

## Fiscal Highlights

### Market-Based Billing for State Audits - Clare Tobin Lence

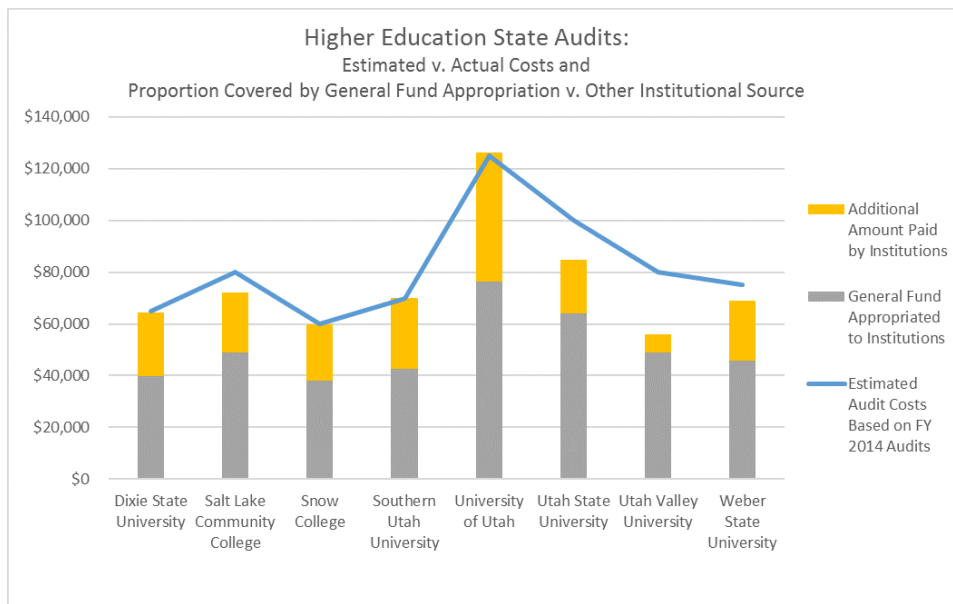
During the 2014 General Session, the Legislature passed intent language supporting the State Auditor's efforts "to identify additional opportunities to use market-based billing practices to improve client preparedness and responsiveness, increase staff efficiency, enhance cost transparency, and expand billing uniformity." In the 2015 General Session, the State Auditor requested a reduction in General Fund appropriations of \$655,000 and a corresponding increase in dedicated credits, in order to bill higher education institutions directly for annual financial audit services. (This change did not include Utah Colleges of Applied Technology, which already paid directly for audits). Higher education institutions received a total of \$404,000 General Fund to partially cover this shift in costs. The Legislature anticipated that some savings would be realized from more efficient audits and that the remaining costs could be covered by dedicated credits from tuition. With this reduction of \$655,000 and new appropriation of \$404,000, General Fund expenditures on higher education audits decreased by \$251,000; the Legislature reallocated those funds to other priorities.

Beginning at the start of FY 2016, the State Auditor billed higher education institutions for the actual costs of financial audits. By the close of FY 2016, the State Auditor had experienced actual costs of \$602,284, which was \$52,716 less than estimated. Higher education institutions used dedicated credits (or re-prioritized other state funds) to cover \$198,284 over the General Fund appropriation. This ratio of dedicated credits to state funds was 32.4 percent, compared to the higher education total funding ratio of about 43 percent -- in other words, state funds paid for a larger share of these audits than they do for higher education expenditures overall.

Actual higher education audit costs in FY 2016 were eight percent less than originally estimated, which suggests improved "client preparedness and responsiveness [and] staff efficiency," though the shift also created a new expense for higher education institutions.

Higher Education State Audit Costs - FY 2016 Actuals					
<i>Financial Statement Audits Only (excludes Single Audit, NCAA and other audits)</i>					
	Estimated Audit Costs Based on FY 2014 Audits	Costs & Amounts Billed for FY 2015 Audits*	(Decreased) / Increased Audit Costs	General Fund Appropriated to Institutions	Additional Amount Paid by Institutions
Dixie State University	\$65,000	\$64,330	(\$670)	\$39,700	\$24,630
Salt Lake Community College	\$80,000	\$72,000	(\$8,000)	\$48,800	\$23,200
Snow College	\$60,000	\$59,938	(\$62)	\$38,100	\$21,838
Southern Utah University	\$70,000	\$70,000	\$0	\$42,700	\$27,300
University of Utah	\$125,000	\$126,328	\$1,328	\$76,200	\$50,128
Utah State University	\$100,000	\$84,798	(\$15,202)	\$64,000	\$20,798
Utah Valley University	\$80,000	\$55,972	(\$24,029)	\$48,800	\$7,172
Weber State University	\$75,000	\$68,919	(\$6,082)	\$45,700	\$23,219
<b>Total</b>	<b>\$655,000</b>	<b>\$602,284</b>	<b>(\$52,716)</b>	<b>\$404,000</b>	<b>\$198,284</b>

**Figure 1. Higher Education State Audit Costs**



**Figure 2. Higher Education State Audits: Estimated Versus Actual Costs**