

# Redbook

## LBO Analysis of Executive Budget Proposal

### Auditor of State

Jared Cape, Budget Analyst  
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Attachment:

Appropriation Spreadsheet

# LBO Redbook

## Auditor of State

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### Quick look...

- The Auditor of State is responsible for auditing all public offices in Ohio, both state and local, as well as providing consulting services to local governments and training for public officers.
  - Total of 784 employees as of February 2025.
  - The five major functional units are: Audit Administration, Financial Audits, Local Government Services, Ohio Performance Team, and Special Investigations Unit.
- For the FY 2026-FY 2027 biennium, total proposed funding is approximately \$238.4 million.
  - Of that amount, \$154.1 million (64.7%) comes from Dedicated Purpose Funds mostly supported by fees charged to local governments and state agencies for auditing and financial services.
  - The remaining \$84.2 million (35.3%) comes from the GRF.
- The budget supports hiring nine new positions: four forensic auditors, two performance audit staff, two investigators, and one attorney.
- The funding for local auditing services, a combination of Dedicated Purpose Funds and GRF, is designed to subsidize the hourly rate charged. The hourly rate charged for those services will increase from \$41 to \$50 in FY 2026 and \$56 in FY 2027. The hourly rate has not increased since 2011.
- Similarly, the hourly rate charged to state agencies will increase from \$90 per hour in FY 2025 to \$95 in FY 2026 and \$100 in FY 2027.

Fund Group	FY 2024 Actual	FY 2025 Estimate	FY 2026 Introduced	FY 2027 Introduced
General Revenue	\$34,326,234	\$38,422,000	\$41,570,879	\$42,636,722
Dedicated Purpose	\$61,857,439	\$75,088,629	\$76,457,602	\$77,687,393
Total	\$96,183,673	\$113,510,629	\$118,028,481	\$120,324,115
% change	--	18.0%	4.0%	1.9%
<i>GRF % change</i>	--	11.9%	8.2%	2.6%

### Agency overview

The Auditor of State is an elected official responsible for auditing all public offices in Ohio. This includes state departments, commissions, and offices of the state’s political subdivisions, such as cities and villages, counties and townships, schools and universities, and libraries. The Auditor of State also provides consulting services to local governments and training for public officers. As of February 2025, the office employs 784 people. It includes five major functional units: Audit Administration, Financial Audits, Local Government Services, Ohio Performance Team, and Special Investigations Unit. There are seven local audit regions and one state region. Each region is led by a chief auditor and an assistant chief auditor.

Audits conducted by the Auditor of State's Office take a variety of forms. Financial and compliance audits identify critical issues related to financial reporting, legal compliance, reportable conditions, systems of internal control, and irregular or illegal activities. Audits are either conducted on an annual or biennial basis. Performance audits of (1) selected state agencies, (2) school districts under fiscal caution, watch, or emergency, and (3) local governments under fiscal watch or emergency help identify areas where operational efficiencies or better program results can be achieved. The Auditor of State also performs special audits for private entities that receive public funding (i.e., institutions, associations, boards, foster care organizations, companies, and nursing homes) as well as public entities upon their request or the Auditor of State's own initiative.

## Highlights

### Hourly rate changes

Based on the funding provided under the proposed bill, the billable hourly rate for local government entities will increase from \$41 per hour to \$50 per hour in FY 2026 and \$56 per hour in FY 2027. This rate has not increased since the flat rate structure started in 2011. These fees are deposited into the Public Audit Expense – Local Government Fund (Fund 4220). Because the cost of annual, biennial, and special audits performed on political subdivisions cannot be fully recouped at this rate, supplementary funding for these auditing functions is provided under GRF appropriation line item (ALI) 070412, Local Government Audit Support and Fund 5VPO ALI 070611, Local Government Audit Support Fund (Fund 5VPO).

Additionally, the billable hourly rate charged for annual, biennial, and special audits to state agencies established by the Statewide Cost Allocation Plan will increase under the proposed budget. The hourly rate for FY 2025 is \$90. It is anticipated to increase to \$95 in FY 2026 and \$100 in FY 2027. These fees are deposited into the Public Audit Expense – Intrastate Fund (Fund 1090). Auditing costs which may not be recovered through charges are covered by GRF ALI 070401, Audit Management and Services.

### Personnel

Appropriation increases under the proposed FY 2026-FY 2027 budget are largely attributable to rising personnel costs. These costs account for more than 90% of the Auditor of State's expenses. In June 2024, the State of Ohio adopted a cost-of-living adjustment which will increase pay by 9.5% above the FY 2025 appropriation. Additionally, the Auditor of State seeks to add nine positions over the biennium: four forensic auditors, two performance audit staff, two investigators, and one attorney. Overall, personnel services are estimated to increase by nearly \$6.1 million in FY 2026 and nearly \$4.4 million in FY 2027.

## Analysis of FY 2026-FY 2027 budget proposal

The proposed budget for the Auditor of State provides funding of approximately \$118.0 million in FY 2026 and \$120.3 million in FY 2027. Overall, there is a \$4.5 million (4.0%) increase between estimated FY 2025 spending and the proposed FY 2026 amount. The increase in FY 2027 is nearly \$2.3 million (1.9%). Over half of the total proposed funding for the FY 2026-FY 2027 biennium, nearly \$117.5 million (49.3%), is derived from audit fees paid by state agencies and political subdivisions, as well as local government users of the Uniform Accounting Network

(UAN). A small portion also comes from fees charged for training sessions. These revenues are deposited into four separate funds within the Dedicated Purpose Fund Group. Of the remainder, about \$84.2 million (35.3%) is from the GRF. Finally, \$36.7 million (15.4%) of total funding over the biennium comes from tax revenue transferred into the Local Government Audit Support Fund (Fund 5VP0).

## Audit Administration

### Audit Management and Services (ALI 070401)

FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Estimate	FY 2026 Introduced	FY 2027 Introduced
<b>GRF ALI 070401, Audit Management and Services</b>					
\$12,713,060	\$12,447,038	\$12,918,393	\$13,748,000	\$15,067,887	\$16,035,566
% change	-2.1%	3.8%	6.4%	9.6%	6.4%

This ALI is used to support costs of the Auditor of State that are not recovered through charges to local governments and state entities, including those costs that cannot be recovered from audit clients under federal indirect cost allocation guidelines. This covers costs incurred by the Audit Administration area, including information technology (IT), finance, human resources, legal, and facilities and operations. The ALI also covers costs that the Local Government Services area does not recover through charges to clients.

## Audit Services

The ALIs included below are used to fund primary auditing functions, including financial audits of state agencies and local governments, as well as other performance, health care provider, and special audits. Approximately 35.3% of the funding for auditing services comes from GRF appropriations.

### Public Audit Expense – Local Government (ALI 070602)

FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Estimate	FY 2026 Introduced	FY 2027 Introduced
<b>Fund 4220 ALI 070602, Public Audit Expense – Local Government</b>					
\$32,137,707	\$29,479,154	\$28,786,289	\$33,464,635	\$37,141,304	\$37,952,991
% change	-8.3%	-2.4%	16.3%	11.0%	2.2%

This ALI is used to pay for the costs of annual, biennial, and special audits performed on political subdivisions. The appropriation is supported by fees paid by political subdivisions for the costs of performing these audits and deposited into the Public Audit Expense – Local Government Fund (Fund 4220). The billable hourly rate for local government entities will be \$50 per hour in FY 2026 and \$56 per hour in FY 2027. Because the cost of those services cannot be fully recouped at this rate, supplementary funding for these auditing functions is provided under GRF

ALI 070412, Local Government Audit Support and Fund 5VPO ALI 070611, Local Government Audit Support Fund (Fund 5VPO). These two line items are described in more detail below.

The Auditor of State has a three-tiered payment rate for work provided by Local Government Services (LGS) beyond the audit functions described above. This includes financial reporting compilation, consulting, and review services to local governments, agencies, and schools. The table below shows the current tiered rates for these services in FY 2025. For all other LGS projects not included in the table, the rate remains \$50 per hour.

LGS Billing Rate for Financial Reporting, Compilation, and Review Services				
	Counties	Municipalities and Other Local Governments	Schools	LGS Billing Rate
Tier I	\$110,000,001 or more	\$55,000,001 or more	\$55,000,001 or more	\$85/hour
Tier II	\$55,000,001-\$110,000,000	\$11,000,001-\$55,000,000	\$11,000,001-\$55,000,000	\$75/hour
Tier III	\$55,000,000 or less	\$11,000,000 or less	\$11,000,000 or less	\$60/hour

Note: Rates established by revenues collected by local entities

Fund 4220 collected approximately \$29.1 million in fees in FY 2024 and has collected nearly \$17.1 million in FY 2025 year to date as of February 2025 in FY 2025. The current cash balance of the fund is approximately \$7.8 million.

### Local Government Audit Support (ALI 070412)

FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Estimate	FY 2026 Introduced	FY 2027 Introduced
<b>GRF ALI 070412, Local Government Audit Support</b>					
\$14,037,380	\$14,156,236	\$15,783,956	\$16,550,000	\$19,225,511	\$19,196,539
% change	0.8%	11.5%	4.9%	16.2%	-0.2%

This GRF ALI is used to provide supplementary funding for the Auditor of State to conduct financial audits of political subdivisions in conjunction with Fund 4220 ALI 070602, Public Audit Expense – Local Government. The funding covers a portion of the costs of annual, biennial, and special audits performed on political subdivisions that would otherwise be covered by payments from those entities that are deposited into Fund 4220. As mentioned previously, this GRF support subsidizes the hourly billable rate that is charged to local governments for financial audits.

**Local Government Audit Support Fund (ALI 070611)**

FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Estimate	FY 2026 Introduced	FY 2027 Introduced
<b>Fund 5VP0 ALI 070611, Local Government Audit Support Fund</b>					
\$12,755,742	\$14,322,655	\$15,786,917	\$16,550,000	\$18,085,277	\$18,604,943
% change	12.3%	10.2%	4.8%	9.3%	2.9%

The Local Government Audit Support Fund (Fund 5VP0) is used to provide supplementary funding for the Auditor of State to conduct financial audits of political subdivisions in conjunction with Fund 4220 ALI 070602, Public Audit Expense – Local Government. ALI 070611, Local Government Audit Support Fund, is used to cover a portion of the costs of annual, biennial, and special audits performed on political subdivisions that would otherwise be billed to local public offices, the proceeds from which are deposited into Fund 4220. Political subdivisions continue to be billed for these audits in the same manner as they are currently. The funding increases proposed for FY 2026 and FY 2027 are intended to partially offset increases in the hourly billable rate to local governments.

This supplementary funding mechanism was enacted under H.B. 166, the main operating budget for the FY 2020-FY 2021 biennium. Specifically, the provision in H.B. 166 requires the Director of Budget and Management to credit, on a monthly basis, a portion of total tax revenue credited to the GRF equal to one-twelfth of the annual fiscal appropriation from the fund. The current cash balance of the fund is approximately \$2.6 million.

**Public Audit Expense – Intrastate (ALI 070601)**

FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Estimate	FY 2026 Introduced	FY 2027 Introduced
<b>Fund 1090 ALI 070601, Public Audit Expense – Intrastate</b>					
\$11,204,707	\$10,810,891	\$10,988,807	\$12,539,160	\$13,374,149	\$13,775,373
% change	-3.5%	1.6%	14.1%	6.7%	3.0%

This ALI is used to pay for the costs of annual, biennial, and special audits the Auditor of State performs on state agencies. While about half of the appropriation each fiscal year is for financial audits, the funding is also used to cover the cost of conducting health care contract audits, performance audits, and other special audits. The appropriation is supported by fees paid by state agencies for the costs of performing these audits and deposited into the Public Audit Expense – Intrastate Fund (Fund 1090). The billable hourly rate for state agencies is a flat rate established by the Statewide Cost Allocation Plan (SWCAP). The hourly rate for FY 2025 is \$90. It is anticipated to increase to \$95 in FY 2026 and \$100 in FY 2027. Auditing costs which may not be recovered through charges are covered by GRF ALI 070401, Audit Management and Services.

Fund 1090 took in approximately \$10.7 million in FY 2024. Receipts for FY 2025 thus far as of February 2025 are approximately \$6.8 million. The current cash balance in Fund 1090 is approximately \$3.7 million.

### Fraud/Corruption Audits and Investigations (ALI 070404)

FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Estimate	FY 2026 Introduced	FY 2027 Introduced
<b>GRF ALI 070404, Fraud/Corruption Audits and Investigations</b>					
\$2,530,038	\$2,406,357	\$3,221,189	\$5,004,000	\$4,219,438	\$4,301,040
% change	-4.9%	33.9%	55.3%	-15.7%	1.9%

This GRF ALI is used to provide a portion of funding for the Auditor of State to conduct various types of special audits, specifically those conducted by the Special Investigations Unit (SIU). The SIU primarily investigates allegations of fraud, theft, and misappropriation of public funds in conjunction with law enforcement. The ALI covers all of the cost for these investigative activities. The GRF ALI also covers costs the Auditor of State incurs and which cannot be charged to the entity subject to special audit.

The costs SIU bears for doing special audits are shared among various other ALIs under the Auditor of State budget. These include Fund 4220 ALI 070602, Public Audit Expense – Local Government; GRF ALI 070412, Local Government Audit Support; and Fund 5VPO ALI 070611, Local Government Audit Support Fund, all described previously.

### Performance Audits (ALI 070402)

FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Estimate	FY 2026 Introduced	FY 2027 Introduced
<b>GRF ALI 070402, Performance Audits</b>					
\$2,028,280	\$1,959,812	\$2,141,113	\$2,620,000	\$2,446,170	\$2,472,567
% change	-3.4%	9.3%	22.4%	-6.6%	1.1%

This ALI covers some of the costs for providing performance audits of local governments, school districts, state agencies, and colleges and universities that are not recovered through charges to those entities, including costs that cannot be recovered from audit clients under federal indirect cost allocation guidelines. Other ALIs used to cover performance costs are the following: (1) GRF ALI 070412, Fund 4220 ALI 070602, and Fund 5VPO ALI 070611 for local government audits, and (2) Fund 1090 ALI 070601 for state government audits.

### Auditor’s Innovation Fund (ALI 070606)

FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Estimate	FY 2026 Introduced	FY 2027 Introduced
<b>Fund 5JZ0 ALI 070606, Auditor’s Innovation Fund</b>					
\$7,507	\$0	\$0	\$300,000	\$300,000	\$300,000
% change	-100.0%	--	--	0.0%	0.0%

Beginning in the FY 2024-FY 2025 biennium, the Auditor of State renamed and repurposed this ALI. It now provides funding for audit, accounting, or local government assistance

services. These projects aim to expand the quality or quantity of services offered to local governments and schools. The current cash balance of the fund is approximately \$1.0 million.

Previously, this ALI was used to distribute loans to state agencies and local governments from the Leverage for Efficiency, Accountability, and Performance (LEAP) Fund (Fund 5JZ0) to pay for performance audits required under S.B. 4 of the 129<sup>th</sup> General Assembly. It was also used to cover the costs of feasibility studies for local governments and schools at the request of these entities.

### Local Government Services

The ALIs below fund various other services the Auditor of State offers to local governments, including auditing services to political subdivisions in fiscal watch or emergency, training for political subdivision employees, and the Uniform Accounting Network.

#### Uniform Accounting Network (ALI 070605)

FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Estimate	FY 2026 Introduced	FY 2027 Introduced
<b>Fund 6750 ALI 070605, Uniform Accounting Network</b>					
\$4,506,362	\$5,315,487	\$6,131,338	\$12,034,834	\$7,306,872	\$6,804,086
% change	18.0%	15.3%	96.3%	-39.3%	-6.9%

This ALI is used to pay for computer maintenance, upgrades, consulting, and other costs associated with maintaining the Uniform Accounting Network (UAN). As of October 2024, UAN serviced 2,161 local government entities with essential auditing and payroll functions. The system is supported by subscriber fees ranging from \$8 per month for entities with annual revenues under \$50,000 to \$325 per month for entities with revenues higher than \$10.0 million annually. All users pay a monthly hardware surcharge of \$50. These amounts are deposited into the Uniform Accounting Network Fund (Fund 6750). As is the case with other service funds used by the Auditor of State, the financial status of participating local governments affects the amount of fees received. Receipts for FY 2024 were approximately \$6.2 million. Thus far in FY 2025, Fund 6750 has collected \$3.5 million in fee revenue. The February 2025 cash balance of Fund 6750 is approximately \$7.2 million.

During the FY 2022-FY 2023 biennium, the Auditor of State hired a contractor to undertake a multi-year software update project, which includes shifting to a cloud-based operating system. This project will be completed in FY 2027. The uptick in spending for FY 2025 can be attributed to a one-time hardware upgrade for computers and printers, a cost which would typically be spread out over a four-year period.



### Fiscal Distress Technical Assistance (ALI 070403)

FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Estimate	FY 2026 Introduced	FY 2027 Introduced
<b>GRF ALI 070403, Fiscal Distress Technical Assistance</b>					
\$184,908	\$99,222	\$261,583	\$500,000	\$611,873	\$631,010
% change	-46.3%	163.6%	91.1%	22.4%	3.1%

This GRF ALI is used to pay the costs of providing performance audits, accounting reports, annual forecasts, and supervisory, accounting, or auditing services for municipal corporations, counties, townships, and school districts in the determination or termination of fiscal caution, fiscal watch, or fiscal emergency. The costs of these services largely depend upon how many local governments and school districts are in fiscal watch or fiscal emergency. The Auditor of State's budget request noted that, as of October 2024, there were 12 local governments and one school district in fiscal emergency, four local governments in fiscal caution, and three local governments, one school district, and one university in fiscal watch.

### Training Program (ALI 070603)

FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Estimate	FY 2026 Introduced	FY 2027 Introduced
<b>Fund 5840 ALI 070603, Training Program</b>					
\$7,974	\$94,556	\$164,089	\$200,000	\$250,000	\$250,000
% change	1,085.8%	73.5%	21.9%	25.0%	0.0%

This ALI is used to pay for training of newly elected local fiscal officials and ongoing training of county treasurers and village clerks and the Auditor of State's annual Local Government Officials Conference, as well as other trainings that may be offered. The ALI is supported by the Auditor of State Training Fund (Fund 5840), which consists of fees collected from township clerks, city auditors, village clerks, county treasurers, and their staff who attend the training sessions. The Auditor of State canceled or converted training events to a virtual format during the COVID-19 pandemic, explaining the significant tail-off in spending in FY 2021 and FY 2022. A registration fee was not charged for these virtual events. However, registration fees for events were charged in FY 2023. Over the last biennium, the Auditor of State hosted some sessions in person (such as the annual Local Government Officials Conference), while other trainings were offered in virtual or hybrid formats.

**FY 2026 - FY 2027 Appropriations - As Introduced  
All Fund Groups - Detail**

**Main Operating Appropriations Bill**

Detail by Agency			FY 2024	Estimate FY 2025	Introduced FY 2026	Introduced FY 2027	FY 2025 to FY 2026 % Change	FY 2026 to FY 2027 % Change
<b>AUD Office of the Auditor of State</b>								
GRF	070401	Audit Management and Services	\$12,918,393	\$13,748,000	\$15,067,887	\$16,035,566	9.60%	6.42%
GRF	070402	Performance Audits	\$2,141,113	\$2,620,000	\$2,446,170	\$2,472,567	-6.63%	1.08%
GRF	070403	Fiscal Distress Technical Assistance	\$261,583	\$500,000	\$611,873	\$631,010	22.37%	3.13%
GRF	070404	Fraud/Corruption Audits and Investigations	\$3,221,189	\$5,004,000	\$4,219,438	\$4,301,040	-15.68%	1.93%
GRF	070412	Local Government Audit Support	\$15,783,956	\$16,550,000	\$19,225,511	\$19,196,539	16.17%	-0.15%
<b>General Revenue Fund Subtotal</b>			<b>\$34,326,234</b>	<b>\$38,422,000</b>	<b>\$41,570,879</b>	<b>\$42,636,722</b>	<b>8.20%</b>	<b>2.56%</b>
1090	070601	Public Audit Expense - Intrastate	\$10,988,807	\$12,539,160	\$13,374,149	\$13,775,373	6.66%	3.00%
4220	070602	Public Audit Expense - Local Government	\$28,786,289	\$33,464,635	\$37,141,304	\$37,952,991	10.99%	2.19%
5840	070603	Training Program	\$164,089	\$200,000	\$250,000	\$250,000	25.00%	0.00%
5JZ0	070606	Auditor's Innovation Fund	\$0	\$300,000	\$300,000	\$300,000	0.00%	0.00%
5VP0	070611	Local Government Audit Support Fund	\$15,786,917	\$16,550,000	\$18,085,277	\$18,604,943	9.28%	2.87%
6750	070605	Uniform Accounting Network	\$6,131,338	\$12,034,834	\$7,306,872	\$6,804,086	-39.29%	-6.88%
<b>Dedicated Purpose Fund Group Subtotal</b>			<b>\$61,857,439</b>	<b>\$75,088,629</b>	<b>\$76,457,602</b>	<b>\$77,687,393</b>	<b>1.82%</b>	<b>1.61%</b>
<b>Office of the Auditor of State Total</b>			<b>\$96,183,673</b>	<b>\$113,510,629</b>	<b>\$118,028,481</b>	<b>\$120,324,115</b>	<b>3.98%</b>	<b>1.94%</b>
<b>Main Operating Appropriations Bill Total</b>			<b>\$96,183,673</b>	<b>\$113,510,629</b>	<b>\$118,028,481</b>	<b>\$120,324,115</b>	<b>3.98%</b>	<b>1.94%</b>