
OFFICE OF BUDGET AND MANAGEMENT

Office of Internal Audit changes

- Changes the name of the Office of Internal Auditing, within the Office of Budget and Management, to the Office of Internal Audit (OIA).
- Expands the number of state agencies for whom the OIA is required to conduct internal audit programs to include the Opportunities for Ohioans with Disabilities Agency, the Public Utilities Commission of Ohio, the Adjutant General, and the State Lottery Commission.
- Permits the OIA, on request, to direct internal audits of any other organized body, office, or agency established by the laws of the state.
- Clarifies that the OIA is required to direct the internal audits of state agencies, rather than conduct the internal audits.
- Modifies the scope of internal audits directed by the OIA.
- Clarifies the application of the Public Records Law to certain documents produced or used as part of an internal audit conducted by the OIA.
- Moves to August 1, from July 1, the date by which the Office of Budget and Management must publish the Chief Internal Auditor's annual report.

State Audit Committee

- Modifies the membership qualifications and duties of the State Audit Committee.

State Lottery Commission internal audit plan

- Requires the State Lottery Commission to establish an annual internal audit plan, instead of an internal audit program, and to submit the plan to the OIA instead of the Auditor of State.
- Requires the Commission to submit its annual report on its internal audit work to the OIA for review and approval, instead of the Auditor, and eliminates the authority of the Auditor to prescribe the form and manner of the annual report.

State appropriation limitation

- Provides that the state appropriation limitation for a fiscal year is to be increased by the amount of a non-GRF appropriation made in the immediately preceding fiscal year if the nongeneral revenue fund appropriation:
 - (1) Was made on or after July 1, 2013;
 - (2) Is included in the aggregate GRF appropriations proposed for that fiscal year; *and*
 - (3) Is being made for the first time from the GRF.

Payments from the state treasury

- Authorizes the Director of Budget and Management to use electronic funds transfers to make payments from the state treasury.
- Eliminates a requirement that the Director of Administrative Services reimburse the Director of Budget and Management for certain costs related to making payments via direct deposit rather than drawing a paper warrant.

Other provisions

- Permits the Director of Budget and Management, under certain circumstances, to transfer interest earned by any state fund to the GRF.
- Authorizes the Director, in each fiscal year, to transfer up to \$60 million in cash to the GRF from non-GRF funds that are not constitutionally restricted to ensure that GRF receipts and balances are sufficient to support GRF appropriations.
- Permits the Director to issue guidelines to agencies applying for federal money made available to the state for fiscal stabilization and recovery purposes.
- Prohibits cash transfers to the Income Tax Reduction Fund prior to July 1, 2015.

Office of Internal Audit changes

(R.C. 124.341, 126.45, 126.46, 126.47, 126.48, and 5703.21)

The act makes several changes to the Office of Internal Auditing within the Office of Budget and Management. In addition to changes outlined below, the act



changes the name of the Office of Internal Auditing to the Office of Internal Audit (OIA).

Expansion of agencies required or eligible for internal audits or audit plans

(R.C. 126.45)

The act adds the following agencies to the list of state agencies for which the OIA must conduct internal auditing programs:

- Opportunities for Ohioans with Disabilities Agency;
- Public Utilities Commission of Ohio;
- Adjutant General;
- State Lottery Commission.

The act also permits the OIA to direct an internal audit of all or part of any other organized body, office, or agency established by the laws of the state, at the request of the body, office, or agency. The OIA must charge an amount sufficient to cover the costs it incurs in relation to the requested audit.

Clarification of OIA's auditing responsibility

(R.C. 126.45, 126.46, 126.47, and 5703.21)

The act clarifies that the OIA is required to direct the internal audits of state agencies, rather than conduct the internal audits.

Scope of internal audits

(R.C. 126.45(C))

The act provides that internal audit programs directed by the OIA must include periodic audits of systems and controls pertaining to information technology instead of electronic data processing. Continuing law unchanged by the act requires the OIA to include audits of systems and controls pertaining to accounting and administration.

Confidentiality of internal audit documents

(R.C. 126.48)

The act clarifies that the following documents produced or used by the OIA are not public records under the Public Records Law:



- An internal audit report that is a security record under the Public Records Law;
- Any information derived from a state tax return or state tax return information that is permitted to be used by the OIA when directing an internal audit.

Publishing the Chief Internal Auditor report

(R.C. 126.47)

The act requires the Office of Budget and Management to make the Chief Internal Auditor's annual report available on the Office's web site annually before the first of August, instead of the first of July as required under prior law.

State Audit Committee

(R.C. 126.46 and 126.47)

The act modifies several requirements related to the State Audit Committee's membership and duties.

Committee membership

The act makes the following changes to the subject matter expertise requirements of the Committee's members:

The act – 5 members	Prior law – 5 members
At least one member who is a financial expert	One member who is a financial expert
At least one member who is an active, inactive, or retired certified public accountant	One member who is an active, inactive, or retired certified public accountant
At least one member who is familiar with governmental financial accounting	One member who is familiar with governmental financial accounting
At least one member who is a representative of the public	One member who is a representative of the public
At least one member who is familiar with information technology systems and services	No provision

Committee duties

The act requires the Committee to evaluate whether internal audits directed by the OIA conform to the Institute of Internal Auditors' International Professional Practices Framework for Internal Auditing. Under prior law, the Committee was required to ensure that internal audits conducted by the OIA conformed to the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

Additionally, the act eliminates the requirement that the Committee review and comment on the process used by the Office of Budget and Management to prepare its annual budgetary financial report. The act retains the review and comment requirement regarding the agency's preparation of the state comprehensive annual financial report.

State Lottery Commission internal audit plan

(R.C. 3770.06)

The act requires the State Lottery Commission to establish an annual internal audit plan, instead of an internal audit program as required in prior law. Additionally, the act requires the plan to be approved by the OIA. Former law required the plan to be approved by the Auditor of State.

The act also requires the Commission to submit to the OIA for its review and approval, instead of the Auditor, an annual report at the end of each fiscal year, specifying the Commission's internal audit work completed for that fiscal year and reporting on the Commission's compliance with its annual internal audit plan. The act eliminates the authority of the Auditor to prescribe the form and content of the report.

State appropriation limitation

(R.C. 107.033)

The act revises the manner in which the state appropriation limitation (SAL) is determined. Under the act, the SAL for a fiscal year is to be increased by the amount of a non-GRF appropriation made in the immediately preceding fiscal year, if the nongeneral revenue fund appropriation:

- (1) Was made on or after July 1, 2013;
 - (2) Is included in the aggregate GRF appropriations proposed for that fiscal year;
- and*
- (3) Is being made for the first time from the GRF.



Authority to use electronic funds transfers

(R.C. 126.07 and 126.35)

The act permits the Director of Budget and Management to process electronic funds transfers (EFTs) for certain payments from the state treasury as an alternative to drawing warrants, as provided in continuing law.

Additionally, the act provides that the Director may review and audit a voucher, documentation accompanying a voucher, and any other documentation related to a transaction prior to processing an EFT. Under prior law, the Director could review and audit a voucher and related documentation regarding a request for payment from a state agency prior to drawing a warrant only.

Reimbursement for additional costs related to direct deposits

(R.C. 126.35)

The act eliminates a provision that requires the Director of Administrative Services to reimburse the Office of Budget and Management for additional costs incurred making payments via direct deposit rather than drawing paper warrants. The act also eliminates the authority of the Director of Administrative Services to add the reimbursed amount to the processing charge paid by state agencies.

Transfers of interest to the GRF

(Section 512.10)

The act permits the Director of Budget and Management, through June 30, 2015, to transfer interest earned by any state fund to the GRF as long as the source of revenue of the fund is not restricted or protected under the Ohio Constitution or federal law.

Transfers of non-GRF funds to the GRF

(Section 512.20)

The act authorizes the Director of Budget and Management, in both fiscal year 2014 and 2015, to transfer up to \$60 million in cash to the GRF from non-GRF funds that are not constitutionally restricted. These transfers are to be made to ensure that available GRF receipts and balances are sufficient to support GRF appropriations in each fiscal year.



Federal money for fiscal stabilization and recovery

(Section 521.60)

To ensure the level of accountability and transparency required by federal law, the act permits the Director of Budget and Management to issue guidelines to any agency applying for federal money made available to the state for fiscal stabilization and recovery purposes and to prescribe the process by which agencies are to comply with any reporting requirements established by the federal government.

Prohibition on transfers to the Income Tax Reduction Fund

(Section 512.70)

The act prohibits transfers to the Income Tax Reduction Fund prior to July 1, 2015. This prohibition applies notwithstanding continuing law requiring the Director of Budget and Management, by July 31 of each year, to transfer from the GRF certain amounts to (1) first, the Budget Stabilization Fund and (2) then, to the Income Tax Reduction Fund.¹²

¹² R.C. 131.44, not in the act.

