



OASBO AUDITOR OF STATE COMMITTEE

November 15, 2022

9:00-10:00 a.m.

Columbus Conference Center, Room B246

Our Mission

An association of Ohio school business officials empowering members by providing advocacy, collaboration, and innovative education.

Our Vision

OASBO and its members are the leading experts in school finance and business operations, resulting in efficient and effective schools.

Committee Purpose Statement

This committee meets regularly with representatives from the Auditor of State's (AOS) office. The purpose of the meetings is to share information between our two organizations, give feedback to the AOS on issues related to school business accounting and audits, and discuss concerns from the field with AOS representatives. The meetings also provide a forum for the AOS to announce new developments and/or regulations.

AGENDA

- I. **Welcome** (Tina Hageman, Chair; Jennifer Bruns, Vice Chair)
- II. **Auditor of State Update - Auditor Faber, Chief Deputy Auditor Hinkle and the Auditor's Office**
- III. **Issues/Questions from Committee** (see below)
- IV. **Meeting Dates 2022-23:** February 7, 2023; April 19, 2023

Issues/Questions from Committee

1. **Levy FAQ - Update; timeline**
2. **AOS Bulletin 2022-010**

- ◆ In AOS Bulletin 2022-010, the guidance makes clear that fiscal officers are not liable for the loss of public funds if the officer performed all official duties with reasonable care. The guidance goes on to note that the new standard applies to audits that include periods after September 13, 2022 (the effective date of SB 15). Since the statute applicable to school district treasurers/CFOs was revised in 2019, with the change becoming effective on March 20, 2019 (the effective date of HB 491 of 132nd GA), may we assume that the new standard has applied to audits for periods after March 20, 2019? If so, is it possible for a Finding for Recovery to be revisited if the new standard was not applied?

Yes, that is the standard we have been using for school district treasurers since the passage of HB 491. If anyone believe that is not the standard that was utilized on a FFR they received, please reach out directly to me (Bob Hinkle).

AOS clarified Bulletin 2022-010 as follows - The guidance enacted in SB 15 applies only to those offices/positions expressly identified in the bulletin. SB 15 does not apply to school district treasurers. However, HB 491 of the 132nd GA applied requirements similar to those of SB 15 to school treasurers. Therefore, the general guidance included in this bulletin would be the same for school district treasurers, except for the effective date of the legislation (i.e., the standard applies to audits of school district treasurers that include periods covered after the HB 491 effective date of March 20, 2019).

3. Compliance Testing - T1 and T2 Reports

- ◆ The state auditors asked for T1 and T2 data during the audit for the first time during my audit. The procedures and documents requested were extensive. Will the Auditor of State's office be providing more guidance on what documentation is required for District's to maintain? How will materiality be evaluated for compliance testing and comments on T1 and T2 testing?

Our compliance testing procedures are posted annually on our website. The Transportation requirements and related testing procedures are described in Step 3-20 of the 2022 Ohio Compliance Supplement available at: [Chapter3_2022.pdf \(ohioauditor.gov\)](#). These procedures were added to the 2022 OCS due to changes in the school funding formula. While the requirement to file this information with ODE has been in place for many years, the new school funding formula puts additional weight on the accuracy of this information for generating components of Foundation funding. ODE's Office of School Finance requested the AOS begin auditing this information due to the number of inaccuracies ODE has identified over the years with reported Transportation. Aaron Rausch and his staff have been cautioning schools since 2021 that AOS would begin looking at this information. Refer to training located at: [T Report Instructions & Worksheets | Ohio Department of Education](#). Schools can expect to see similar procedures in the 2023 OCS as well.

Materiality will be measured as it has for some time, there is both a quantitative and qualitative aspect to our materiality assessment.

4. Disposal of fixed assets:

- ◆ Can the Auditor of State provide some guidance on the proper way of disposing of old unused equipment. Ohio Rev. Code 3313.41 lays out the rules regarding disposing of personal property items over \$10,000; however, what are the recommended procedures for items under \$10,000? Does the Board of Education need to approve the disposal and it be documented in the minutes, or does the District have the ability to dispose without Board approval? If a School is on OCBOA reporting and does not have capital assets audited, will AOS need to review any documentation on disposal of assets?

Have a sound policy and follow your policy is the best practice in this area, OCBOA of GAAP that does not change the best practice.

The rules for disposing equipment can vary based upon the source of funds used in the original acquisition of the equipment. Schools should have written policies and procedures

outlining their requirements for disposal of equipment based upon the sources of funds used to originally acquire the equipment, ensuring compliance with Federal Uniform Guidance when equipment was purchased, in whole or in part, with Federal funds.

Ohio School Boards Association has a nice resource document available for disposition of equipment and personal property items originally acquired with state or local funds: [OSBAPropertyDisposalFactSheet.pdf \(ohioschoolboards.org\)](https://ohioschoolboards.org/OSBAPropertyDisposalFactSheet.pdf).

Below is a summary of the Federal Uniform Guidance requirements for Equipment acquired with Federal Funds:

Equipment means tangible personal property, including information technology systems, having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes or \$5,000 (2 CFR

200.1_Equipment). Title to equipment acquired by a school under grants and cooperative agreements vests in the school subject to certain obligations and conditions (2 CFR 200.313(a)).

Schools must follow 2 CFR 200.313(c) through (e) which require that:

1. Equipment, including replacement equipment, be used in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by the Federal award or, when appropriate, under other Federal awards; however, the school must not encumber the equipment without prior approval of the Federal awarding agency (2 CFR 200.313(c) and (e)).
2. Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the Federal award identification number), who holds title, the acquisition date, cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sales price of the property (2 CFR 200.313(d)(1)).
3. A physical inventory of the property must be taken and the results reconciled with the property records at least once every 2 years (2 CFR 200.313(d)(2)).
4. A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated (2 CFR 200.313(d)(3)).
5. Adequate maintenance procedures must be developed to keep the property in good condition (2 CFR 200.313(d)(4)).
6. If the non-Federal entity is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return (2 CFR 200.313(d)(5)).
7. When original or replacement equipment acquired under a Federal award is no longer needed for a Federal program (whether the original project or program or other activities currently or previously supported by the Federal government), the non-Federal entity must request disposition instructions from the Federal awarding agency if required by the terms and conditions of the award. Items of equipment with a current per-unit fair market value of \$5,000 or less may be retained, sold, or otherwise disposed of with no further obligation to the Federal awarding agency. If the Federal awarding agency fails to provide requested

disposition instructions within 120 days, items of equipment with a current per-unit fair market value in excess of \$5,000 may be retained or sold.

The Federal awarding agency is entitled to the Federal interest in the equipment, which is the amount calculated by multiplying the current market value or sale proceeds by the Federal agency's participation in total project costs (2 CFR 200.313(e)).

Note: Intangible property that is acquired under a Federal award, rather than developed or produced under the award, is subject the requirements of 2 CFR 200.313(e) regarding disposition (2 CFR 200.315(a)).

5. Use of Fund 022 & Tournaments

- ◆ In general, what are the new guidelines and what fund are we to use when entering receipts and expenditures for tournaments?

Refer to [AOS Bulletin 2022-007](#).

- ◆ More specifically, are we allowed to still use Fund 022 even though it is no longer required by AOS? If possible, I would like to continue to use Fund 022 to keep funds related to tournaments separate from our 300 fund.

Schools should establish a SCC in Fund 300 to separate the activity. We recommend schools follow the guidance in our bulletin. The use of Fund 022 for this tournament revenue purpose should be discontinued.

6. Federal Procurement (Note: The AOS office provided a written response to this question, which is included below for the AOS Committee's benefit.)

- ◆ We have an approved CCIP Budget for ESSER II and ARP ESSER funds. In those budgets, we will be purchasing boilers and chillers for our buildings. My question is, can we use a vendor that is part of a consortium instead of going out for bids? For example, we are part of the OMNIA Cooperative. We have been a part of that cooperative for many years and have used them instead of obtaining quotes from other vendors in the past without issues, but not necessarily with federal funds. The boilers we want to purchase are considered "Small Purchases" for federal procurement. The AOS information that I have found states that "we must obtain and document price or rate quotations from an adequate number of qualified sources" (this is from the Federal Uniform Guidance Procurement Requirements and ARPA Update document from 12/8/21). I contacted ODE and they referred me to the AOS website.
- ◆ To complicate matters more, we want to use the company who currently performs our maintenance contract on all of our buildings to install the boilers/chillers that we purchase. This company can use OMNIA to purchase the boilers/chillers, and they are willing to pay prevailing wage to install the boilers/chillers. I just don't know what has to be quoted in this situation: Do we have to quote the boilers/chillers separate from the quote for installing them? Or, do we try to find a company who will purchase the boilers/chillers and pay prevailing wage and give us one quote?
- ◆ **AOS ANSWER:** [Microsoft PowerPoint - ESSER Procurement Dec 2021 slide show Final2 with ODE.pptx \(ohioauditor.gov\)](#)
 - Schools must adhere to their own procurement policies and procedures, applicable state laws, and Federal grant assurances. Under the Federal Procurement small purchase threshold, you must obtain formal, written price quotes from several qualified vendors. We interpret "several" to mean at least three quotes. Refer to slides 39 to 42 in the slide show linked above. Full and open competition must be

maintained and the school/coop cannot impose geographic or other limitations on the sourcing of quotes. For this reason, AOS would advise the school district to proceed with caution before choosing to rely on a coop to obtain formal written quotes. How will the school ensure the coop did not impose limitations? How will the school document evidence of this for audit? These are just some of the considerations the school should evaluate and ensure can be met before proceeding.

- It also appears from the question that the school might be splitting the cost of the boiler and chillers from the related installment costs. Refer to Slide 31 in slide show linked above – Schools can break out such costs only when it results in a more economical price or when it permits maximum participation by small and minority businesses, women’s business enterprise, and labor surplus area firms. However, schools are not permitted to break out procurement costs to avoid competitive bidding thresholds (e.g., going out for bids) or to limit full and open competition (e.g., geographic or other preferences – such as a preference for a particular vendor already engaged by the district under other non-Federally-funded services).