



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: H.B. 384 of the 131st G.A.

Date: December 7, 2015

Status: As Introduced

Sponsor: Reps. Schaffer and Duffey

Local Impact Statement Procedure Required: No

Contents: Authorizes the Auditor of State to conduct performance audits of institutions of higher education

State Fiscal Highlights

- The bill authorizes the Auditor of State to conduct performance audits of state institutions of higher education. Under the current process, the Auditor of State charges agencies for performance audits. These fees are deposited into the Public Audit Expense – Intrastate Fund (Fund 1090).
- The bill also specifies that a performance audit of a state institution of higher education may be one of the four performance audits that current law requires to be conducted each biennium.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

Overview

Current law requires the Auditor of State to conduct performance audits of at least four state agencies each biennium. The bill adds state institutions of higher education to the list of potential agencies that may receive a performance audit during a particular biennium. As is the case for performance audits conducted under current law, a state institution of higher education must accept comments regarding the performance audit from interested parties, and implement the recommendations of the audit within three months after the end of the comment period. If the recommendations are not implemented, the institution must file a report with the Governor, Auditor of State, Speaker and Minority Leader of the House of Representatives, and President and Minority Leader of the Senate explaining why the institution has not commenced with implementing the recommendations. If the recommendations have not been implemented within one year, the institution must file an additional report detailing why the recommendations have not or will not be implemented.

Payment of performance audit costs

Continuing law requires agencies receiving a performance audit to pay the costs associated with those audits. Under the current process, the Auditor of State charges agencies for performance audits. These fees are deposited into the Public Audit Expense – Intrastate Fund (Fund 1090). State institutions of higher education would likewise be responsible for these costs. S.B. 4 of the 129th General Assembly created the Leverage for Efficiency, Accountability, and Performance (LEAP) Fund (Fund 5JZ0), a revolving loan fund used by the Auditor of State to issue loans to state agencies and political subdivisions to pay for the costs of performance audits. Repayment of the loans, including interest, is due one year from the completion date of the audit. If any agency or political subdivision does not fully repay the loan and interest amount by that date, the bill requires the Auditor of State to certify the amount owed to the Director of Budget and Management. The Director of Budget and Management must then withhold funds under their control in the amount owed, and submit that amount to the Auditor of State as payment.

Current performance auditing procedures

Under current law, the Performance Auditing Section within the Auditor's Office routinely conducts performance audits for public and quasi-public entities upon request. According to the Auditor, performance audits take approximately 16 to 32 weeks to complete and consist of three distinct stages, including planning, field work, and report preparation. Ultimately, the audits produce recommendations for operational improvements. The Performance Auditing Section consists of about 38 employees, and spends approximately \$3.3 million each fiscal year to conduct performance audits of state agencies and local governments. The current hourly fee

charged to state agencies is a flat rate established by the Statewide Cost Allocation Plan (SWCAP), and is revised every year. The hourly rate per assigned Auditor of State employee for FY 2015 was \$65.92. The fees are deposited in the Auditor of State's Public Audit Expense – Intrastate Fund (Fund 1090), or Public Audit Expense – Local Government Fund (Fund 4220). As a result of the audit requirements specified in the bill, state institutions of higher education will incur new expenses for these performance audits, the cost depending on the scope of the audit.

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