

Department of Planning and Budget 2002 Fiscal Impact Statement

1. **Bill Number** HB398

House of Origin Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. **Patron** Lingamfelter

3. **Committee** General Laws

4. **Title** Financial and management audit of all state agencies; study.

5. **Summary/Purpose:**

This bill would require a financial and management audit of all state agencies, independent agencies, and all instrumentalities except localities, by private auditing firms, to improve governmental efficiency. The audit should be completed by November 30, 2003 and findings reviewed by a joint subcommittee of the House Appropriations and Senate Finance Committees. The joint subcommittee should make recommendations to improve the efficiency of each agency by December 31, 2003.

6. **Fiscal Impact Estimates** : preliminary (see item #8)

7. **Budget amendment necessary:** None; bill would specify that agencies are to pay for these audits out of existing budgets.

8. **Fiscal implications:** Fiscal impact is based on estimates. This legislation applies to all state agencies, independent agencies, and instrumentalities excluding localities. It appears that this bill would apply only to state agencies, independent agencies, state boards, and commissions, and not to any nonstate agency or regional authority. Expenditure impact estimate for FY03 and FY04 is based on requirement that all initial audits be completed during the biennium, and that half are conducted each year. Costs based on average fees charged by auditing/consulting firms currently doing business with the Commonwealth for staff, senior, supervisory, manager, and partner hours, weighted by average involvement of each level. Cost estimate further assumes an average of 750 hours per agency per audit, recognizing that there is a high variance for larger and smaller agencies. 181 agencies, commissions, and boards were tallied and used in the computation. Based on these assumptions, annual expenditures of approximately \$9.1 million for each year of the 2002 -2004 biennium would be required from each agency out of existing budgeted funds.

9. **Specific agency or political subdivisions affected:** All state agencies, independent agencies, and instrumentalities excluding localities

10. **Technical amendment necessary:** None

11. **Other comments:** None

Date: 01/16/02/kms

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cc:SecretaryofFinance