

Office of Budget and Management

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- Implementation of the Ohio Administrative Knowledge System (OAKS) will continue in CY 2008, with ongoing revenue from payroll check-offs
- New audit responsibilities have increased agency workload

OVERVIEW

Duties and Responsibilities

The Ohio Office of Budget and Management (OBM) is a cabinet-level agency within the executive branch of state government. The primary mission of OBM is to provide financial management and policy analysis to help ensure the responsible use of state resources. OBM provides fiscal accounting and budgeting services to state government to ensure that Ohio's fiscal resources are used in a manner consistent with state laws and policies. OBM advises the Governor on budget concerns and helps state agencies to coordinate their financial activities. OBM also provides financial information to the Governor, state agencies, the General Assembly, and other interested parties, including local government units. The Director of OBM sits on the Governor's cabinet as the Governor's chief financial officer.

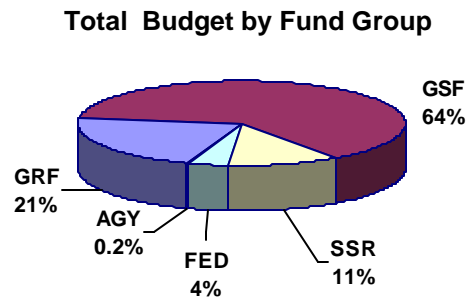
The Office is organized into three program series: Budget Development and Implementation Services, Financial Accounting Services, and Governmental Services. Financial Accounting Services maintains, manages, and supports the accounting and financial reporting activities of state government and the state's financial relations with the federal and local governments. It is also responsible for the pre-auditing of state expenditures. Budget Development and Implementation Services prepares and implements the operating and capital budgets of all state agencies. Governmental Services is responsible primarily for the implementation of the Ohio Administrative Knowledge System (OAKS) and for assisting Financial Planning and Supervision Commissions upon declaration of a fiscal emergency in a municipality or in a school district.

Agency in Brief

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2008	2009	2008	2009	
120	\$17.66 million	\$21.28 million	\$3.31 million	\$4.87 million	Am. Sub. H.B. 119

*Employee count obtained from the Department of Administrative Services (DAS) payroll reports as of June 2007.

As the pie chart below shows, GSF funding through the State Accounting and Budgeting Fund (Fund 105), which consists of charges to agencies for budget services, makes up 64% of OBM's funding. GRF funding accounts for 21% of the agency's budget while State Special Revenue (SSR) funding, all for OAKS Project Implementation, accounts for 11%. Federal funds (FED) tabbed for Medicaid ongoing transition costs in FY 2009 and a small amount set aside for the reissuance of warrants that were fraudulently redeemed (AGY) make up the remaining 4% of the budget.



Summary of FY 2008 - 2009 Budget Issues

Ohio Administrative Knowledge System (OAKS)

Along with the Department of Administrative Services, the Auditor of State, and the Treasurer of State, OBM continues to move forward with the implementation of OAKS, which integrates the functions of five major statewide business functions: capital improvements, financials, fixed assets, human resources, and procurement. The component that replaces the Central Accounting System (CAS) began operation in July 2007. Other human resources and financials functionality is scheduled for implementation throughout CY 2008. After the FY 2008 - 2009 biennium, once OAKS is fully operational, user fees will support the program, and OBM will no longer require project development funding.

OAKS Project Development Funding

The OAKS Project Implementation Fund (Fund 5N4) consists of GRF transfers of up to \$2.20 million in FYs 2008 and up to \$2.09 million in FY 2009. To assist with the funding of OAKS implementation, state payment card rebates were directed to this fund in FY 2006 - 2007. For FY 2008 - 2009, these rebates have been redirected to the State Accounting and Budgeting Fund (Fund 105). As various phases are completed, OBM will require less funding for implementation, but will require ongoing appropriations for management, funded through chargebacks to user agencies.

To this end, the budget creates the OAKS Support Organization Fund (Fund 5EB), within the Department of Administrative Services. OBM is required, starting July 1, 2007, to include the recovery of costs to administer the financial module of the OAKS System in the Accounting and Budgeting Services payroll rate. These revenues are to be deposited in the State Accounting and Budgeting Fund (Fund 105). OBM is then required to process quarterly transfers of the amounts designated for OAKS administration to the OAKS Support Organization Fund.

Audit Responsibilities

The budget authorizes OBM to review and audit vouchers, documentation accompanying those vouchers, and any other documentation related to transactions to determine if they are in accordance with the law. OBM is also empowered to maintain and periodically audit the financial records of and submission of vouchers by state agencies and to provide assistance in the analysis of the financial position of state agencies. This change is expected to increase OBM's workload, as the agency shifts from the pre-auditing of select transactions to the post-auditing of a sampling of all transactions. An anticipated increase in payment card purchases due to an increase in the per transaction limit (to \$2,500 for a single transaction and to \$15,000 in monthly transactions) is also likely to increase workload. OBM is currently evaluating the positions that will be needed to perform the additional work.

Executive Medicaid Management Agency

The budget provides \$3 million in FY 2009 to support the newly created Executive Medicaid Management Agency (EMMA), which is to manage all Medicaid policies and functions and promote the efficient and effective delivery of health care. This body is charged with implementing the recommendations of the Ohio Medicaid Administrative Study Council and setting up a governance structure that includes information technology, strategy and planning, program integrity, resource organization, local government relations, and unified budgeting. Funding in GRF line item 042-416, Medicaid Agency Transition, (\$1.5 million) is matched with \$1.5 million in federal reimbursement funding for Medicaid administration in Federal Special Revenue line item 042-606, Medicaid Agency Transition. The funds will likely be used to support the administrative structure of EMMA.

Vetoed Provisions

The Governor vetoed provisions requiring the Director of Budget and Management (1) to report to the Controlling Board program subsidy encumbrances between \$1 million and \$50 million and (2) to submit GRF program subsidy encumbrances of \$50 million or more to the Controlling Board for approval.

ANALYSIS OF THE BUDGET

Program Series **1: Budget Development and Implementation Services**

Purpose: Budget Development and Implementation Services strives to promote the effective and efficient use of state resources and to facilitate the operations of state agencies consistent with the priorities of the Governor and the General Assembly and in accordance with state law.

The following table shows the line items that are used to fund this program series, as well as the funding levels for the FY 2008 - 2009 biennium by fiscal year.

Fund	ALI	Title	FY 2008	FY 2009
General Revenue Fund				
GRF	042-321	Budget Development and Implementation	\$1,916,579	\$2,015,876
GRF	042-410	National Association Dues	\$28,700	\$29,561
GRF	042-416	Medicaid Agency Transition	\$0	\$1,500,000
General Revenue Fund Subtotal			\$1,945,279	\$3,545,437
General Services Fund Group				
105	042-603	State Accounting and Budgeting	\$1,056,220	\$1,156,211
General Services Fund Group Subtotal			\$1,056,220	\$1,156,211
Federal Special Revenue Fund Group				
3CM	042-606	Medicaid Agency Transition	\$0	\$1,500,000
Federal Special Revenue Fund Group Subtotal			\$0	\$1,500,000
Total Funding: Budget Development and Implementation Services			\$3,001,499	\$6,201,648

Funding for Budget Development and Implementation supports the following specific programs:

- **Program 1.01: Budget Development**
- **Program 1.02: Controlling Board**
- **Program 1.03: Debt Management**

Budget Development

Program Description: The Budget Development program evaluates agencies' budget requests and prepares the state operating, tobacco, and capital budget recommendations for submission to the General Assembly every two years in accordance with sections 126.02 and 126.03 of the Revised Code. Biennial economic forecasts and revenue estimates are prepared as part of the budgeting process, to include estimates of future values of key economic variables such as gross domestic product, employment, unemployment, and inflation. Updates of these forecasts and estimates are prepared periodically during a biennium, and a monthly report is issued to the Governor that analyzes current economic trends, year-to-date state revenues and spending, and the GRF balance. The Budget Development program also oversees the preparation of annual allotment plans by agencies, and prepares estimates and monitors agencies' spending during the fiscal year to ensure it is done in accordance with state law and does not exceed appropriations.

The Budget Development program provides policy, program, and technical assistance as needed to state agencies, including assistance on emerging management issues both within individual agencies and extending across multiple agencies.

The Budget Development and Implementation program also funds the National Association of State Budget Officers' (NASBO) annual membership dues and helps support the internal administration functions.

Funding Source: GRF, GSF Fund 105 (fees charged to state agencies), and FED Fund 3CM (for the Executive Medicaid Management Agency)

Implication of the Budget: The budget provides \$2,587,569 in FY 2008 and \$5,761,254 in FY 2009 for the Budget Development program. With the supplementary funding from payroll check-offs (Fund 105) and state payment card rebates, this program will be able to continue the National Association membership, maintain internal administration, fund preparation of the operating and capital budget recommendations, and support the new Executive Medicaid Management Agency.

Controlling Board

Program Description: The Controlling Board provides legislative oversight over certain capital and operating expenditures by state agencies and has approval authority over various other state fiscal activities. The Board meets approximately every two weeks to consider and vote on requests for action that are submitted to the Board by state agencies, boards, and/or commissions. OBM staff act as President and Executive Secretary to the Controlling Board, and provide administrative support and oversight. Also, an "E-Controlling Board" application was launched in February 2005.

Although GRF and other state funds are appropriated to the Board, it disburses none of these funds. Instead, the Board approves the transfer of these amounts to other state agencies as specified in temporary law. Among various other such actions, this involves state funds available to assist state agencies and local governments with disaster recovery and other emergency situations, as well as statewide ballot advertising expenses. The Board also approves the release of funds to help local governments defray the cost of specified unfunded mandates.

Funding Source: GRF

Implication of the Budget: The budget provides funding of \$199,638 in FY 2008 and \$209,968 in FY 2009. The appropriations support the payroll and maintenance costs of two OBM staff members (a President and Secretary) who provide administrative support and oversight to the Controlling Board. Funding at these levels will allow OBM to continue to offer current services.

Debt Management

Program Description: The Debt Management program coordinates the bond sales of all state bond issuers, reviews certain bond documents to ensure they are complete and accurate, keeps track of all debt service payments, projects future state debt service needs, and informs bond rating agencies of the state's debt and overall financial situation. This program also provides administrative support to the Ohio Public Facilities Commission, one of the state agencies authorized to issue debt.

Funding Source: GRF

Implication of the Budget: The budget provides \$214,292 in FY 2008 and \$230,426 for these purposes in FY 2009. Funding at these levels will allow the Debt Management program to continue its current services.

Program Series

2: Financial Accounting Services

Purpose: Financial Accounting Services maintains, manages, and supports the accounting and financial reporting activities of state government and the state's financial relations with the federal and local governments.

The following table shows the line items that are used to fund this program series, as well as the funding levels for the FY 2008 - 2009 by fiscal year.

Fund	ALI	Title	FY 2008	FY 2009
General Revenue Fund				
GRF	042-412	Auditor of State	\$60,460	\$60,460
GRF	042-413	Payment Issuance	\$1,191,802	\$1,150,192
General Revenue Fund Subtotal			\$1,252,262	\$1,210,652
General Services Fund Group				
105	042-603	State Accounting and Budgeting	\$11,058,914	\$11,586,340
General Services Fund Group Subtotal			\$11,058,914	\$11,586,340
Agency Fund Group				
5EH	042-604	Forgery Recovery	\$35,000	\$35,000
Agency Fund Group Subtotal			\$35,000	\$35,000
Total Funding: Financial Accounting Services			\$12,346,176	\$12,831,992

Funding for Financial Accounting Services supports the following specific programs:

- **Program 2.01: Accounting Operations and Processing**
- **Program 2.02: Electronic Commerce**
- **Program 2.03: Financial Reporting**
- **Program 2.04: Internal Accounting Control Program Oversight**

Accounting Operations and Processing

Program Description: The largest program within OBM with approximately 72 FTEs, Accounting Operations and Processing (AOP) monitors and controls both the spending and revenue collection activities of state agencies. The activities of this program are divided between two sections – State Accounting Operations (SAO) and Management Information Systems (MIS).

SAO enters all appropriations and exercises control over spending to ensure that legally established appropriations are not exceeded. This section reviews in excess of 5,000 encumbering documents and payment requests per day from state agencies and audits over 400 petty cash accounts annually. SAO also completes a monthly reconciliation between OAKS, the Auditor of State, and the Treasurer of State.

The MIS section is responsible for network administration, database management, programming, and production. This section supports all the information needs of OBM. MIS is also responsible for OBM's Internet and Intranet web sites.

Beginning in FY 2008, OBM will support the costs associated with the issuance of warrants and electronic funds transfers to state employees, vendors, taxpayers, and other recipients of state payments.

Funding Source: GRF, GSF Fund 105 (fees charged to state agencies and state payment card rebates), and Fund 5EH (moneys collected by the Attorney General's office from cases of fraudulent state warrants)

Implication of the Budget: The budget provides funding of \$10,132,290 in FY 2008 and \$10,515,042 in FY 2009 for this program. Funding at these levels will allow the Accounting Operations and Processing program to continue its activities at current levels and to add 9 additional FTEs (7 of whom are to be transferred from the Auditor of State's office) to manage state warrant issuance.

Electronic Commerce

Program Description: The Electronic Commerce program manages the state payment card, financial electronic data interchange (EDI), electronic revenue, and the Statewide Cost Allocation Plan (SWCAP) functions.

The state payment card program provides state agencies with credit cards with enhanced controls and tracking for the purchases of small dollar goods and services. Electronic revenue facilitates the receipt and processing of electronic payments from the state's constituents. The SWCAP is filed annually with the federal government. This plan distributes costs like rent and utilities across state government in order to fairly allocate those costs to federally funded programs for reimbursement.

Funding Source: GSF Fund 105 (fees charged to state agencies)

Implication of the Budget: The budget provides funding of \$600,285 in FY 2008 and \$628,568 in FY 2009. Funding at these levels will allow the Electronic Commerce program to continue its activities at current levels.

Financial Reporting

Program Description: The Financial Reporting program compiles and publishes the Ohio Comprehensive Annual Financial Report (CAFR), the state's official annual financial report, which is prepared in conformity with Generally Accepted Accounting Principles as required under section 126.21 of the Revised Code. The CAFR officially documents the state's financial activity and financial position for Ohio citizens, taxpayers, elected officials, bond investors, the federal government, and other constituencies. The Financial Reporting program also provides several other financial reporting services. Finally, GRF expenditures in this program fund the separate annual financial audit of the Auditor of State's Office, as required by section 117.14 of the Revised Code.

Funding Source: GRF; GSF Fund 105 (fees charged to state agencies)

Implication of the Budget: The budget provides a total of \$1,373,423 in funding for FY 2008 and \$1,434,951 for FY 2009. The bulk of the funding comes from the State Accounting and Budgeting Fund (Fund 105): \$1,312,963 in FY 2008 and \$1,374,491 in FY 2009 to support payroll, maintenance,

and equipment expenses in this program. The GRF funding component of \$60,460 in FY 2008 and FY 2009 will cover the cost of an independent accounting firm to conduct the annual financial audit of the Auditor of State's Office. Funding at these levels will allow the Financial Reporting program to continue its activities at current levels.

Internal Accounting Control Program Oversight

Program Description: The Internal Accounting Control Program (IACP) requires each cabinet agency to establish, maintain, and annually evaluate internal accounting control systems sufficient to provide reasonable assurance of accountable government. After agency management conducts self-assessments of the internal control environment, the respective agencies annually certify the results of their in-house reviews to OBM. When agencies identify "material" internal control weaknesses, agency management must draft improvement plans, and OBM reviews and monitors progress made on those plans. OBM provides ongoing training to agencies on internal control procedures, and provides more specific technical guidance on an as-needed basis for agencies through on-site consultations. OBM also conducts an Agency Review Evaluation Subprogram (ARES) assessment annually to review each agency's approach and methodology to completing their IACP review and to offer suggestions for improvement.

The IACP staff also provides technical and administrative support to the Ohio Internal Audit Committee (OIAC), comprised of internal audit staff members from the various state agencies.

Funding Source: GSF Fund 105 (fees charged to state agencies)

Implication of the Budget: The budget provides funding of \$240,178 in FY 2008 and \$253,431 in FY 2009 for this program. Funding at these levels will allow the Internal Accounting Control Program Oversight program to continue its activities at current levels.

Program Series**3: Governmental Services**

Purpose: This program series provides financial management services to other governmental entities, coordinates the state's Enterprise Resource Planning System initiative with other governmental units.

The following table shows the line items that are used to fund this program series, as well as the funding levels for the FY 2008 - 2009 biennium by fiscal year.

Fund	ALI	Title	FY 2008	FY 2009
General Revenue Fund				
GRF	042-321	Budget Development and Implementation	\$109,432	\$112,408
General Revenue Fund Subtotal			\$109,432	\$112,408
State Special Revenue Fund Group				
5N4	042-602	OAKS Project Implementation	\$2,200,725	\$2,132,168
State Special Revenue Fund Group Subtotal			\$2,200,725	\$2,132,168
Total Funding: Governmental Services			\$2,310,157	\$2,244,576

Funding for Governmental Services supports the following specific programs:

- **Program 3.01: Financial Planning and Supervision Commissions**
- **Program 3.02: Ohio Administrative Knowledge System (OAKS)**

Financial Planning and Supervision Commissions

Program Description: A Financial Planning and Supervision Commission is established upon the occurrence or declaration of a fiscal emergency in any municipality or school district for the purpose of overseeing the finances of and helping the municipality or school district overcome financial difficulties. The Director of OBM or a designee of the Director serves as a member of each Financial Planning and Supervision Commission.

Funding Source: GRF

Implication of the Budget: The budget provides funding of \$109,432 in FY 2008 and \$112,408 in FY 2009 for Financial Planning and Supervision Commissions. Recent experience has been that municipalities and school districts are getting out of fiscal emergency quicker, requiring OBM to retain just over one FTE for this program. As of September 2007, OBM was assisting 16 local governments and 10 school districts. OBM anticipates three local governments and five school districts to be released from fiscal emergency in the next six months. In addition to the full-time employee, OBM is exploring bringing on contract or intermittent employees to help with commission supervision.

Ohio Administrative Knowledge System (OAKS)

Program Description: The OAKS program will integrate five major statewide business functions into an Enterprise Resource Planning (ERP) system. The business functions include capital improvements, financials, fixed assets, human resources, and procurement.

OBM purchased the ERP system from PeopleSoft in October 2004, the design and development of which began in spring 2005. The financial module was implemented in July 2006. The human resources module went live in December 2006 and the component that replaces the Central Accounting System (CAS) became operational in July 2007. Other functionality related to procurement, fixed assets, capital improvement projects are scheduled for implementation in FY 2008 and FY 2009.

Funding Source: SSR Oaks Project Implementation Fund (Fund 5N4: GRF transfers in FYs 2008 and 2009). After the FY 2008 - 2009 biennium, once OAKS is fully operational, charges to state agencies for their use of the system will support the program, and OBM will no longer require project development funding.

Implication of the Budget: The budget appropriates \$2,200,725 in FY 2008 and \$2,132,168 in FY 2009 for this program. Funding at these levels will support state employees, project management consultants, supplies, and equipment needed to maintain the OAKS project management office. The capital equipment costs of the software and systems integration will be funded through a financing mechanism called Certificates of Participation (COPs).

FY 2008 - 2009 Final Appropriation Amounts

All Fund Group

Line Item Detail by Agency

FY 2005: FY 2007 Adj. FY 2008 % Change FY 2009 % Change
 FY 2006: Appropriations: Appropriations: 2007 to 2008: Appropriations: 2008 to 2009:

Report For: Main Operating Appropriations Bill

Version: Enacted

OBM Budget and Management, Office of

GRF	042-321	Budget Development and Implementation	\$ 2,383,772	\$ 1,578,990	\$ 2,143,886	\$ 2,026,011	-5.50%	\$ 2,128,284	5.05%
GRF	042-410	National Association Dues	\$ 26,300	\$ 27,089	\$ 28,173	\$ 28,700	1.87%	\$ 29,561	3.00%
GRF	042-412	Audit of Auditor of State	\$ 55,760	\$ 55,900	\$ 58,700	\$ 60,460	3.00%	\$ 60,460	0.00%
GRF	042-413	Payment Issuance	---	---	\$ 0	\$ 1,191,802	N/A	\$ 1,150,192	-3.49%
GRF	042-416	Medicaid Agency Transition	---	---	\$ 1,000,000	\$ 0	-100.00%	\$ 1,500,000	N/A
GRF	042-435	Gubernatorial Transition	---	---	\$ 250,000	\$ 0	-100.00%	\$ 0	N/A
General Revenue Fund Total			\$ 2,465,832	\$ 1,661,979	\$ 3,480,759	\$ 3,306,973	-4.99%	\$ 4,868,497	47.22%
105	042-603	State Accounting and Budgeting	\$ 7,751,975	\$ 8,845,315	\$ 9,976,689	\$ 12,115,134	21.43%	\$ 12,742,551	5.18%
General Services Fund Group Total			\$ 7,751,975	\$ 8,845,315	\$ 9,976,689	\$ 12,115,134	21.43%	\$ 12,742,551	5.18%
3CM	042-606	Medicaid Agency Transition	---	---	---	\$ 0	N/A	\$ 1,500,000	N/A
Federal Special Revenue Fund Group Total			---	---	---	\$ 0	N/A	\$ 1,500,000	N/A
5N4	042-602	OAKS Project Implementation	\$ 2,591,932	\$ 3,119,113	\$ 2,272,595	\$ 2,200,725	-3.16%	\$ 2,132,168	-3.12%
State Special Revenue Fund Group Total			\$ 2,591,932	\$ 3,119,113	\$ 2,272,595	\$ 2,200,725	-3.16%	\$ 2,132,168	-3.12%
5EH	042-604	Forgery Recovery	---	---	---	\$ 35,000	N/A	\$ 35,000	0.00%
Agency Fund Group Total			---	---	---	\$ 35,000	N/A	\$ 35,000	0.00%
Budget and Management, Office of Total			\$ 12,809,739	\$ 13,626,407	\$ 15,730,043	\$ 17,657,832	12.26%	\$ 21,278,216	20.50%