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S.B. 120*
133rd General Assembly

Bill Analysis

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Version: As Reported by Senate Higher Education

Primary Sponsors: Sens. McColley and Rulli

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SUMMARY

- Authorizes the Auditor of State to conduct performance audits of any and all state institutions of higher education.

DETAILED ANALYSIS

Performance audits of state institutions of higher education

The bill authorizes the Auditor of State, at the Auditor's discretion, to conduct performance audits of state institutions of higher education. Under current law, the Auditor is required to conduct at least four performance audits of state administrative departments or agencies, each biennium, and may include among those four, one audit of a state institution of higher education. Under the bill, the Auditor still must conduct four performance audits per biennium, not including a performance audit of a state institution of higher education, and may conduct performance audits of any state institution of higher education at the Auditor's discretion.¹

A "performance audit" is a nonrecurring examination of the *economy* (keeping the cost low), *efficiency* (getting the most out of available resources), and *effectiveness* (meeting the objectives set) of government programs and functions. The Auditor of State refers to these principles as the "Three Es."²

* This analysis was prepared before the report of the Senate Higher Education Committee appeared in the Senate Journal. Note that the legislative history may be incomplete.

¹ R.C. 117.46.

² <https://www.ohioauditor.gov/performance.html>.

Ohio law specifies that in conducting a performance audit, the Auditor must determine the scope of the audit, but must consider, if appropriate, supervisory and subordinate level operations in the institution. A performance audit may not include review or evaluation of an institution's academic performance.

For purposes of performance audits and LEAP loans (see below), a "state institution of higher education" means any state university of college, community college, state community college, university branch, or technical college. By contrast, for cost limits, "state university or college" means only the following: the University of Akron, Bowling Green State University, Central State University, the University of Cincinnati, Cleveland State University, Kent State University, Miami University, Ohio University, Ohio State University, Shawnee State University, the University of Toledo, Wright State University, and Youngstown State University, and the Northeast Ohio Medical University.³

Continuing law requires an audited state institution of higher education to accept comments regarding the audit from interested parties and make all comments available to the public.⁴ Also, the institution must implement the audit recommendations within three months after the end of the comment period or must (1) file a report explaining why the institution has not commenced implementation of the recommendations, and (2) provide testimony explaining why the institution has not commenced implementation of the recommendations to House and Senate committees. An institution that does not fully implement an audit recommendation within one year after the end of the comment period must file a report justifying why the recommendation has not or will not be implemented.⁵

Additionally, under ongoing law, the Auditor's annual performance audit report must describe whether a state institution of higher education has implemented the audit recommendations and how much money was saved as a result of the implementation.⁶

Costs and loans

Current law sets cost limits on a performance audit of a "state university or college," but does not appear to apply the cost limits to performance audits of community colleges, state community colleges, university branches, or technical colleges. The costs limits may be exceeded on agreement between the Auditor and the institution.⁷

Under law unchanged by the bill, state institutions of higher education may apply for and receive loans from the Auditor of State through the Leverage for Efficiency, Accountability,

³ R.C. 117.46 (cross-referencing R.C. 3345.011, not in the bill).

⁴ R.C. 117.461, not in the bill.

⁵ R.C. 117.462, not in the bill.

⁶ R.C. 117.463, not in the bill.

⁷ R.C. 117.464(B)(1) to (3) and 117.465, not in the bill.

and Performance (LEAP) Fund to pay the Auditor's costs for conducting their performance audits.⁸

HISTORY

| Action | Date |
|-------------------------------|----------|
| Introduced | 03-26-19 |
| Reported, S. Higher Education | --- |

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⁸ R.C. 117.47, not in the bill.