

# OHIO AUDITOR OF STATE KEITH FABER



## Senate Finance Committee

Auditor of State Keith Faber

Budget Testimony

April 19, 2023

Chairman Dolan, Vice-Chair Cirino, Ranking Member Sykes, and members of the committee, 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 by 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. Those entities range from townships, villages, cities and counties to state colleges and universities.

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.

First, our staff runs an accounting system called the Uniform Accounting Network, which serves the vast majority of Ohio's townships and villages. This system is specifically designed for these entities and it includes software, computer equipment, and technical support that is provided by our office.

Second, our Local Government Services (LGS) group is a consulting and fiscal advisory resource to all government agencies, school systems, and political subdivisions. They offer comprehensive assistance such as financial forecasting and planning; GAAP Conversions and Financial Statements; and policy and procedure development.

Our Special Investigations Unit (SIU) reviews allegations of fraud, waste, and abuse and manages Ohio's 1-866-FRAUD-OH hotline. SIU recently closed their 100<sup>th</sup> criminal conviction since my administration began and while this milestone is unfortunate, it demonstrates the impact that SIU's 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 – that bill is Senate Bill 91. The budget before you will help support our work in this area and I will expand on those 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 135<sup>th</sup> General Assembly.

One key change in this area is our transition from performance audits focused on agency operating issues to a more programmatic and wholistic approach that looks at opportunities to increase program efficiency, effectiveness, and results for the citizens of the state.

We believe the savings to the people of Ohio using this new method is even higher than our previous Return on Investment of more than 20 to 1.

### **Agency and Audit Cost Background**

As this committee reviews our budget, it is important to understand that the auditor's office has historically charged public offices for our services to help defray audit costs. We are largely a fee-for-service organization.

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. In 2023, the rate is \$85 per hour. 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 to keep audit costs down. In contrast to the \$85 per hour rate for state agencies and universities, our local government rate has not increased from \$41 per hour in more than a decade largely due to the creation and funding of the Local Government Audit Support Fund.

### **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. Again, that rate will remain at \$41 per hour under this 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 Senate Bill 91, which will increase SIU's ability to identify and pursue instances of fraud. One effect of the legislation is that it will increase caseloads beyond what was envisioned by our original budget proposal. For this reason, we will submit a supplementary budget request in the Senate to help fund the additional resources needed to support Senate Bill 91's 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.

I would also like to thank Senator Cirino and Senator Brenner for their partnership on Senate Bill 104. This bill will greatly improve access for Ohio's students to the College Credit Plus program and is a win for all Ohio students and families.

### **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.

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.