



OBM

Ted Strickland
Governor

J. Pari Sabety
Director

June 10, 2008

The Honorable Mary Taylor
Auditor of State
88 East Broad Street, 5th Floor
Columbus, Ohio 43215

Dear Auditor Taylor:

The Office of Budget and Management (OBM) has reviewed the management letter dated April 25, 2008, issued in connection with the State of Ohio's fiscal year 2007 audit. The letter includes recommendations regarding the establishment of a state audit committee and a centralized internal audit office, the timing of financial reporting, and the processes for the reconciliation of cash balances.

Recommendation: Establish an independent audit committee to provide independent oversight over financial reporting.

Management Response: A State Audit Committee was created upon the passage of House Bill 166 by the State's General Assembly, with an effective date of February 14, 2008.

Recommendation: Centralize the internal audit function for all state agencies in a new division at OBM.

Management Response: A centralized Office of Internal Audit was created upon the passage of House Bill 166 by the State's General Assembly, with an effective date of February 14, 2008.

Recommendation: Exercise diligence in requiring timely information from the State's agencies and component units for the preparation of the State's fiscal year 2008 financial statements.

Management Response: As a result of the State's implementation of the Ohio Administrative Knowledge System (OAKS) financials module to replace the Centralized Accounting System (CAS) as of July 1, 2007, the State's financial statements will be prepared using OAKS beginning with fiscal year 2008. OBM began offering training for producing and using OAKS reports to the agencies and component units throughout fiscal year 2008. Although a majority of the entities have attended this training, training for the smaller entities is ongoing.

In addition to providing the necessary training, OBM will monitor the fiscal year 2008 GAAP submissions from the agencies and component units for timeliness as deadlines approach and will provide additional assistance and training to them as needed. All entities are required to provide explanations for delays in submitting GAAP data to OBM. This provides OBM with a

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basis for determining and providing the necessary assistance to the entity for prompt completion and submission of the data.

Recommendation: Strengthen OBM's policies and procedures for reconciliation of cash balances.

Management Response: With the transfer of the warrant writing function to OBM from the Auditor of State's Office, OBM and the Treasurer of State's Office initiated a joint internal review of the reconciliation processes. The results of this internal review were similar to those found during the State's audit. OBM has developed and commenced implementing new policies and procedures to strengthen the internal controls already in place.

Conclusion

We believe that these measures address each of the concerns that you raised in your management letter of April 25, 2008.

If there you have any questions about this matter, please contact me directly at (614) 466-4034.

Sincerely,



J. Pari Sabety
Director

Cc: Jim Kennedy, Auditor of State's Office
Aaron Erickson, Deputy Director, State Accounting