

OHIO AUDITOR OF STATE KEITH FABER



House Finance Subcommittee on Higher Education

Auditor of State Keith Faber

Budget Testimony

February 22, 2023

Chair Manning, Ranking Member Jarrells, and members of the subcommittee, thank you for the opportunity to testify regarding the Fiscal Year 2024/25 operating budget for the Auditor of State's office. Having previously served in the legislature, I appreciate the opportunity to stand on this side of the podium and answer any questions that you might have about our work.

I always like to start out talking about what we don't do in the Auditor's office. We don't audit individuals, we don't audit businesses, and we don't collect taxes. All we do is audit the 6,000 governmental entities across Ohio who handle tax dollars. This includes everyone from cities and counties to state colleges and universities. It is my office's duty to ensure that public funds are managed appropriately and spent in accordance with the law.

Our mission is to serve the interests of Ohio taxpayers by ensuring that their hard-earned tax dollars are managed in an efficient, effective, and transparent manner. In short, we are the watchdog on those who spend government money.

With that in mind, our agency performs several functions beyond the traditional financial audit that I would like to highlight. Our Uniform Accounting Network team, for instance, runs an accounting system that is used by many small governments throughout the state, while our Local Government Services staff helps struggling governments get their financial house in order.

Our Special Investigations Unit (SIU) investigates allegations of fraud, waste, and abuse. SIU recently closed their 100th criminal conviction since my administration began and while this milestone is unfortunate, it demonstrates the impact that their work has on everyday Ohioans. That is why my office is working with Senator Tim Schaffer on legislation to increase SIU's ability to identify and pursue potential instances of wrongdoing. The budget before you will help support our work in this area and I will expand on our efforts shortly.

Finally, I want to highlight the work of our performance audit team. Expanding the use of performance audits is a major priority of my administration because they are a key driver in seeking a more efficient, effective, and transparent government. To that end, our team is on track to complete eight performance audits this biennium, which is a significant increase over the statutory minimum of four per biennium. Several of our recent performance audits were undertaken at the legislature's request and I hope to continue that partnership during the 135th General Assembly.

Agency and Audit Cost Background

As this committee reviews our budget, it is important to understand that the agency has historically charged public offices for our services to help defray audit costs.

Ohio Revised Code 117.13 establishes a funding structure that requires the total cost of audits, both direct and indirect, to be charged to the public office. For state agencies, along with colleges and universities, those charges must be consistent with federal cost recovery guidelines. Charges for local governments and schools are offset subject to the availability of resources from the General Revenue Fund, Local Government Audit Support Fund, or other state funding provided by the General Assembly.

The current language of ORC 117.13 was revised in 2019 to clearly outline how audit charges and other state support work in tandem to cover audit costs. These revisions established the Local Government Audit Support Fund, which along with General Revenue Fund appropriations, help keep audit costs down.

Budget As Introduced

Let me take a moment to express my appreciation to Governor DeWine for his decision to fully fund our budget request. The executive budget will support our current operations and allow us to continue our affordable audit services without increasing the burden on local governments. In an office where 90% of our expense is personnel cost, this budget allows us to fund our current authorized employee level of approximately 800 people and add employees to other priority areas. It also allows us to meet our statutory audit responsibilities and to continue providing other accounting and consulting services for local governments and schools. Full funding of the Local Government Audit Support Fund and General Revenue Fund requests will avoid increasing the -rate charged to local governments and schools for required financial audits. That rate will remain at \$41 per hour under this budget proposal.

The executive budget also contains funding to add a cybersecurity position in the Special Investigations Unit. Cyber fraud has become an increasingly important issue and our agency will be on the forefront of combatting these crimes as they pertain to state and local governments.

I mentioned earlier that we are working with Senator Schaffer on legislation that is intended to increase SIU's ability to identify and pursue instances of fraud. That legislation will increase caseloads for our team beyond what was envisioned by our original budget proposal. For this reason, we will bring a supplementary budget request to help fund the additional resources needed to support the new anti-fraud initiatives.

Finally, our proposed budget also contains funding to add six additional performance auditors in each year of the biennium for a total of twelve new performance auditors by the end of Fiscal Year 25. The additional staff will expand our ability to conduct performance audits for local governments and state agencies and it will increase our focus on performance audits of Ohio's higher education system, which is a priority of mine.

As an aside, Governor DeWine has placed an emphasis on the College Credit Plus program and I want to applaud him for that work. The as-introduced budget addresses several issues that we identified in our recent College Credit Plus performance audit and I encourage the general assembly to continue working to improve this program for Ohio's students.

What Our Budget Means for Ohioans

Our budget submission is rooted in the premise of providing support for local governments, ensuring that our communities receive the full benefit of their tax dollars, and increasing government transparency. The Local Government Audit Support Fund helps to achieve these goals by avoiding the need for a large increase in the \$41 hourly audit rate. Additionally, the funding for cybersecurity issues will help our agency adapt to the increasing frequency of cyber fraud as it relates to state and local government. Finally, the increased funding for additional performance auditors will allow us to expand our work and provide additional cost savings for Ohioans.

I spend considerable time travelling the state and talking with our clients – we call them clients, because even though they have no choice but to use our services, we think they deserve a good experience and quality customer service. I have found that the vast majority of local government officials work hard every day and I've made it my priority to provide the guidance and assistance they need to do their work. Your approval of this budget request will make that job easier.

In addition to this written testimony, I've included a list of agency funds and line items for your reference. I look forward to partnering with you to make sure Ohio taxpayers get the best return possible from their investment in state and local government. With that, I'd like to open it up for any questions you might have. Thank you.