

# OHIO AUDITOR OF STATE KEITH FABER

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## House Bill 248 – Auditor of State Modernization House General Government Committee May 20, 2024

Chair Ray, Vice-Chair LaRe, Ranking Member Brent, and members of the House General Government Committee, thank you for the opportunity to testify today in support of HB 248, the Auditor of State statutory clean-up bill. My name is Tim Keen and I serve as the Chief Financial Officer and Senior Advisor to Auditor of State Keith Faber.

I'd like to start by thanking Representative Thomas for introducing this bill. Auditor Faber greatly appreciates his willingness to help us advance these necessary changes to state law.

Over the last year at Auditor Faber's direction, AOS staff have conducted a comprehensive review of the statutes governing the duties and responsibilities of the office. The purpose of the review was to ensure the office has appropriate processes and procedures in place to efficiently and effectively carry out the functions of the office, and to document the assignment of duties to the various departments and regions of the office.

One outgrowth of this work was the recognition that we need to update a number of sections of the Ohio Revised Code to reflect the current operational and audit practices of the office.

HB 248 contains many of these code changes that we think makes sense as the office moves forward in the years ahead. Prior to introduction of the bill, our legislative staff reached out to agencies and other interested parties to apprise them of our language changes. We'd like to thank them for attention to Auditor Faber's good government bill. For your convenience, I've attached an overview of the changes contained in the bill. In my testimony, I do not intend to review all of these changes, but I do want to highlight a few of the items proposed, and I am happy to discuss any of the 55 sections impacted by the bill.

As you may know, the office of the Auditor of State was established in the Ohio Constitution of 1803. Statutory responsibilities have grown and changed over time. Likewise, audit practices and procedures as well as office operations have evolved since then.

A number of the provisions in this bill, trace their origin to the early years of statehood. One such function, has been the role of the office as custodian of land records and deeds. Over the years, many of these duties have been transferred to the Department of Administrative

Services and the Ohio History Connection. In fact, HB 33 from the 135<sup>th</sup> General Assembly, shifted most of the remaining land records functions to these agencies. This bill would complete this process.

The bill has a number of sections that update language to reflect current operations and audit practices of the office, such as changes to section 317.20 which eliminates the auditor of state's approval of sectional indexes prepared by the County Recorder. There is no audit purpose for this provision.

Another example is the changes to ORC 3375.39 and 3375.92, which eliminate the need for a representative of the auditor of state to count moneys, bonds, and other securities in possession of a library at a time of transition between fiscal officers.

Before I close, there are three slightly more substantive changes I want to call to your attention.

First is a change to ORC 117.38 which governs the filing of financial reports by local public offices. A recent change to GASB standards will require these reports to contain budgetary information. The bill makes this change.

Second, ORC 3314.50 requires new community schools to post a bond or letter of credit of \$50,000 to ensure final audit costs are paid in the event of a school's closure. In the ten years since the provision was enacted, the office has never collected, and we are not certain that we ever would be able to collect funds under this provision. We have determined that the substantial staff time necessary to administer this section is not worth the uncertain potential future payments.

And finally, in ORC 703.34, the bill proposes to increase the population threshold for involuntary village dissolution from 125 to 500. The bill does not change the six conditions that must be met before this process is triggered. The LGS section of the Auditor's office is responsible for the administration of the dissolution process. As you may recall, in the last General Assembly, HB 331 established additional procedures for involuntary dissolution of villages. During our review of the changes in HB 331, our office determined that the population threshold should be adjusted upward. From time to time, our office becomes involved in situations where small villages are unable to efficiently and effectively provide basic services to their residents. At present, we are aware of two entities that might meet these conditions.

Thank you for the time and attention, I'm happy to answer any questions you may have.

## AOS Modernization Bill Overview

Updating language to reflect the current operations of AOS:

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- **9.35:** Contracts for ministerial duties by public officials
- **117.251:** Notation of investments in eligible depositories
- Transferring duties to the Ohio History Connection:
  - **117.51:** Custodian of public land records
  - **149.10:** Submission of audit reports
  - **501.03:** Auditor of State and Department of Administrative services - duties
- **169.13:** Unclaimed Funds
  - This is a function of OBM
- **317.20:** Sectional indexes – Recorder
- Transferring duties to Department of Administrative Services
  - **501.11:** Certificate of proceedings
  - **501.09:** Renewable lease
- **1533.13:** Persons authorized to issue licenses, stamps and permits – application procedure
- **3314.011:** Designated fiscal officer – bond – licensing
- **3314.50:** Community school; bond.
- **3315.18:** Capital and maintenance fund
- **3315.181:** Source of revenue for capital and maintenance fund
- **3317.035:** Annual audits of certified membership – other information.
- **3318.48:** Certificate of completion
  - Replace issue FFR with issue collection to Attorney General's office
- **3328.16:** Designated fiscal officer
- **3375.39:** Accounting by clerk – count and certificate
- **3375.92:** Clerk and deputy clerk of board – duties
- **3313.27:** Delivery of funds to board at expiration of term of treasurer – certificate
- **3709.15:** Appointing sanitarians and nurses
  - Move the language to section 5705.12
- **5705.12:** Approval to establish special funds
- **3717.071:** Forms for calculating licensing fees

- Repeal **4115.31** through **4115.36**: State committee for the purchase of products and services provided by persons with disabilities
  - These sections are no longer valid per the sunset provision in 4115.36, should be taken out of code.
- **5117.12**: Reporting impact on a number of uncollectible accounts and past due residential - Energy Credit program
- **5310.06**: Monthly payments of money to treasurer of state – investment of funds
- **5923.30**: Action against officer unable to account properly for money or property
- **6101.55**: Annual levy – Conservancy Districts

#### Removing duplicative language:

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- **117.113**: Audit of RC Chapter 3326 technical schools
  - Per LSC, STEM schools are considered public schools, therefore this language is not needed.
- **117.441**: Fiduciary training programs
  - Section is duplicative of 3333.045

#### Miscellaneous:

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- **117.38**: Annual reports
  - Insert “C(5) Budgetary comparison information as required by the applicable reporting framework or as prescribed by the auditor of state.”
  - This language is added to reflect the upcoming implementation of GASB 103
- **703.34**: Dissolution of village
  - Increasing the threshold of population for involuntary dissolution
- Training process update:
  - **317.06**: Continuing Education – Recorders
  - **319.04**: Continuing Education – Auditors
  - **507.12**: Education programs for individuals elected or appointed to the office of township fiscal officer
  - **733.81**: Education programs for fiscal officers

**Village, County, Population based on 2020 Census:**

Adamsville, Muskingum - 140

Adelphi, Ross - 322

Alexandria, Licking - 483

Amesville, Athens - 171

Amsterdam, Jefferson - 436

Antioch Corp, Monroe - 71

Aquilla, Geauga - 305

Athalia, Lawrence - 279

Bailey Lakes, Ashland - 349

Bairdstown, Wood - 115

Barnhill, Tuscarawas - 383

Batesville, Noble - 101

Beallsville, Monroe - 355

Beaver, Pike - 442

Beaverdam, Allen - 319

Belle Center, Logan - 809

Belle Valley, Noble - 201

Belmont, Belmont - 414

Belmore, Putnam - 65

Benton Ridge, Hancock - 272

Bergholz, Jefferson - 544

Berkey, Lucas - 275

Blakeslee, Williams - 104

Bloomington, Jefferson - 145

Bowerston, Harrison - 356

Bowersville, Greene - 261

Brice, Franklin - 93

Brinkhaven (Gann), Knox - 114

Broughton, Paulding - 116

Buckland, Auglaize - 233

Burbank, Wayne - 296

Burgoon, Sandusky - 183

Burkettsville, Darke/Mercer - 272

Butlerville, Warren - 155

Casstown, Miami - 270

Castine, Darke - 110

Catawba, Clark - 245

Cecil, Paulding - 146

Chatfield, Crawford - 205

Cheshire, Gallia - 123

Chesterhill, Morgan - 276

Chesterville, Morrow - 191

Chickasaw, Mercer - 358

Chilo, Clermont - 71

Clarington, Monroe - 280

Clarksburg, Ross - 409

Center, Ottawa - 262

Clifton, Greene - 131

Cloverdale, Putnam - 170

Coalton, Jackson - 445

College Corner, Butler/Preble - 387

Conesville, Coshocton - 328

Congress, Wayne - 132

Coolville, Athens - 454  
Corning, Perry - 488  
Corwin, Warren - 484  
Crown City, Gallia - 424  
Cumberland, Guernsey - 317  
Custar, Wood - 178  
Darbyville, Pickaway - 186  
Deersville, Harrison - 69  
Dellroy, Carroll - 268  
Dexter City, Noble - 81  
Donnelsville, Clark - 255  
Dupont, Putnam - 212  
Edison, Morrow - 422  
Eldorado, Preble - 458  
Elgin, Van Wert - 49  
Empire, Jefferson - 232  
Fairview, Guernsey - 67  
Fayetteville, Brown - 317  
Fletcher, Miami - 451  
Florida, Henry - 215  
Fredericksburg, Wayne - 409  
Freeport, Harrison - 321  
Fulton, Morrow - 250  
Fultonham, Muskingum - 115  
Gettysburg, Darke - 463  
Gilboa, Putnam - 168  
Glenford, Perry - 165

Glenmont, Holmes - 240  
Gloria Glens Pk, Medina - 369  
Gordon, Darke - 245  
Grand River, Lake - 394  
Gratiot, Licking - 215  
Graysville, Monroe - 70  
Green Camp, Marion - 310  
Grover Hill, Paulding - 382  
Hamersville, Brown - 485  
Hanging Rock, Lawrence - 204  
Hanoverton, Columbiana - 354  
Harbor View, Lucas - 89  
Harpster, Wyandot - 160  
Harrisburg, Franklin/Pickaway - 315  
Harrisville, Harrison - 179  
Harrod, Allen - 423  
Hartford, Licking - 404  
Haviland, Paulding - 160  
Hayesville, Ashland - 447  
Helena, Sandusky - 211  
Hemlock, Perry - 142  
Higginsport, Brown - 213  
Highland, Highland - 232  
Hills & Dales, Stark - 250  
Holiday City, Williams - 48  
Hollansburg, Darke - 243  
Holloway, Belmont - 330



Holmesville, Holmes - 371  
Hoytville, Wood - 220  
Huntsville, Logan - 408  
Irondale, Jefferson - 326  
Jacksonburg, Butler - 55  
Jacksonville, Athens - 400  
Jenera, Hancock - 257  
Jerry City, Wood - 454  
Jerusalem, Monroe - 121  
Kelleys Island, Erie - 256  
Kettlersville, Shelby - 164  
Kipton, Lorain - 209  
Kirby, Wyandot - 120  
Kirkersville, Licking - 471  
Lafayette, Allen - 406  
Lakeline, Lake - 216  
Latty, Paulding - 165  
Laura, Miami - 398  
Leesville, Carroll - 127  
Lewisville, Monroe - 184  
Lindsey, Sandusky - 457  
Linndale, Cuyahoga - 108  
Lockbourne, Franklin -236  
Lockington, Shelby - 162  
Lore City, Guernsey - 282  
Lower Salem, Washington - 75  
Ludlow Falls, Miami - 175

Macksburg, Washington - 120  
Magnetic Springs, Union - 267  
Malinta, Henry - 236  
Marengo, Morrow - 283  
Marseilles, Wyandot - 93  
Martinsburg, Knox - 222  
Martinsville, Clinton - 416  
McGuffey, Hardin - 466  
Melrose, Paulding - 233  
Midland, Clinton - 307  
Midway, Madison - 269  
Mifflin, Ashland - 158  
Milledgeville, Fayette - 98  
Miller City, Putnam - 134  
Milton Center, Wood - 137  
Miltonsburg, Monroe - 42  
Montezuma, Mercer - 152  
Morrat, Marion - 373  
Morristown, Belmont - 248  
Moscow, Clermont - 155  
Mount Blanchard, Hancock - 471  
Mount Cory, Hancock - 225  
Mount Eaton, Wayne - 171  
Mount Pleasant, Jefferson - 394  
Mowrystown, Highland - 385  
Murray City, Hocking - 341  
Mutual, Champaign - 127

Nashville, Holmes - 183  
Nellie, Coshocton - 122  
Neville, Clermont - 87  
New Alexandria, Jefferson - 232  
New Athens, Harrison - 222  
New Bavaria, Henry - 86  
New Bloomington, Marion - 413  
New Riegel, Seneca - 286  
New Weston, Darke - 124  
Ney, Defiance - 303  
North Fairfield, Huron - 465  
North Hampton, Clark - 457  
North Robinson, Crawford - 219  
North Star, Darke - 224  
Norwich, Muskingum - 87  
Octa, Fayette - 58  
Old Washington, Guernsey - 223  
Orangeville, Trumbull - 174  
Osgood, Darke - 306  
Otway, Scioto - 92  
Palestine, Darke - 180  
Parral, Tuscarawas - 205  
Patterson, Hardin - 130  
Phillipsburg, Montgomery - 498  
Pitsburg, Darke - 381  
Plainfield, Coshocton - 141  
Pleasant City, Guernsey - 400

Pleasant Plain, Warren - 129

Polk, Ashland - 310

Port Jefferson, Shelby - 308

Port William, Clinton - 229

Portage, Wood - 398

Potsdam, Miami - 225

Put-In-Bay, Ottawa - 154

Quaker City, Guernsey - 379

Rarden, Scioto - 146

Rayland, Jefferson - 395

Rendville, Perry - 28

Richmond, Jefferson - 412

Ridgeway, Hardin/ Logan - 314

Rochester, Lorain - 159

Rocky Ridge, Ottawa - 312

Rogers, Columbiana - 194

Rome, Adams - 83

Roszburg, Darke - 159

Roswell, Tuscarawas - 219

Rushsylvania, Logan - 491

Rushville, Fairfield - 304

Rutland, Meigs - 427

Sarahsville, Noble - 147

Savannah, Ashland - 329

Scott, Paulding - 242

Senecaville, Guernsey - 422

Sherrodsville, Carroll - 222

Sinking Spring, Highland - 118  
South Salem, Ross - 219  
South Solon, Madison - 329  
South Vienna, Clark - 402  
Sparta, Morrow - 121  
Spring Valley, Greene - 415  
St. Louisville, Licking - 352  
Stafford, Monroe - 71  
Stockport, Morgan - 483  
Stone Creek, Tuscarawas - 153  
Stratton, Jefferson - 267  
Sugar Bush Knl, Portage - 217  
Sugar Grove, Fairfield - 429  
Summerfield, Noble - 237  
Summitville, Columbiana - 110  
Tarlton, Pickaway - 254  
Thurman, Gallia - 87  
Tiro, Crawford - 219  
Tontogany, Wood - 387  
Tremont, Clark - 352  
Trimble, Athens - 329  
Unionville Ctr, Union - 241  
Valley Hi, Logan - 228  
Van Buren, Hancock - 396  
Vanlue, Hancock - 341  
Venedocia, Van Wert - 140  
Verona, Preble/Montgomery - 403

Vinton, Gallia - 224

Waldo, Marion - 326

West Elkton, Preble - 164

West Leipsic, Putnam - 226

West Manchester, Preble - 415

West Millgrove, Wood - 131

West Rushville, Fairfield - 166

Wharton, Wyandot - 328

Wilkesville, Vinton - 116

Willshire, Van Wert - 405

Wilmot, Stark - 282

Wilson, Monroe/Belmont - 129

Woodstock, Champaign - 287

Wren, Van Wert - 165

Yankee Lake, Trumbull - 75

Yorkshire, Darke - 95

Zaleski, Vinton - 230

Zanesfield, Logan - 194

Zoar, Tuscarawas - 172