



# Dave Yost • Auditor of State

## House Education Committee

**Shawn Busken, Director of Policy and Legislative Affairs**

**House Bill 459**

**May 10, 2016**

Chairman Brenner, Vice-Chair Derickson, Ranking Member Fedor and members of the House Education Committee, thank you for allowing me to testify today in support of House Bill 459. For the purpose of my testimony before you today, I will focus on the provisions directly relating to our work in the Auditor's office.

HB 459 would allow the Auditor of State, to conduct a three year state-wide performance audit of educational service centers (ESC). The performance audit would cover all ESC's in Ohio over the course of a three year period and would provide recommendations for cost-savings for each ESC. The cost of the performance audit is estimated to be \$375,000, half of which would be borne proportionally and half at an equal rate by the 52 ESC's in the State. Additionally, the legislation provides the Auditor of State explicit authority to conduct a performance audit of an ESC.

Each ESC would be charged a flat rate of \$3,605.77 and then would be charged an additional proportional amount based upon the number of students they serve. This cost would be spread over the course of the study. The rationale for the proportional and flat fee for the audit is to spread the cost among ESC's more evenly. For example, it would not be equitable to charge Central Ohio ESC based solely on the number of students they serve as it could total upwards of \$50,000 – the likely cost of a more in-depth performance audit of just their operation. We have negotiated the fee structure with the ESC Association to make certain the financial impact of the performance audit is minimized.

With regard to ESC benchmarks, we are recommending that the bill include language specifying that the results of the statewide performance audit may be used to inform the State Board's creation of benchmarks and performance standards for ESC's.

The purpose of a performance audit is to identify potential savings in an organization by looking at objective data and key performance indicators. They offer a tool to government to make necessary cuts to maximize their budgets and ultimately use taxpayer dollars more efficiently. Since the enactment of SB 4 of the 129<sup>th</sup> General Assembly, the Ohio Performance Team (OPT) within our office has conducted eight state agency performance audits recommending \$95.9 million in potential savings with an average return on investment of \$33.00 for every dollar spent.

Outside of state agency performance audits, OPT also conducts performance audits of local governments and school districts. Specifically, OPT has conducted 55 performance audits of school districts, totaling a potential \$77 million in savings should our recommendations be implemented by the district. I am joined today by Scott Anderson, Director of the Ohio Performance Team, should the committee have any technical questions on the processes behind our performance audits or the selection process for state agencies.

Though our office has authority to conduct these audits presently as part of our plenary powers to audit under R.C. §117.10, our purpose here is to seek the legislature's endorsement and an express right granted in statute. This will allow interested parties a degree of predictability regarding the audit, and will help these entities achieve efficiency for long-term solutions. In any event, a performance audit is always most successful when it is a collaborative effort and these audits will be no exception.

I understand in committee last week there were concerns regarding the cost of the performance audit. Our office feels it is important for each entity, regardless of size or mission, to pay for their audit. By paying for the performance audit, the entity is invested in not only finding savings, but implementing them once it is over.

The Auditor of State's office supports House Bill 459 and would like to thank Representative Schuring for his leadership on this issue. Thank you Chairman Brenner and members of the committee, I would be happy to answer any questions you may have at this time.