



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: S.B. 4 of the 128th G.A.

Date: March 10, 2009

Status: As Introduced

Sponsor: Sen. Schaffer

Local Impact Statement Procedure Required: No — No local cost

Contents: To require the Auditor of State to conduct performance audits of five specified state agencies

State Fiscal Highlights

STATE FUND	FY 2010	FY 2011	FUTURE YEARS
Public Audit Expense Fund (Fund 1090) – Auditor of State			
Revenues	Potential gain in payments made by the five state agencies	- 0 -	- 0 -
Expenditures	Increase in performance audit costs	- 0 -	- 0 -
Various Funds - BWC, EPA, DNR, AGR, DOH			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential increase in performance audit fees paid to the Auditor of State	- 0 -	- 0 -

Note: The state fiscal year is July 1 through June 30. For example, FY 2010 is July 1, 2009 – June 30, 2010.

- The bill requires the Auditor of State to conduct performance audits of the Bureau of Workers' Compensation, Environmental Protection Agency, Department of Natural Resources, Department of Agriculture, and Department of Health that focus on the timeliness and effectiveness of agency regulatory procedures.
- The Auditor of State charges agencies an hourly rate for performance audit services. The proposed hourly rate for FY 2010 is \$64.43 per assigned Auditor of State employee. The hours charged to the five agencies covered under the bill would depend on the complexity of analysis required. These fees are deposited in the Public Audit Expense Fund (Fund 1090).

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

Bill Overview

The bill requires the Auditor of State to conduct performance audits of the Bureau of Workers' Compensation, Environmental Protection Agency, Department of Natural Resources, Department of Agriculture, and Department of Health. Each audit is required to examine the timeliness and effectiveness of agency regulatory procedures and, where appropriate, compare the procedures to those of similar agencies in other states. After the completion of such an audit, the Auditor is required to submit a report of the results 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.

Performance Audits

The Auditor of State's Office routinely conducts performance audits for public and quasi-public entities upon request. According to the Auditor of State's Office, performance audits take approximately 16 to 32 weeks to complete and consist of three distinct stages:

1. Preliminary Planning – During this phase, audit staff meets with agency management to develop the scope of the audit, plan timeframes, and determine overall costs.
2. Field Work – During this phase of the process, the audit team collects information, observes activities, reviews and tests agency data, and evaluates the results. The timeframe and level of participation with the reviewed agency staff varies based upon each performance audit.
3. Audit Report – After the field work portion is complete, a draft report is compiled and sent to the agency for review and comment. The agency's comments are then analyzed and used, if appropriate, to modify the final report.

Performance Audit Costs

Under current law, the Auditor of State is reimbursed for a portion of the costs of conducting state agency audits. The Performance Auditing section of the Auditor of State's Office consists of approximately 40 employees, and spends approximately \$4.0 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 2009 is \$60.44. In FY 2010, this rate is scheduled to increase to \$64.43. These fees are deposited in the Auditor of State's Public Audit Expense Fund (Fund 1090).

Based upon the Auditor of State's FY 2009 budget projections, the office anticipates spending approximately \$2.3 million on state agency performance audits. Ultimately, the overall costs to each of the five agencies that would be the subject of the performance audit described in the bill will depend on the time that the Auditor of State's staff works on these projects.

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