



OFFICE OF AUDITOR OF STATE STATE OF IOWA

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Auditor of State

State Auditor's Funding Reform Proposal (Updated with Agency-Specific Figures)

How is the Auditor of State Funded? Our appropriation is about 10% of our budget. The rest of our budget is generated by collecting statutory fees and billing for the work we perform. However, under Iowa Code 11.5B, we are only allowed to bill for certain state agencies' audits. And, our appropriation does not cover the other state agencies' audit costs for which we are not allowed to bill.

What are We Proposing? We should bill all state agencies equally for audit work. We do *not* believe this will change how much money goes annually into audits—at least not at first. That is because we would receive our funding by billing state departments and agencies for those formerly unbillable audits, but they would pay those bills from their own appropriations. Overall, it will reduce costs for agencies currently billed while creating new costs for the agencies that are currently unbilled.

Why Should We Make that Change?

1. It will treat all state departments and agencies equally.
2. It will ensure audit effort is focused where it is *needed* rather than where it is *billable*.
3. It will provide every entity with a financial incentive to manage their spending and compliance, to keep costs down for themselves (and thus taxpayers).
4. It will reduce the State Auditor's complicated staff scheduling, improving efficiency.
5. It will reduce the risk of adverse federal dollar audit findings.

What Controls Remain on AOS?

1. It is hard to make the argument that we want to limit accountability and improvement. And, there is already no limit on our work, yet we do an appropriate amount.
2. We would accept a hard FTE cap with no zipper clause. It would allow the legislature on an annual basis to ensure we are not doing too much. Because most major audits last more than a year, if a large audit comes up, we should be able to increase the cap without too much of a limitation.
3. In addition, AOS has proposed having our billing rates set through Administrative Rule. This would allow both the legislature and the Governor's office to have oversight of the billing rates through the administrative rule committee.

What will be the effect on state agency budgets? We estimate we will reduce our hourly billing rate for state agencies by 15%. The numbers on the following spreadsheet are rough estimates. They will change depending on AOS expenses and agency audit needs (as they do now every year for billable agencies). As the spreadsheet shows, the State is estimated to see a positive financial benefit from this change. Any appropriation allocated to the State Auditor will help further reduce the hourly billing rate for all state agencies as well as government subdivisions that hire the State Auditor.

Public Defense (Camp Dodge)	-9,160.62	-7,743.19	-8,011.15	Revenue	-83,027.18	-85,900.41
Homeland Security and Emergen	-21,896.46	-18,508.42	-19,148.92	Secretary of State	-16,651.75	-17,228.00
Public Health	-152,729.59	-129,097.72	-133,565.26	Governor's Office of D	-6,663.03	-6,893.61
Public Safety	-5,054.13	-4,272.11	-4,419.95	29C.20 Claims	-9,563.45	-9,894.40
Board of Regents	-14,803.44	-12,512.90	-12,945.92	Treasurer of State	-89,180.47	-92,266.64
Iowa Lottery Authority	-93,085.08	-78,682.01	-81,404.87	Treasurer - Daily Work	-19,819.42	-20,505.29
Secretary of State	-660.48	-558.29	-577.61	Iowa Centennial Memo	-2,585.11	-2,674.57
Governor's Office of Drug Contro	-272.81	-230.60	-238.58	Treasurer - UST	-23,726.94	-24,548.03
Transportation	-469,531.86	-396,881.14	-410,615.56	Veteran's Affairs	-12,949.58	-13,397.71
Treasurer - UST	-4,250.07	-3,592.45	-3,716.77	Non-Billable Performan	-57,551.83	-59,543.46
Iowa Vet's Home	-80,693.83	-68,208.07	-70,568.47	Corrections - Institution	-215,231.89	-222,680.18
University of Iowa	-698,030.38	-590,024.05	-610,442.35	Combined Judicial Rep	-3,786.64	-3,917.68
Iowa State University/ISU Reven	-565,904.99	-478,342.44	-494,895.90	First Judicial District, W	-16,093.22	-16,650.14
University of Northern Iowa	-298,868.71	-252,624.72	-261,367.02	Second Judicial District	-15,753.15	-16,298.30
Iowa Braille & Sightseeing	-31,976.01	-27,028.36	-27,963.70	Third Judicial District, S	-11,833.25	-12,242.75
Iowa School for the Deaf	-41,150.98	-34,783.69	-35,987.41	Fourth Judicial District	-11,469.15	-11,866.05
Judicial - Clerks of Court	-467,837.58	-395,449.01	-409,133.87	Fifth Judicial District, D	-21,008.57	-21,735.59
CBC	-22,556.94	-19,066.70	-19,726.52	Sixth Judicial District, C	-17,318.78	-17,918.11
Justice-AG Victims Advocate BE	-3,503.43	-2,961.35	-3,063.83	Seventh Judicial District	-12,282.55	-12,707.60
Economic Development - NJTP	-6,016.14	-5,085.26	-5,261.24	Eighth Judicial District,	-12,646.65	-13,084.30
Human Services - DSH - AC01	-9,634.44	-8,143.70	-8,425.52	Total	-1,602,089.52	-1,657,531.23
Human Services - DSH Interim -	-488.18	-412.65	-426.93			
HLSEM-Emergency Communica	-13,941.94	-11,784.70	-12,192.52	\$400K Approp, \$72.81/hr		
ISU, Ames - CNDE	-6,332.03	-5,352.27	-5,537.49	Savings to Billable Age	910,163.5	
ISU, Ames - CALT	-8,787.30	-7,427.64	-7,684.68	Newly Billable Agency	-1,602,089.5	
Substance Abuse TU-CI BE	-1,407.12	-1,189.39	-1,230.55	Remove FY19 Approp	986,193	
TOTAL	-5,882,264.57	-4,972,101.05	-5,144,164.97	Final Savings to State	294,267.0	
*audit costs based on 3-year average of hours required				\$0 Approp, \$75.34/hr		
*hourly rates set by dividing FY20 est total expenses by est average hrs billed				Savings to Billable Age	738,099.6	
*all include federal dollars (which can be reimbursed)				Newly Billable Agency	-1,657,531.2	
*all numbers subject to change				Remove FY19 Approp	986,193	
				Final Savings to State	66,761.4	

Already Billed Agency	FY20: \$86.15/hr	\$400K Approp, \$72.82/hr	\$0 Approp, \$75.34/hr	Currently Unbilled Agency	\$400K Approp, \$72.82/hr	\$0 Approp, \$75.34/hr
Administrative Services	-259,340.22	-219,212.47	-226,798.51	Iowa State Fair	-64,833.83	-67,077.46
Agriculture & Land Stewardship	-106,179.88	-89,750.65	-92,856.55	Justice (AG)	-29,286.02	-30,299.49
Iowa Corn Promotion Board	-10,969.77	-9,272.41	-9,593.29	Department for the Blind	-19,042.43	-19,701.41
Iowa Egg Council	-6,475.61	-5,473.64	-5,663.06	Campaign Finance Dis	-5,315.86	-5,499.82
Iowa Turkey Marketing Council (	-2,857.31	-2,415.20	-2,498.78	Civil Rights Commissio	-10,158.39	-10,509.93
Justice (Attorney General)	-7,250.96	-6,129.02	-6,341.12	Corrections	-20,584.03	-21,296.36
Iowa Department For The Blind	-6,131.01	-5,182.36	-5,361.70	Cultural Affairs	-19,989.09	-20,680.83
Civil Rights Commission	-445.11	-376.24	-389.26	Economic Development	-84,604.46	-87,532.27
DAS-OCIO	-31,932.93	-26,991.95	-27,926.03	Economic Development	-18,909.17	-19,563.54
Commerce - ABD	-52,479.71	-44,359.52	-45,894.62	Iowa Finance Authority	-42,599.70	-44,073.90
Commerce - Banking	-13,726.57	-11,602.65	-12,004.17	College Aid Commissio	-46,883.70	-48,506.15
Commerce - Credit Union	-10,136.98	-8,568.49	-8,865.01	Education - IPTV	-57,709.85	-59,706.95
Commerce - Insurance	-18,048.43	-15,255.79	-15,783.73	Iowa Department on A	-17,161.49	-17,755.38
Commerce - PLD	-14,458.84	-12,221.62	-12,644.56	ICN	-72,213.41	-74,712.42
Commerce - Utilities	-20,173.46	-17,052.02	-17,642.12	ICN	-42,648.49	-44,124.38
Corrections (Agency & Prisons le	-1,234.82	-1,043.75	-1,079.87	Governor	-10,462.05	-10,824.10
Cultural Affairs	-1,780.43	-1,504.95	-1,557.03	Human Rights	-32,404.90	-33,526.30
Economic Development	-55,021.13	-46,507.71	-48,117.15	Inspections & Appeals	-44,456.61	-45,995.07
Education - Public Instruction	-267,668.05	-226,251.74	-234,081.38	Judicial	-44,966.35	-46,522.45
Education - Voc Rehab	-47,267.63	-39,953.91	-41,336.55	Judicial - Retirement D	-16,578.93	-17,152.66
College Aid Commission	-3,977.26	-3,361.86	-3,478.20	Law Enforcement Acad	-8,131.81	-8,413.22
Education - IPTV	-760.99	-643.24	-665.50	Legislature	-21,651.57	-22,400.84
Iowa Department on Aging	-603.05	-509.74	-527.38	Management	-13,253.24	-13,711.88
Workforce Development	-318,424.76	-269,154.86	-278,469.20	Parole Board	-5,534.32	-5,725.84
Human Rights	-13,137.88	-11,105.05	-11,489.35	Peace Officer Retirement	-18,168.59	-18,797.33
Human Services (Agency & Institi	-1,051,475.11	-888,780.24	-919,537.26	Public Employment Re	-4,915.35	-5,085.45
Inspections & Appeals	-30,181.22	-25,511.27	-26,394.11	Public Defense (Camp	-47,478.64	-49,121.68
Judicial	-760.99	-643.24	-665.50	Homeland Security-Em	-54,724.23	-56,618.01
Natural Resources	-334,807.62	-283,002.79	-292,796.35	Public Information Boa	-5,085.02	-5,260.99
IPERS	-165,982.33	-140,299.87	-145,155.07	Public Safety	-63,195.38	-65,382.31

11.5A Audit or examination - costs.

When requested by the auditor of state, the department of management shall transfer from any unappropriated funds in the state treasury an amount not exceeding the expenses and prorated salary costs already paid to perform audits or examinations of state departments and agencies, the offices of the judicial branch, and federal financial assistance as defined in the federal Single Audit Act, 31 U.S.C. §7501, et seq., received by all other departments, ~~as listed in section 11.5B,~~ for which payments by agencies have not been made. Upon payment by the departments, the auditor of state shall credit the payments to the state treasury. 87 Acts, ch 234, §422; 98 Acts, ch 1047, §9; 2011 Acts, ch 75, §7; 2012 Acts, ch 1021, §5

11.5B Repayment of audit expenses by state departments and agencies:

(1) The auditor of state shall be reimbursed by a the department or agency for performing all audits or examinations of ~~the following~~ state departments or agencies, or funds received by a department or agency. +

- ~~1. Department of commerce.~~
- ~~2. Department of human services.~~
- ~~3. State department of transportation.~~
- ~~4. Iowa department of public health.~~
- ~~5. State board of regents.~~
- ~~6. Department of agriculture and land stewardship.~~
- ~~7. Iowa veterans home.~~
- ~~8. Department of education.~~
- ~~9. Department of workforce development.~~
- ~~10. Department of natural resources.~~
- ~~11. Offices of the clerks of the district court of the judicial branch.~~
- ~~12. The Iowa public employees' retirement system.~~
- ~~13. Federal financial assistance, as defined in the federal Single Audit Act, 31 U.S.C. §7501, et seq., received by all other departments.~~
- ~~14. Department of administrative services.~~
- ~~15. Office of the chief information officer.~~

11.5C Legislative request for auditor review - reimbursement.

1. The auditor of state, at the request of a member of the general assembly, may review the records covering the receipt and expenditure of state or federal funds by a state department to determine if the receipt and expenditure of those funds by the department is consistent with the laws, rules, regulations, and contractual agreements governing those funds.
2. ~~If the state department that is the subject of the review is listed in section 11.5B,~~ The state department shall reimburse the auditor of state for the cost of the review and any subsequent assistance provided by the auditor of state.

NEW SUBSECTION

11.5D Billing Rates for State Auditors

The auditor of state shall annually adopt rules in accordance with chapter 17A to establish the hourly billing rate at which audit services are performed by state auditors as described in section 11.31. Any change in the billing rates is subject to approval by the Administrative Rules Committee described in Iowa Code 17A.8.