

Department of Planning and Budget 2013 Fiscal Impact Statement

1. Bill Number: HB1469

House of Origin	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron: Bell, Richard P.

3. Committee: General Laws

4. Title: State Inspector General; financial audit

5. Summary: State Inspector General; financial audit of Virginia's four-year public institutions of higher education; report. Directs the State Inspector General to conduct a comprehensive financial audit of Virginia's four-year public institutions of higher education, to be completed by July 1, 2015. The bill requires the State Inspector General to submit a report to the Governor and the General Assembly on or before October 15, 2015, detailing any findings or recommendations for improving the efficiency and fiscal practices of such four-year public institutions of higher education, including recommending changes in the law that are necessary to address such findings.

6. Budget Amendment Necessary: Yes

7. Fiscal Impact Estimates: The OSIG estimates that to perform comprehensive financial and performance audits on the state's 14 institutions of higher education would require 25 FTEs and approximately \$4,000,000. This is based on the assumption that each institution will require a five (5) person team for six (6) months to complete the audit. The Commonwealth Auditor of Public Accounts estimates that to conduct comprehensive audits with the state's higher education institutions would require 31,380 hours.

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2013	250,000	2	GF
2014	3,750,000	23	GF
2015	\$0	0	GF
2016	\$0	0	GF
2017	\$0	0	GF
2018	\$0	0	GF
2019	\$0	0	GF
2018	\$0	0	GF
2019	\$0	0	GF

8. Fiscal Implications: See above.

9. Specific Agency or Political Subdivisions Affected: OSIG and all publically funded institutions of higher education.

10. Technical Amendment Necessary: No.

11. Other Comments: Although the summary states that this bill proposes financial audits of state institutions, the language describes both financial and performance audits intended to measure outcomes and determine that operations are managed efficiently, economically, and effectively. This is a very complex audit of financial systems along with each institution's other systems to reach findings about how well each institution accomplishes its mission. Hiring 25 employees for a year to 18 months and later furloughing them after their duties were complete may not be the most efficient manner to achieve the stated goal. It may be more advantageous for the Commonwealth if these duties were conducted by the private sector on a single competitive bid or multiple competitive bids. However, it is impossible to determine the exact cost of a study of this magnitude without the bidding process. The short time frame delineated in HB1469 for project completion could increase the cost significantly. Based on efficiency reviews of local school divisions (which have a more limited scope) contracting this service to the private sector would cost, perhaps, at minimum, about \$2.8 million.

Date: 1/15/13

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