



Ohio Legislative Service Commission

Terry Steele

Fiscal Note & Local Impact Statement

Bill: Sub. S.B. 4 of the 128th G.A. **Date:** January 20, 2010
Status: As Reported by Senate State & Local Government & Veterans Affairs **Sponsor:** Sen. Schaffer

Local Impact Statement Procedure Required: No — No local cost

Contents: Requires the Auditor of State to conduct performance audits of specified state agencies

State Fiscal Highlights

STATE FUND	FY 2010 – FUTURE YEARS
GRF – Auditor of State	
Revenues	- 0 -
Expenditures	Increase in performance audit costs
Public Audit Expense Fund (Fund 1090) – Auditor of State	
Revenues	Gain from audit fees collected
Expenditures	Increase in performance audit costs
Various Funds – State agencies undergoing performance audits	
Revenues	- 0 -
Expenditures	Increase in fees paid to the Auditor of State

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. The bill also requires the Auditor of State to prepare a schedule for conducting periodic performance audits of all cabinet agencies and the State Board of Education.
- The Auditor of State charges agencies an hourly rate for performance audit services. The hourly rate for FY 2010 is \$64.43 for each Auditor of State employee assigned to an audit. The hours charged depend on the complexity of the review. The fees are deposited in the Public Audit Expense Fund (Fund 1090).
- In addition to fees charged to state agencies undergoing performance audits, a portion of performance audit expenses are covered by GRF line item 070321, Operating Expenses.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

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. Additionally, the bill requires that the Auditor of State develop a schedule to conduct periodic performance audits of all cabinet level state agencies and the State Board of Education. Each audit is required to examine the timeliness and effectiveness of regulatory procedures and, where appropriate, compare the procedures to those of similar agencies in other states. The bill further requires that a report on the completed audits be furnished 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. Overall, the bill will increase performance audit costs incurred by the Auditor of State. These costs, however, are partially recouped through hourly fees charged to state agencies undergoing performance audits. The remaining expenses are covered by GRF appropriations in line item 070321, Operating Expenses.

Performance audit process

The Auditor of State routinely conducts performance audits for public and quasi-public entities upon request. These performance audits take approximately 16 to 32 weeks to complete and consist of three distinct stages. First, during the planning phase, audit staff meets with agency management to develop the scope of the audit, plan timeframes, and determine overall costs. Second, during the field work phase, 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. The third and final step involves the preparation of a draft report which is then sent to the agency for review and comment. The agency's comments are then analyzed and used, if appropriate, to modify the final report. The Performance Auditing section of the Auditor of State's Office consists of approximately 40 employees who conduct performance audits of state agencies and local governments.

Performance audit costs

Performance audits of state and local governments cost approximately \$4.0 million each fiscal year. For FY 2009, the cost for state agency performance audits was approximately \$2.3 million. These costs are passed on to the state agencies undergoing performance audits in the form of an hourly audit fee 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 was \$60.44. This was increased to \$64.43 per

hour for FY 2010. These fees are deposited in the Auditor of State's Public Audit Expense Fund (Fund 1090).

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