

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: HB 94 (First Edition)

SHORT TITLE: Quality Assurance Program

SPONSOR(S): Rep. Bill Owens

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>
REVENUES	\$0	\$0	\$0	\$0	\$0
EXPENDITURES	R \$250,342 NR \$29,988	\$261,070 \$0	\$273,060 \$0	\$285,923 \$0	\$299,472 \$0
POSITIONS:	4	4	4	4	4
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Office of the State Auditor					
EFFECTIVE DATE: When it becomes law.					

BILL SUMMARY: This bill establishes a Customer Service Quality Assurance Program within the Office of the State Auditor (OSA) to ensure that persons receive quality services from State agencies. It authorizes OSA to act as a consumer of services or to permit applicants before State agencies to verify the quality of services. The bill requires OSA to report quarterly to the Joint Legislative Commission on Governmental Operations.

ASSUMPTIONS AND METHODOLOGY: This bill gives the Office of the State Auditor the authority to monitor the performance of State agencies from the perspective of the consumer. Because this program would be a new initiative and there is no experience upon which to determine the true staffing needs, OSA has based its estimate of the staffing needs on its current staffing pattern. Under the current structure, teams of auditors that are led by audit supervisors and that usually have at least three assistant state auditors complete field audit work. Assuming the monitoring function would be staffed with the same staffing pattern, OSA based the cost on a four-person audit team that would consist of an assistant state auditor supervisor (grade 80), an assistant state auditor III (grade 78) and two

assistant state auditors II (grade 76). Their recurring cost for the audit team is estimated to be \$246,205 for personal services and \$28,600 for operating for a total recurring cost of \$274,805. Their nonrecurring cost is estimated to \$38,400 for computers, software, office equipment and furniture.

The Fiscal Research Division believes a four-person audit team is reasonable. However, their estimate for personal services is based on salaries that are higher than the minimum salaries for the positions as noted in the State salary schedule for fiscal year 2000-2001. Therefore, we have adjusted their estimate based on the minimum salaries and we believe the personal services cost to be \$211,040. Their estimate for nonrecurring cost includes \$18,000 for office furniture, specifically, a calculator, canvas bag, desk, return, bookcase, file cabinet, chair and 2 side chairs for each of the four positions. We do not believe that a full office outfit is necessary for each position because their positions require them to perform a substantial amount of their duties in the field. Thus, we have reduced the furniture cost to \$9,000 to outfit one office for the supervisor and to provide limited office furniture for the other three positions on the assumption that their field audit schedules will allow them to share office space. We believe their recurring operating cost of \$28,600, which is based on OSA's actual expenditures, and their nonrecurring cost of \$20,400 for the software and equipment for four are reasonable.

Our total estimate for a four-person audit team for fiscal year 2001-2002 *adjusted for inflation based on forecasts by Data Resources, Inc.* is \$250,342 recurring for personal services (\$211,040 from above + 4.8% inflationary increase = \$221,170) and operating (\$28,600 from above + 2.0% inflationary increase = \$29,172) and \$29,988 (\$29,400 from above + 2.0% inflationary increase) nonrecurring for office furniture and computer equipment.

Please note that OSA's utilization of a four-person audit team is based on its current pattern for staffing its existing audit functions. The Auditor's Office will also consider alternative staffing patterns such using a combination of part-time or temporary employees under the supervision of one permanent supervisor instead of employing four permanent auditors to allow more flexibility in assignments and to diminish the possibility that the quality assurance auditors would be recognized. The Fiscal Research Division believes this approach is a reasonable one and that experience with the monitoring function will reveal the true staffing needs as well as the most efficient staffing pattern.

FISCAL RESEARCH DIVISION 733-4910

PREPARED BY: Marilyn Chism

APPROVED BY: James D. Johnson

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