



# Ohio Legislative Service Commission

## Bill Analysis

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### Sub. S.B. 4\*

128th General Assembly

(As Reported by S. State and Local Government and Veterans Affairs)

Sen. Schaffer

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## BILL SUMMARY

- Requires the Auditor of State to conduct performance audits of the Bureau of Workers' Compensation, the Environmental Protection Agency, the Department of Natural Resources, the Department of Agriculture, and the Department of Health.
- Specifies that each performance audit is to examine the timeliness and effectiveness of agency regulatory procedures and, where appropriate, to compare those procedures to those of similar agencies in other states.
- Provides that the performance audit is to be conducted pursuant to the definitional provision of the Auditor of State's law, the cost recovery provision of that law, and the provision of that law giving the Auditor of State discretionary authority to conduct audits in the public interest.
- Requires the Auditor of State to develop a schedule, within 90 days after the bill's effective date, to provide for periodic performance audits of certain additional state agencies.
- Defines "state agency" for purposes of the scheduling requirement and subsequent audits to mean the executive administrative departments, the Department of Taxation, the Bureau of Workers' Compensation, the Ohio Board of Regents, and the State Board of Education.

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\* This analysis was prepared before the report of the Senate State and Local Government and Veterans Affairs Committee appeared in the Senate Journal. Note that the list of co-sponsors and the legislative history may be incomplete.

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## CONTENT AND OPERATION

### Public office audits by the Auditor of State

Under current law, the Auditor of State is required to audit all public offices and may audit the accounts of private institutions, associations, boards, and corporations receiving public money for their use. If a public office has been audited by an agency of the federal government and the Auditor of State is satisfied that the federal audit has been conducted according to principles and procedures not contrary to those of the Auditor of State, the Auditor of State may use and adopt the federal audit and report in lieu of one conducted by the Auditor of State's office (R.C. 117.10--not in the bill).

Current law defines an "audit" generally as (1) any examination, analysis, or inspection of the public office's financial statements or reports and (2) any examination, analysis, or inspection of records, documents, books, or of any other evidence relating to either the collection, receipt, accounting, use, or expenditure of public money by the public office or the Auditor of State's determination of the public office's compliance with all laws, rules, ordinances, or orders pertaining to the public office. An "audit" also may include any other type of examination, analysis, or inspection of a public office or of a private institution, association, board, or corporation receiving public money that is conducted according to generally accepted or governmental auditing standards established by rule. (R.C. 117.01(G)--not in the bill.)

Current law provides for the recovery of the costs of audits by the Auditor of State. (R.C. 117.13--not in the bill.)

#### The bill

The bill requires the Auditor of State to conduct performance audits of the Bureau of Workers' Compensation, the Environmental Protection Agency, the Department of Natural Resources, the Department of Agriculture, and the Department of Health. The bill states that the audit is to be conducted pursuant to the definitional and recovery provisions described above as well as a provision that, among other things, allows the Auditor of State discretionary authority to conduct a public audit whenever there is a reasonable cause to believe an additional audit is in the public interest (R.C. 117.11--not in the bill). (R.C. 117.114(B).) The definition of audit provision, R.C. 117.01, under which the performance audit must be conducted, seems to require that the performance audit must be conducted according to generally accepted or governmental auditing standards established by rule of the Auditor of State. The bill directs that each performance audit must examine the timeliness and effectiveness of agency regulatory procedures and, where appropriate, must compare the procedures to those of similar agencies in other states. It is not clear whether the performance audit is

to be conducted simultaneous to the annual or biennial public office audit or as a separate and distinct examination. It appears that the cost of the performance audit will be recovered by the Auditor of State as under current law.

Similarly, pursuant to the definition provision, the discretionary audit provision, and the recovery provision of the Auditor of State's law, the bill requires the Auditor of State to develop a schedule to provide for periodic performance audits of all state agencies. The bill provides a specific definition of state agencies for purposes of the bill. "State agency" under the bill includes all administrative departments created under R.C. 121.02,<sup>1</sup> the Department of Taxation, the Bureau of Workers' Compensation, the Ohio Board of Regents, and the State Board of Education. (R.C. 117.114(B)(2).) The schedule must be created not later than 90 days after the bill's effective date. (Section 2.)

The bill provides that the Auditor of State must submit a report of audit results completed under the bill, not later than 30 days after completion of the performance audit, to the Governor, the Speaker of the House of Representatives, the President of the Senate, the minority leader of the House of Representatives, the minority leader of the Senate, and the Inspector General. (R.C. 117.114(C).)

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## HISTORY

ACTION	DATE
Introduced	02-10-09
Reported, S. State & Local Gov't & Veterans Affairs	---

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<sup>1</sup> The following 19 administrative departments are created under R.C. 121.02: the Office of Budget and Management, the departments of Commerce, Administrative Services, Transportation, Agriculture, Natural Resources, Health, Job and Family Services, Public Safety, Mental Health, Developmental Disabilities, Insurance, Development, Youth Services, Rehabilitation and Correction, Aging, Alcohol and Drug Addiction Services, and Veterans Services, and the Environmental Protection Agency.

