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OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research
and Drafting

Legislative Budget
Office

S.B. 120
133rd General Assembly

Fiscal Note & Local Impact Statement

[Click here for S.B. 120's Bill Analysis](#)

Version: As Reported by Senate Higher Education

Primary Sponsors: Sens. McColley and Rulli

Local Impact Statement Procedure Required: No

Terry Steele, Senior Budget Analyst

Highlights

- The state institutions receiving performance audits under the bill are responsible for paying the Auditor of State for these audit costs, although there are maximum limits that apply depending on student enrollment under current law. Payments would be deposited into the Public Audit Expense – Intrastate Fund (Fund 1090).
- State institutions of higher education could obtain one-year loans from the Leverage for Efficiency, Accountability, and Performance (LEAP) Fund (Fund 5JZ0) to cover these audit costs.

Detailed Analysis

State institutions of higher education selected for a performance audit by the Auditor of State will be billed for those costs. Under current law, these billings are tiered according to student enrollment thresholds. The performance audits allowed under the bill are in addition to the minimum of four performance audits the Auditor of State is required to carry out each biennium under current law. In FY 2019, the Auditor of State's Office released its final audit report related to its performance audit of Ohio State University's IT and shared services operations.¹ The total cost of this audit was approximately \$350,000, and identified slightly more than \$6.4 million in potential savings that could be achieved by implementing the audit recommendations. Ohio State University's payment was deposited into the Public Audit Expense – Intrastate Fund (Fund 1090).

¹ Ohio Auditor of State, https://ohioauditor.gov/auditsearch/Reports/2018/UPDATED_Ohio_State_University_18_Performance-Franklin.pdf (accessed April 7, 2019)

Payment of performance audit costs

Continuing law requires agencies receiving a performance audit to pay the costs associated with those audits. The proceeds from these billings are deposited into Fund 1090. State institutions of higher education would likewise be responsible for these costs, although the bill allows them to loan money from the Leverage for Efficiency, Accountability, and Performance (LEAP) Fund (Fund 5JZ0), a revolving loan program, to cover the cost. Under existing terms of the revolving loan program, 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 Auditor of State would certify the amount owed to the Director of Budget and Management, who would then withhold funds in the amount owed or as much as is available at the time to pay the billed costs, and submit that amount to the Auditor of State as payment.

Current law specifies maximum amounts that the Auditor of State may charge state institutions of higher education for conducting performance audits. These cost thresholds are based upon the full-time equivalent enrollment of the institutions, and are divided into three categories: (1) for enrollment of 5,000 or less, a maximum of \$125,000, (2) for enrollment greater than 5,000 but not more than 30,000, a maximum of \$250,000, and (3) for enrollment of 30,000 or greater, a maximum of \$350,000. Notwithstanding these statutory limits, current law allows for the cost of performance audits to exceed these thresholds on agreement between the Auditor of State and the state institution of higher education being audited.

Current performance auditing procedures

According to the Auditor of State, performance audits take approximately 16 to 32 weeks to complete and consist of three distinct stages, including planning and determining the scope, field work, and report preparation. The Performance Auditing Section consists of about 32 employees. In FY 2019, the Auditor of State plans to spend approximately \$3.0 million 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 2018 was \$68.00. The fees are deposited into Fund 1090.