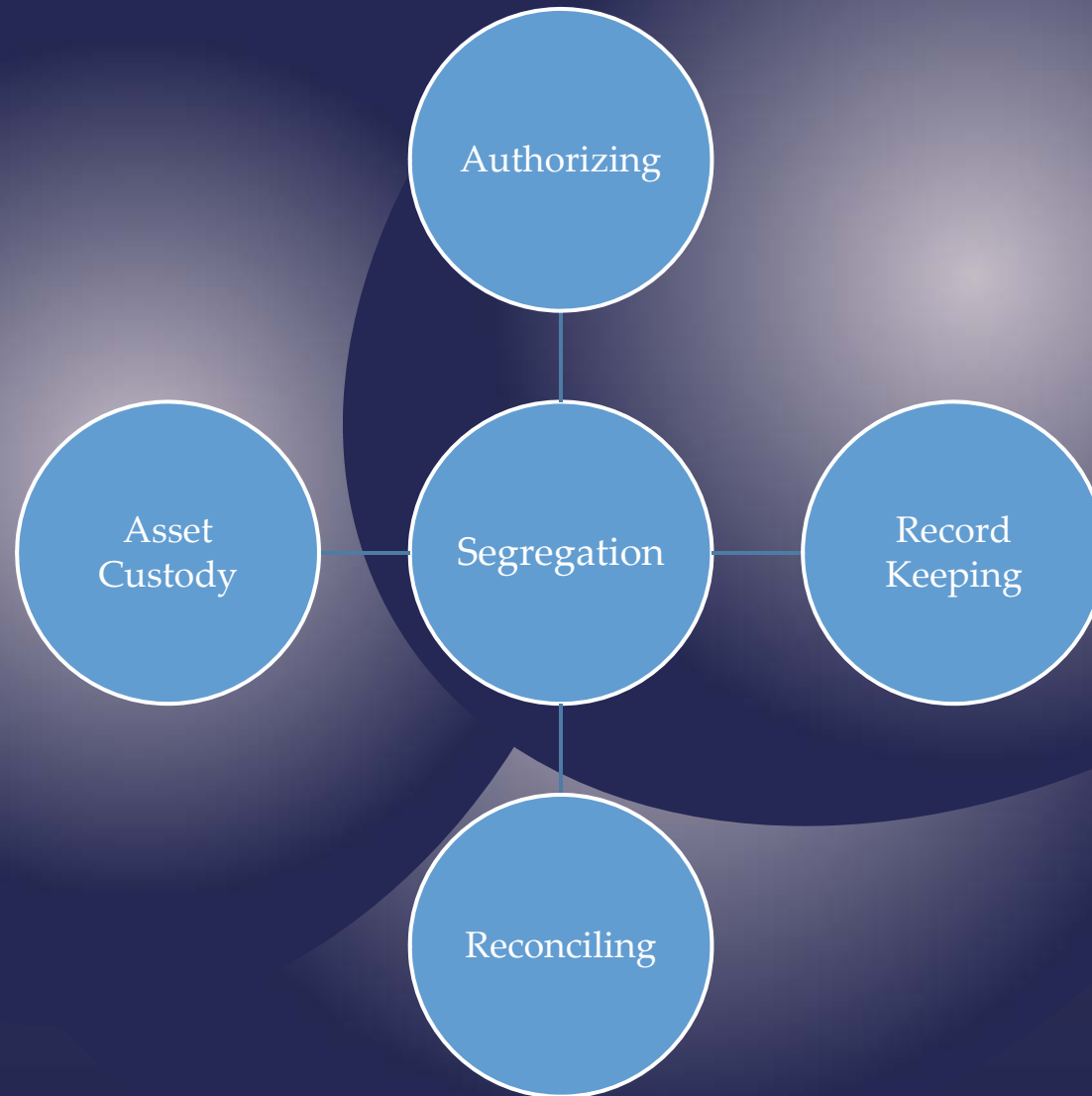
Summary Schedule of Prior Audit Findings

- District Letterhead

Corrective Action Plan

- District Letterhead
- Required for GAGAS and Single Audit Findings

Segregation of Duties



Relevant Terminology

{ How to Speak 'Audit'

Report Letters

Opinion

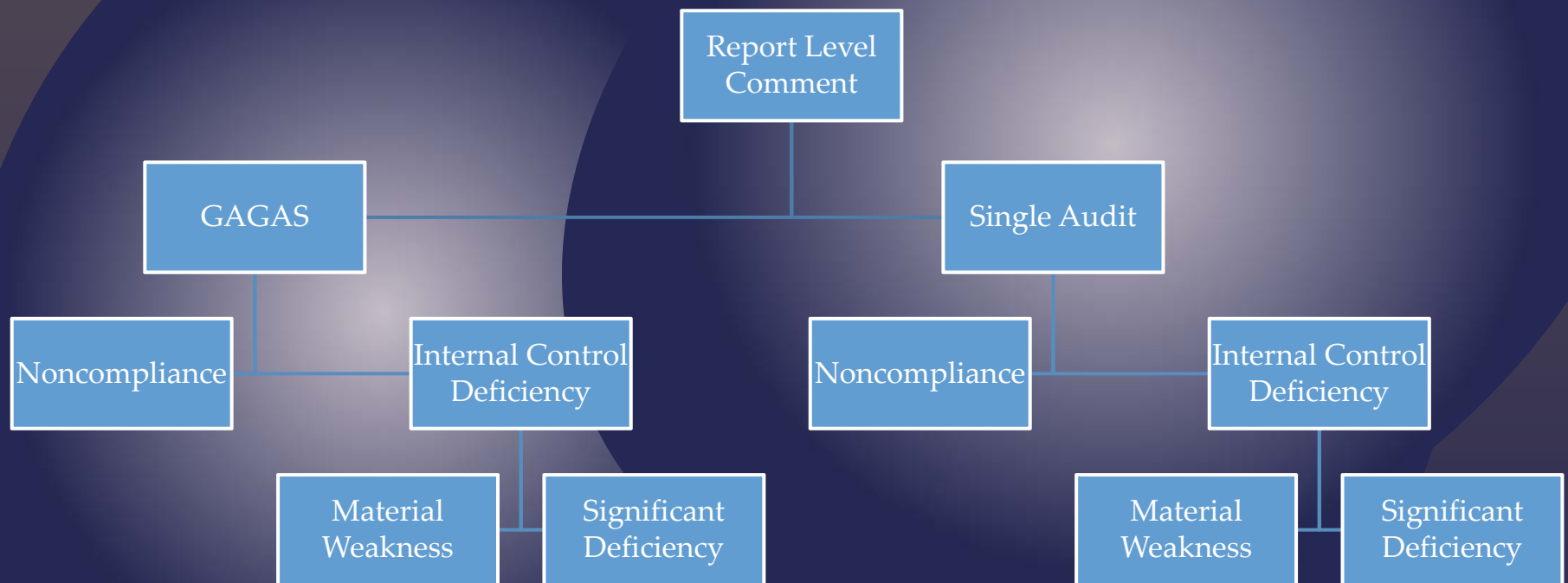
GAGAS

- Generally Accepted Government Auditing Standards
- Financial Statement Impact
- Results of Tests of Internal Controls and Compliance

Single Audit

- Federal Program Impact
- Results of Testing Major Program(s)

Comments



Comments

Noncompliance

Citation

Recommendation

Internal Control
Deficiency

Types of Comments

Report

```
graph TD; A[Report] --> B[Management Letter]; B --> C[Verbal];
```

Management Letter

Verbal



Sources of Issues

{ How We Determine What
Constitutes an “Issue”

What Are We Looking At?

Policies

Contracts

Resolutions

Ohio Compliance Supplement

Debt Agreements

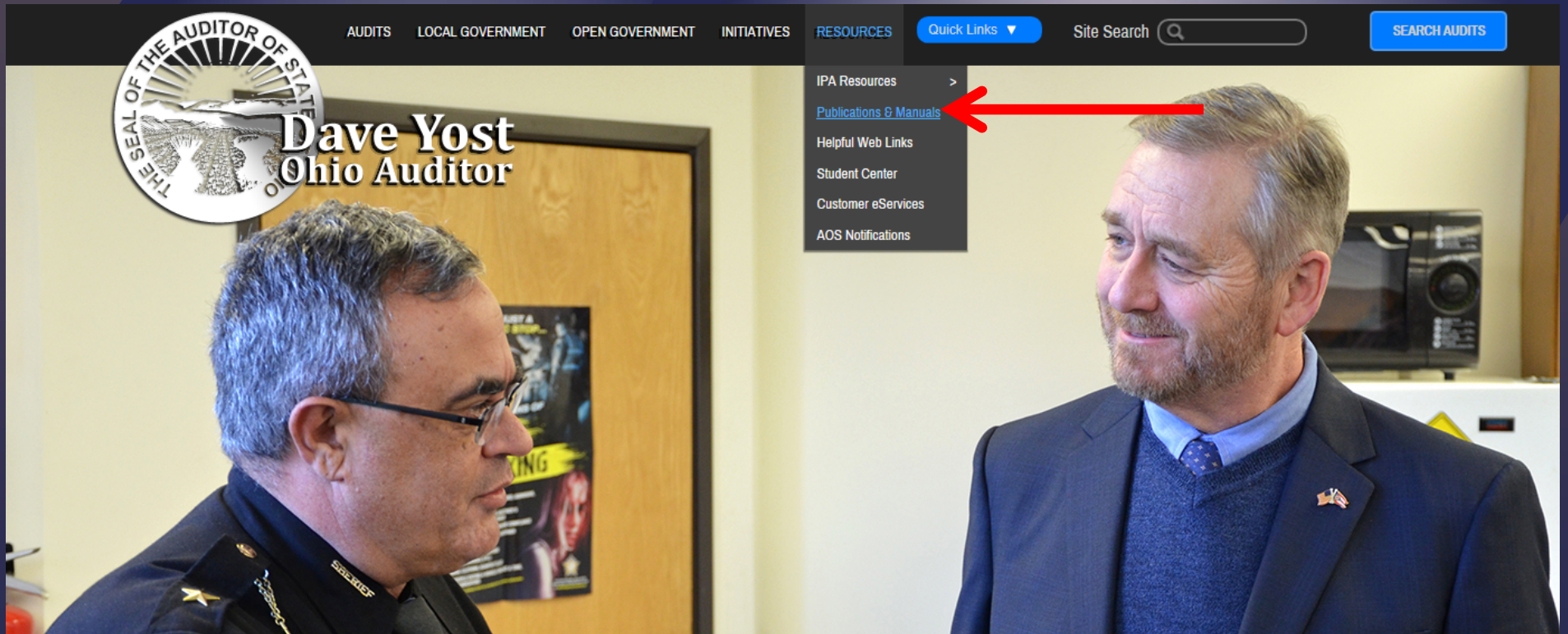
Audit Bulletins

GASB

OCBOA Guidance

USAS

Ohio Compliance Supplement



Ohio Compliance Supplement

Publications

[Cybercrime Prevention](#)

[Auditor Yost's First Term in Review](#)

[Keeping Audit Costs Low: AUPs and Basic Audits](#)

[State Agency Performance Audits & the Ohio Performance Team](#)

[What Can I Do to Lower My Audit Costs?](#)

[2018 Desk Calendar](#)

Fact sheets

[FHI User's Guide](#)

[SNAP graphics](#)

[Press kit](#)

- [Office overview](#)
- [Dave Yost bio](#)
- [Office accomplishments](#)
- [Fiscal Integrity Act](#)
- [Fiscal Distress](#)
- [LGS](#)
- [What is an AUP?](#)
- [Ohio Performance Team](#)

Reports

[FHI Update](#)

[Special Report: Pocketed Payments](#)

[Special Report: Credit Card Dangers](#)

[Special Report: Financial Health Indicators](#)

[Special Report: Weighing the costs and benefits of open enrollment](#)

[2016 Report on Supplemental Nutrition Assistance Program \(SNAP\)](#)

[2016 Sunshine Audit Report](#)

[2015 East Cleveland Financial Planning Commission Report](#)

[2015 NSAA Peer Review Opinion](#)

[First School Attendance Audit](#)

Performance Audits

[Ohio Auditor of State Performance Audit](#)

[Ohio Department of Transportation Performance Audit](#)

[Ohio Department of Education Performance Audit](#)

[Ohio Department of Job & Family Services Performance Audit](#)

Manuals

[Ohio Compliance Supplement Manuals](#)

[The Yellow Book: Open Government Resource Manual](#)

[County Board of Developmental Disabilities Manual](#)

[Guidelines for Developing Policies for Student Activity Programs](#)

[Ohio Association of County Behavioral Health Authorities Behavioral Health Handbook](#)

[Ohio County Treasurer's Manual 2017](#)

[Ohio Sheriff's Manual](#)

[Ohio Township Handbook](#)

[School District Self Assessment Guide](#)

[Uniform System of Accounting for Agricultural Societies](#)

[Uniform School Accounting System User Manual](#)

[Village Officer's Handbook](#)

[Audit Committee Toolkit \(.zip\)](#)

Technical Bulletins

[Bulletins 2017-1995](#)

Ohio Compliance Supplement

Ohio Compliance Supplement Manuals

2017

[Ohio Compliance Supplement Implementation Guide \(PDF\)](#)

- [Exhibit 3 Compliance ACE \(Microsoft Word\)](#)

[Ohio Compliance Supplement Manual \(PDF\)](#)

- Chapter 1 - Direct Laws ([PDF](#)) ([Microsoft Word](#))
- Chapter 2 - Indirect Laws and Statutorily Mandated Tests ([PDF](#)) ([Microsoft Word](#))
- Chapter 3 - Stewardship ([PDF](#)) ([Microsoft Word](#))

[Optional Procedures Manual \(Microsoft Word\)](#)

2016

[Ohio Compliance Supplement Implementation Guide \(PDF\)](#)

Common Citations

{ i.e. Noncompliance

Ohio Rev. Code § 117.38

Issue

- Failure to File Report by Deadline

Solution

- Deadline per HINKLE System
- Verify Report is Submitted on HINKLE
- Request Extension

Ohio Rev. Code § 5705.10

Issue

- Revenue Paid into Incorrect Fund

Solution

- Use Sources to Determine Restrictions
- Review USAS Manual
- Evaluate funds no longer in use

Ohio Rev. Code § 5705.10

Issue

- Deficit Fund Balances

Solution

- Ohio Rev. Code § 3315.20 (A)
 - Request for Payment Submitted
 - General Fund > Aggregate Deficits
- Transfer or Advance

Ohio Rev. Code § 5705.41(D)

Issue

- Failure to Properly Encumber Expenditures

Solution

- Then and Now Certification
- Blanket Certificates
 - Approved Maximum Required
- Super Blanket Certificates

Ohio Admin. Code § 117-2-03 (B)

Issue

- Not Filed on HINKLE
- Filed on Non-GAAP Basis

Solution

- Verify Report Submitted on HINKLE
- File GAAP

Single Audit: Allowable Costs / Cost Principles

Issue

- Failure to Maintain Time and Effort Documentation
- Lack of Written Policy

Solution

- Approve Written Policy
- Follow Internal Controls Within Approved Policy

Ohio Rev. Code § 9.38

Issue

- Monies not Timely Deposited (Day Following Receipt)

Solution

- “**Treasurer** or Designated Depository”
- Adopt Policy Allowing Longer Time Period
 - Up to Three Days if Under \$1,000

Ohio Rev. Code § 5705.39

Issue

- Appropriations in Excess of Certified Estimated Resources

Solution

- Accounting System Checks in Place
- Certificate Received from County Auditor

Ohio Rev. Code § 5705.41(B)



Issue

- Expenditures in Excess of Appropriations

Solution

- Accounting System Checks in Place
- Remember On-Behalf Transactions

Single Audit: SEFA Errors

Issue

- Money to Sub Recipients Not Included
- Clusters Not Included
- Advances Out Included
- Non-Cash Assistance Not Included

Solution

- Review Schedule Prior to Submitting for Audit
- Use Most Recent Shell from AoS
 - Local Government > Reference Materials > Single Audit Practice Aids and Report Shells

Single Audit: Cash Management

Issue

- ODE Requirement: Advances Expended within 5 Days

Solution

- Use Advances Sporadically
- Have Process in Place to Expend in Timely Manner

Single Audit: Procurement

Issue

- Lack of Written Policy

Solution

- Approve Written Policy
- Follow Internal Controls Within Approved Policy

Single Audit: Reporting

Issue

- Failure to Meet Required Deadline
- Failure to Include Required Information

Solution

- Verify Reporting Requirements for Specific Grants
- Review Prior to Submitting

Single Audit: Special Tests

The diagram consists of two blue chevron shapes pointing downwards, one above the other. To the right of each chevron is a light gray rounded rectangular box containing a bullet point. The top chevron is labeled 'Issue' and the bottom chevron is labeled 'Solution'.

Issue

- Varies Depending on Grant

Solution

- Review Specific Grant Guidance

Ohio Admin. Code § 117-2-02 (D) & (E)

Issue

- No Approved Capitalization Threshold
- Capital Asset Records Missing Required Information

Solution

- Have Board Formally Approve a Capitalization Threshold
- Verify Asset Records are Complete

Ohio Rev. Code § 117.28

Issue

- Finding for Recovery
- Severance
- Illegal Expenditures

Solution

- Follow District Policies for Severance Payments
- Controls Over Expenditures

Single Audit: Eligibility



The diagram consists of two blue chevron shapes pointing downwards, one above the other. The top chevron contains the word 'Issue' and the bottom chevron contains the word 'Solution'. To the right of each chevron is a light gray rounded rectangle containing a bulleted list of criteria. The background is a dark blue gradient with a large, faint, light blue circular shape.

Issue

- Depends on Grant
- Child Nutrition Cluster

Solution

- Use Most Recent Guidelines
- Implement a Review Process

Ohio Rev. Code § 5705.36

Issue

- Failure to Certify Available Revenue
- Failure to Request Amendment

Solution

- Certify by June 30
- Review Estimated Versus Actual

Single Audit: Activities Allowed or Unallowed



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Issue

- Depends on Grant

Solution

- Implement Internal Controls:
Review by Knowledgeable
Individual

Common Internal Control Deficiencies

{ i.e. Recommendations

Audit Adjustment / Reclassification

Issue

- Budgetary Statements
- GASB 54: Fund Balance Classifications
- GASB 68

Solution

- Budgetary: Review Prior to Submission
- GASB 54: Audit Bulletin 2011-003
- GASB 68: AoS Website; Research

Capital Asset Deficiencies

The diagram consists of two blue chevron shapes pointing downwards, one above the other. The top chevron is labeled 'Issue' and the bottom chevron is labeled 'Solution'. To the right of each chevron is a light blue rounded rectangle containing a bulleted list of points. The top rectangle is associated with the 'Issue' chevron and the bottom rectangle is associated with the 'Solution' chevron.

Issue

- Not Following Established Policy
- Valuation / Revaluations

Solution

- Establish Written Policies
- Verify Compliance with Written Policies

Policy Deficiencies

Issue

- Not Having Policies
- Not Following Policies

Solution

- Establish Written Policies
- Verify Compliance with Written Policies

Payroll Deficiencies



Issue

- No Approved Rates
- Required Support Not Maintained

Solution

- Maintain Salary Notifications, Pay Scales, Etc.
- Maintain Employee Files

Accounting System Deficiencies: Budget Versus Actual

Issue

- Amendments Not Posted to Accounting System

Solution

- Implement Procedures to Verify Timely and Accurate Updates are Posted

Student Activity Accountability Deficiencies

Issue

- No Approved Purpose and Budget Statements
- Failure to Follow Established Policy

Solution

- Consequences for Failure to Follow, if Warranted
- Delegate Monitoring

Bank Reconciliation Deficiencies



Issue

- Not Timely
- Plugged Amounts

Solution

- Implement Procedures to Reconcile Timely
- Research Any Variances

Athletics Accountability Deficiencies

Issue

- No Ticket Accountability Forms
- No Reconciliation of Collections to Deposits

Solution

- Implement Written Policies With Internal Controls
- Implement Monitoring Procedures

Questions?





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