



Senate Finance Committee
Auditor of State Keith Faber
House Bill 96 Testimony
April 2, 2025

Chairman Cirino, Vice-Chair Chavez, Ranking Member Hicks-Hudson, and members of the committee, thank you for the opportunity to testify regarding the Fiscal Year 2026/27 operating budget for the Auditor of State. 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 public money. 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 and it 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 group (LGS) 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

130th criminal conviction since my administration began and while this milestone is unfortunate, it demonstrates the impact of SIU's work on everyday Ohioans.

With that said, I'd like to take this opportunity to thank you for passing Senate Bill 91 during the last General Assembly. This piece of legislation furthered our anti-fraud efforts by expanding the nature of public official accountability when it comes to corruption and bad acts. Specifically, it required fraud training for all public employees and elected officials, while also implementing reporting requirements for those who become aware of potential fraud.

The volume of fraud-related tips has nearly doubled since Senate Bill 91 went into effect and this increased reporting has allowed our team to identify potential instances of wrongdoing that we otherwise may not have discovered.

Finally, I want to highlight the work of the Ohio Performance Team (OPT). 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.

Ohio Revised Code 117.46 requires that our agency complete four performance audits of state agencies or higher education institutions per biennium; OPT completed eight of these audits during the 135th General Assembly.

I also want to point out that several of our recent performance audits were undertaken at the legislature's request, including reviews of the Unemployment Compensation, Next Gen 9-1-1, and MARCS systems. This has been a productive partnership and I hope that it continues during the 136th 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.

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 partially 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 undergoing the audit. For state agencies, along with colleges and universities, those charges must be consistent with federal cost recovery guidelines. In 2025, the state audit rate is \$90 per hour. Charges for local governments and schools are offset subject to the availability of resources from the General Revenue Fund (GRF), Local Government Audit Support Fund (LGASF), or other state funding provided by the General Assembly. This means that in 2025, the local government audit rate is \$41 per hour.

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. Since that time, my objective has been to keep audit costs as low as possible for local governments and schools. And over the last three budgets, the Governor and the General Assembly have been partners in helping to achieve that goal. Appropriations from the General Assembly in GRF ALI 070412 (Local Government Audit Support) and in the Dedicated Purpose Fund ALI 070611 (Local Government Audit Support Fund) have allowed my office to hold the local government audit rate at \$41 per hour over the last six years.

We make sure our clients know about the General Assembly's support for local governments by including an explanation of billing rates and charges on their monthly bill. For your reference, we've included an example of a bill in your materials, with the explanation on page two of the document.

AOS Executive Budget Submission

In developing our budget, we determined that it was necessary to include a modest increase in the local government audit rates. AOS proposed a rate of \$42 per hour for FY26, (an increase of \$1 over the current rate) and \$43 per hour for FY27 (an increase of \$2 over the current rate). This is the first change in the local government audit rate since 2011 and the modest adjustment is necessary due to increased cost of operations and the need to attract and retain independent public accounting (IPA) firms to conduct audit work on our behalf.

In an office where 90% of our expense is personnel cost, our executive budget request allowed us to fund our current authorized employee level of approximately 800 people and add a limited amount of staff in priority areas such as the Special Investigations Unit and the Ohio Performance Team. It also allowed us to meet

our statutory audit responsibilities and to continue providing other accounting and consulting services for local governments and schools.

For six years, we have carefully managed the public monies entrusted to us with an eye toward being as efficient and effective as possible. As good stewards of taxpayer dollars, we carefully consider any opportunity for operational improvements and we continue to utilize technology to become more efficient.

As an example, my staff has worked diligently since 2019 to review and renegotiate leases, assess our space, and reduce our footprint by 50,000 square feet statewide. Our audit and accounting staff are spread across the state where they work on-site with our clients and we maintain satellite offices to support those operations. With that in mind, we have twice reduced our space in Columbus, and we have continuously reviewed and right-sized our regional office operations in an effort to improve efficiency without sacrificing productivity. Due to these efforts, our total lease costs are \$665,000 below our costs from 2019.

Executive Budget Recommendation

The executive budget did not fully fund the budget request that I just outlined. Across the General Revenue Fund and Local Government Audit Support Fund, my request was underfunded by \$6 million in FY26 and \$10.7 million in FY27. The governor's recommended level of funding will not allow us to continue our affordable audit services without increasing the burden on local governments.

With the funding we've received in the as-introduced budget, we fear that local government audit rates will need to increase to \$50 per hour in FY26 (a 22% increase from current rates) and \$56 per hour in FY27. This would be a cumulative 36.5% increase above the rates currently paid by townships, villages, cities, counties, school districts, and all other local government entities.

As previously stated, I support a modest increase in local government audit rates. However, I do not believe that a \$15 per hour increase would qualify as modest and now is not the time to drastically increase audit costs for local governments and schools.

Having sat in your seat as a former member of this committee, I understand the difficult task of allocating scarce resources in the best interest of the taxpayer. That said, I believe that we have a persuasive case to why audit rates should only increase to the \$42 per hour for FY26 and \$43 per hour for FY27 that I outlined earlier.

House Substitute Bill Update

Yesterday, the House Finance Committee adopted the substitute version of House Bill 96, which included funding at our requested level. I want to take a moment to thank the House leadership, Chairman Stewart and other members that we spoke with in advocating for our proposed funding. This will allow us to continue providing affordable audit services with the modest, but necessary rate increases I discussed earlier.

While the Senate contemplates the operating budget in the coming weeks, I hope you also come to the conclusion that our requested level of funding is in the best interest of schools, local governments, and the taxpayers of Ohio. As you work through the process, my staff and I stand ready to answer any questions you may have about our budget and the services we provide on behalf of the citizens of Ohio.

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. The vast majority of local government officials work hard every day, and it is my priority to provide the guidance and assistance that they need to do their work. Your continued support and partnership throughout the budget process will make that goal achievable.

In addition to this testimony, I have submitted a list of agency funds and line items for your reference, along with the monthly billing statement that I mentioned earlier.

Thank you again for allowing me to testify and I look forward to working with you to make sure Ohio taxpayers get the best return possible from their investment in state and local government. With that said, I am happy to answer any questions that you might have.

Thank you.