

The background of the entire page is a repeating pattern of the official seal of the Ohio Office of Budget and Management. Each seal is rendered in a light gray, semi-transparent color. The seal features a central landscape with a sun rising over hills and a river, flanked by two sheaves of wheat. The text "OFFICE OF BUDGET AND MANAGEMENT" and "OHIO" is visible around the perimeter of each seal.

**Ohio Office of  
Budget and Management**

**Annual  
Report**

**Fiscal Year 2013  
July 1, 2012 – June 30, 2013**

This annual report is published by the Office of Budget and Management  
pursuant to Ohio Revised Code sections 149.01 and 121.18.

*August 1, 2013*



**Timothy S. Keen**  
**Director**

The Office of Budget and Management is pleased to present this annual report of its activities and accomplishments during the fiscal year ending June 30, 2013.

For our office, Fiscal Year 2013 was dominated by successful development and passage of the \$62 billion “Jobs Budget 2.0” for the 2014 and 2015 fiscal biennium which, with the related Transportation Budget, advanced Governor Kasich’s plan to spur jobs creation and economic growth. Budget accomplishments include a \$2.7 billion net tax cut, an improved funding formula for Ohio schools, a new approach for funding public colleges and universities, significant Medicaid reforms and an additional \$3 billion in new federal, state and local highway funds to meet Ohio's transportation needs.

During this period, the office also oversaw implementation and management of the previous biennial budget for Fiscal Years 2012 and 2013, which closed on June 30, 2013 with a \$2.27 billion unencumbered ending balance and supported a post-year end transfer of \$995.9 million to the Budget Stabilization Fund (BSF) on July 11, 2013. This brought the BSF balance to its statutory maximum (\$1.48 billion) for the first time in more than a decade.

In addition to its budget preparation and supervision responsibilities, OBM fills a number of other important fiscal management and oversight roles for state government, each with significant accomplishments in Fiscal Year 2013. For example, OBM’s Training Academy successfully launched the Ohio Fiscal Academy with certification of its first cohort of agency fiscal officers. Our Ohio Shared Services division continued integration of Cabinet agencies into its accounts-payable transaction service, a process to be completed early in the new fiscal year, and the Internal Audit division expanded its purview to include two additional agencies. Creation of the new Value Management Section at OBM supports efforts to reduce costs and create efficiencies across agency business offices.

Summaries of OBM’s activities and accomplishments in Fiscal Year 2013, as described in this annual report, are supplemented by extensive on-line documentation and other resources referenced throughout. For a complete description of OBM activities and records, please visit our website: [www.obm.ohio.gov](http://www.obm.ohio.gov).

Timothy S. Keen  
Director

# **Ohio Office of Budget and Management**

*John R. Kasich – Governor*

*Timothy S. Keen – Director*

## **Mission Statement**

The Ohio Office of Budget and Management provides policy analysis, fiscal research and financial management services to the Governor and agencies of state government, helping to ensure the proper and responsible use of state resources. As a cabinet-level agency within the executive branch of state government, OBM develops, coordinates and monitors the individual budgets of state agencies and reviews all financial transactions made with public funds.

## **Strategic Goals**

Develop, implement, and monitor operating and capital budgets that support the Governor's strategic priorities.

Reengineer business processes and leverage technology to increase efficiency and effectiveness of services.

Explore, promote, and support shared service initiatives and standardization, and consolidation of enterprise services to reduce costs and create efficiencies.

Promote financial literacy and increased awareness of service offerings within state government and the general public.

# **Executive Staff**

*June 30, 2013*

Timothy S. Keen – Director

Christopher A. Whistler – Assistant Director

Janet Conkey – Senior Deputy Director, Services and Operations

Jason Barnett – Deputy Director, Operations

Joe Bell – Deputy Director, Internal Audit

Randy Cole – Controlling Board President and Policy Advisor

Kurt Kauffman – Deputy Director, Debt Management

Jim Kennedy – Deputy Director, State Accounting

Jim Lynch – Special Advisor to the Director for Budget Communications

Dave Pagnard – Deputy Director, Communications

Robin McGuire Rose – Chief Legal Counsel

Everett Ross – Deputy Director, Ohio Shared Services

Andy Shifflette – Legislative Liaison

# Fiscal Year 2013 Highlights

## Budget Development and Implementation

Under ORC 107.03 and 126.02, and at the direction of the Governor, OBM's Budget Development and Implementation Section provides budget preparation guidance to state agencies, boards and commissions; analyzes submissions for those entities; and supports the Governor in overseeing implementation of the budget by administering fiscal controls on – and providing technical assistance to – budgeted entities. The section is also responsible for forecasting and monitoring of revenue estimates, most notably those for the General Revenue Fund through the development and publication of OBM's *Monthly Financial Report* [see Additional Resources, below].

During Fiscal Year 2013, the Budget Development and Implementation Section devoted much of its energies to development of the state's biennial Operating Budget for Fiscal Years 2014 and 2015, introduced by Governor Kasich as his Executive Budget proposal on February 4, 2013. The section's budget-development efforts began much earlier, however, beginning with months of initial preparation prior to release of budget guidance to state agencies, boards and commission in June 2012. Based on that guidance, agency budget requests were received in the autumn of 2012 and further developed, in line with the Governor's policy initiatives, to result in the Executive Budget proposal. Introduced in the General Assembly as House Bill 59, the main operating budget bill was amended and passed by legislators for the Governor's signature on June 30, 2013. Two associated budgets, for transportation and workers' compensation, were also produced by the Budget Development and Implementation Section during this time and introduced in the General Assembly as separate bills.

Also in Fiscal Year 2013, the section worked to implement policy reforms and provisions resulting from the Mid-Biennium Budget Review (MBR), an effort led at Governor Kasich's request by OBM in the previous fiscal year. This historic, top-to-bottom analysis of state agency budgets, operations and programs made significant changes to streamline government operations, reduce costs, and revitalize Ohio's ability to keep and attract jobs.

Throughout the year, the section was also engaged in implementing the second year of the state's Fiscal Year 2013 and 2014 biennial budget (HB 153), signed by Governor Kasich on June 30, 2011. That budget closed on June 30, 2013 with a \$2.28 billion unencumbered ending balance and supported a post-year end deposit of \$995.9 million in the Budget Stabilization Fund.

Other implementation tasks undertaken by the section during this period included cash-flow management for state agencies, the development of agency allotment guidance and the development and implementation of disbursement estimates needed to track and control agency spending levels.

## **Additional Resources**

Governor's Executive Budget FY 2014-2015 and Related Documentation:

<http://obm.ohio.gov/SectionPages/Budget/FY1415/Operatingexecutive.aspx>

FY 2014-2015 Biennial Budget as Enacted (Am. Sub. HB 59):

<http://obm.ohio.gov/SectionPages/Budget/FY1415/Operatingenacted.aspx>

FY 2012 Mid-Biennium Budget Review and Related Documentation:

<http://obm.ohio.gov/SectionPages/Budget/MidBudget.aspx>

FY 2013-2014 Capital Budget and Related Documentation:

<http://obm.ohio.gov/SectionPages/Budget/Capital.aspx>

OBM Monthly Financial Reports:

<http://obm.ohio.gov/MiscPages/MonthlyFinancialReports/>

## **Controlling Board**

The Controlling Board, administered as a section within OBM, provides the Governor and General Assembly a mechanism for handling certain limited day-to-day adjustments needed in the state budget. Established by ORC 127.12, the Controlling Board consists of seven members: the Director of the Office of Budget and Management or designee, the chairs of the Senate and House Finance Committees, a majority member appointed from both the Senate and the House, and a minority member appointed from both the Senate and the House.

The Controlling Board facilitates state government in making operating budget modifications as well as purchasing and contracting approvals. It is also empowered to make adjustments to the appropriations of state agencies, waive competitive selection purchasing requirements and release capital appropriations to effectively and efficiently complete capital projects.

In Fiscal Year 2013, the Controlling Board held 22 meetings and considered a total of 1,412 requests. Minutes and agendas for those meetings, including detailed information for each request, can be accessed on the e-Controlling Board website (see link below).

The Controlling Board's Emergency Purposes line item provides funding to state agencies for unforeseen emergency purposes or contingencies such as disaster relief, public safety and wrongful imprisonment settlements. In Fiscal Year 2013, the Controlling Board allocated a total of \$601,316.83 from this fund.

## **Additional Resources**

Controlling Board Overview:

<http://obm.ohio.gov/sectionpages/ControllingBoard/default.aspx>

e-Controlling Board Website – Meeting Minutes and Agendas:

<https://ecb.ohio.gov/Public/Default.aspx>

## **Debt Management**

OBM's Debt Management Section is responsible for managing existing state debt and proposed issuances of new state debt, and ensuring that financial resources have been set aside to meet the state's long-term capital and debt-service requirements. For proposed sales of new state debt, the section reviews and approves each sale, including the amount, security, source of payment, structure and maturity schedule. The section develops and distributes a monthly coordinated bond sale schedule for state bond issuers. It also coordinates and presents pertinent information to credit rating agencies on the state's economic, financial and debt position. OBM's Debt Management Section is also responsible for providing continuing information to investors, including compliance with applicable SEC disclosure regulations.

In the past ten years (Fiscal Years 2003 through 2013), OBM has overseen the issuance of \$17.4 billion in debt backed by state revenues. Averaging \$1.7 billion annually, these bond issuances include all of the state's major capital programs (e.g., highways, prisons, elementary and higher education school facilities, local infrastructure, etc.), economic development programs (e.g., Third Frontier and revitalization) and efforts to lower the state's cost of borrowing through debt refinancing.

In Fiscal Year 2013, OBM led issuers of state debt in developing and presenting a tax-exempt bond compliance program to capital finance managers across all state agencies and departments. In its role as staff for the Ohio Public Facilities Commission (OPFC), the OBM Debt Management Section took full advantage of the historically low interest rate environment to refund nearly \$1.3 billion in outstanding higher-interest OPFC debt. The reduction in future interest rate payments as a result of those refundings totaled \$201 million, or a remarkable 15.6 percent of the amount of the refunded bonds.

### **Additional Resources**

Debt and Investor Relations Portal:

<http://obm.ohio.gov/sectionpages/bondsdebt/default.aspx>

Buy Ohio Bonds:

<http://obm.ohio.gov/SectionPages/BondsDebt/BuyOhioBonds/Default.aspx>

Buckeye Tobacco Financing Authority:

<http://obm.ohio.gov/SectionPages/TobaccoSettlement/>

## **Financial Planning and Supervision**

OBM's Financial Planning and Supervision program assists financially challenged school districts and local governments to improve their fiscal condition by helping formulate and monitor fiscal recovery plans tailored to the specific nature and needs of each entity. Whenever the Auditor of State declares a school district or local government to be in a state of fiscal emergency, the Director of the Office of Budget and Management or designee is appointed to a local Financial Planning and Supervision



Commission, serving either as the chair of local government commissions or as a voting member on school district commissions.

In the course of Fiscal Year 2013, Financial Planning and Supervision was assigned to chair 24 local government commissions and participated in seven school district commissions. During this period, three local governments moved out of fiscal emergency and one school district successfully addressed its fiscal problems and was terminated from fiscal emergency status.

## **Financial Reporting**

OBM's Financial Reporting Section is primarily responsible for publishing the State of Ohio's official Comprehensive Annual Financial Report (CAFR) and compiling the Schedule of Expenditures of Federal Awards (SEFA). The CAFR covers all funds of the state's reporting entity and includes basic financial statements and required supplementary information. The SEFA reports the state's annual expenditures of all federal grants in compliance with the reporting requirements of federal agencies that provide funding to the state. In addition, the section establishes the state's accounting and financial reporting policies.

Major accomplishments of the Financial Reporting Section in Fiscal Year 2013 include:

- The Fiscal Year 2012 CAFR resulted in an unqualified opinion (commonly known as a "clean audit"), which was issued on March 21, 2013.
- Submissions for the Fiscal Year 2012 Single Audit, completed on target, for issuance on March 29, 2013 (the federal deadline).
- The number of audit findings in the Fiscal Year 2012 State Single Audit was 37, compared to the prior year total of 59.
- The amount of federal questioned costs in the Fiscal Year 2012 State Single Audit was \$3,555,020, compared to \$8,298,547 in the prior year.
- Continuing implementation of revised financial reporting processes for compiling the CAFR to remove obsolete and ineffective reporting procedures, as determined through a section-wide Kaizen event.

## **Additional Resources**

State of Ohio Comprehensive Annual Financial Report (CAFR), FY 2012:

<http://obm.ohio.gov/SectionPages/FinancialReporting/CAFR/2012/Default.aspx>

Schedule of Expenditures of Federal Awards, FY 2012:

<http://obm.ohio.gov/SectionPages/FinancialReporting/Sefa/2012/>

State of Ohio Single Audit Report, FY 2012:

<http://www.ohioauditor.gov/auditsearch/detail.aspx?ReportID=101166>

## Internal Audit

ORC 126.45 created the Office of Internal Audit (OIA) within the Office of Budget and Management to conduct periodic audits of major systems and controls at 22 cabinet agencies. In Fiscal Year 2014, OIA will expand its oversight to 26 agencies. OIA coordinates its reviews, process analyses and information technology (IT) audits with the agency internal control staff, Auditor of State and Ohio Inspector General in order to ensure proper coverage of risks and minimal duplication of effort.

Additionally, ORC 126.46 established the State Audit Committee to – among its responsibilities – review and comment on the annual internal audit plan prepared by OIA. The mission of the State Audit Committee is to provide assurance to the Governor, legislative leadership and the general public that agencies of state government are identifying risks and implementing proper internal controls of those risks in order to mitigate circumstances of fraud, waste and abuse.

In accordance with the Institute of Internal Auditors' *Standards*, OIA is required to have an external party conduct a peer review of its internal audit activities. In late 2012, OIA contracted with experts from the Institute of Internal Auditors to perform an external assessment. The results reported that OIA maintains the highest standards available as designated by "Generally Conforms" with all IIA *Standards*. Considerable efforts by the Office of Internal Audit and state agency staff resulted in OIA receiving this highly rated distinction after only three years of operation.

During Fiscal Year 2013, the Office of Internal Audit completed 23 public reports, which resulted in 32 high or moderate risk observations. Of these observations, seven were remediated by the client and validated by OIA. Twenty-one of the remaining observations are not scheduled for remediation until Fiscal Year 2014 and four were delayed by the client. All remaining Fiscal Year 2012 observations except one have been remediated by the client and validated by the Office of Internal Audit.

OIA also completed 18 assurance and consulting engagements that met the definition of a "Security Record" pursuant to Ohio Revised Code sections 149.433 or 5703.21(B)(2), which are exempt from public disclosure. Results of these engagements are provided to agency management with a summary update to the State Audit Committee in executive session. In addition, one audit was utilized by the Inspector General's Office in support of an investigation. In Fiscal Year 2014, one IT general controls audit is planned to be leveraged by the Auditor of State for financial statement audit purposes.

Assurance audits performed by the Office of Internal Audit in Fiscal Year 2013 provided an independent assessment on governance, risk management and control processes for state agencies. OIA also provided consulting services related to process documentation, financial process reviews, new or merging programs, managing outsourced operations, and provided advice on new policies, security risk assessments, and design and system development. OIA's consulting services consisted of nearly 32 percent of overall audit effort in Fiscal Year 2013. This amount is expected to remain at approximately 30 percent in Fiscal Year 2014.

## **Additional Resources**

Office of Internal Audit Annual Plans and Reports and Additional Resources:  
<http://obm.ohio.gov/SectionPages/InternalAudit/Home/Default.aspx>

Internal Audit Reports, FY 2013 and Earlier:  
<http://obm.ohio.gov/SectionPages/InternalAudit/PlansReports/AuditReports.aspx>

## **Ohio Shared Services**

Through its Ohio Shared Services (OSS) operations, the Office of Budget and Management provides cost-saving opportunities to state agencies through consolidated management of business activities, including accounts payable, travel and expense reimbursements, vendor management and contact center assistance.

Among highlights of its performance in Fiscal Year 2013, the OSS Center:

- Processed 137,266 Accounts Payable transactions and 80,152 Travel and Expense reports. Accounts Payable transactions represent a 69.4 percent increase over Fiscal Year 2012.
- Received 34,929 calls to the OSS Contact Center, achieving 82.5 percent First Call Resolution rate.
- Processed 26,750 Vendor Maintenance requests.
- Transitioned Accounts Payable processing for an additional ten Cabinet agencies, with six more clients scheduled to on-board by January 2014.
- Partner Agencies significantly increased utilization rates of OSS Accounts Payable processing from 56.7 percent in Fiscal Year 2012, to 70.4 percent in Fiscal Year 2013. This was an increase of 13.7 percent.

## **Additional Resources**

Ohio Shared Services website, with a variety of additional information:  
<http://ohiosharedservices.ohio.gov>

## **State Accounting**

Utilizing OAKS – the state’s accounting system – the OBM State Accounting Section monitors and controls both the spending and revenue collection activities of state agencies, providing up-to-date accounting information for the State of Ohio. This section reconciles the cash balance in OAKS with the Treasurer of State’s records on a monthly basis and oversees state spending to ensure appropriations are not exceeded. During Fiscal Year 2013, State Accounting continued to streamline and consolidate OBM’s Payment Issuance Section and OBM’s Accounting Review and Release Section in order to improve workflow processes. In addition, State Accounting continued to incorporate efficiencies in the year-end close process by reducing the number of days OAKS was closed to end users in late June from nine days in Fiscal Year 2012 to six days in Fiscal Year 2013. The system was successfully re-opened with new appropriations on July 1, 2013.

During Fiscal Year 2013, State Accounting – in collaboration with other OBM sections – participated in the new Audit Oversight Workgroup. By working collaboratively with each state agency to remedy control weaknesses and other issues raised in its state and federal audits, the workgroup helps OBM to track audit-compliance trends across all state agencies and provides a better understanding of agencies’ financial and operational strengths and weaknesses.

## **Additional Resources**

State Accounting Information and Records:

<http://obm.ohio.gov/SectionPages/StateAccounting/>

## **Support Services**

Additional sections and work teams in the Office of Budget and Management provide a range of administrative and technical support services for agency-wide operations:

### **Communications**

### **Legal**

### **Legislative**

### **Operations**

- **Fiscal**
- **Human Resources**
- **Information Technology**
- **Training Academy**

### **Value Management**

# Annual Expenditures Fiscal Year 2013

Office of Budget and Management  
July 1, 2012 – June 30, 2013

## BY APPROPRIATION LINE ITEM

Fund	ALI	Appropriation Line Item	Expenditures
GRF	042321	Budget Development & Implementation	\$ 2,348,523
GRF	042416	Office of Health Transformation	\$ 349,916
GRF	042409	Commission Closure	\$ 31,590
GRF	042435	Gubernatorial Transition	\$ -
GRF	042423	Liquor Enterprise Transaction	\$ 475,000
Total GRF			\$ 3,205,029
1050	042603	State Accounting & Budgeting	\$ 20,105,070
3CM0	042606	Office of Health Transformation - Federal	\$ 288,344
5EH0	042604	Forgery Recovery	\$ 10,497
5N40	042602	OAKS Project Implementation	\$ 1,072,870
7026	C10031	Operations Facilities Improvements	\$ -
Total Non-GRF			\$ 21,476,781
Total All Funds			\$ 24,681,810

## BY ACCOUNT CATEGORY

Fund	Account Description	Expenditures
500	Payroll & Benefits	\$ 19,061,776
510	Purchased Personal Services	\$ 2,031,008
520	Maintenance & Supplies	\$ 3,327,656
530	Equipment	\$ 250,873
570	Capital Improvements	\$ -
596	Payment of Forged Warrants	\$ 10,497
Total		\$ 24,681,810



THE STATE OF OHIO

**OFFICE OF BUDGET AND MANAGEMENT**

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