

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2457 Session of 2018

INTRODUCED BY RYAN, CUTLER, GILLEN, GODSHALL, GROVE, PHILLIPS-HILL, HILL-EVANS, IRVIN, JOZWIAK, MOUL, STAATS, WARD, WHEELAND AND DUSH, JUNE 5, 2018

AS REPORTED FROM COMMITTEE ON STATE GOVERNMENT, HOUSE OF REPRESENTATIVES, AS AMENDED, OCTOBER 9, 2018

AN ACT

1 Providing for auditor qualifications for the Department of the
2 Auditor General, for new department employees, for current
3 department employees, for employee certification, for
4 forensic audits, for fraud audits and for committee
5 standards.

6 The General Assembly finds and declares as follows:

7 (1) Auditors employed by the Department of the Auditor
8 General should attain the proper professional certifications
9 necessary to conduct the various types of audits that the
10 position of auditor requires.

11 (2) Audits conducted by the Department of the Auditor
12 General should comply with the standards instituted by the
13 organizations governing the profession and should protect
14 taxpayer resources and ensure that audits conducted by the
15 Department of the Auditor General are of the highest quality
16 and benefit to the entities and programs audited.

17 The General Assembly of the Commonwealth of Pennsylvania
18 hereby enacts as follows:

1 Section 1. Short title.

2 This act shall be known and may be cited as the Auditor
3 General Employee Qualification Act.

4 Section 2. Definitions.

5 The following words and phrases when used in this act shall
6 have the meanings given to them in this section unless the
7 context clearly indicates otherwise:

8 "Certified fraud examiner." An individual who has satisfied
9 the requirements of the Association of Certified Fraud Examiners
10 to become a certified fraud examiner.

11 "Certified internal auditor." An individual who has
12 satisfied the requirements of The Institute of Internal Auditors
13 to become a certified internal auditor.

14 "Certified public accountant." The term shall have the same
15 meaning as defined in the act of May 26, 1947 (P.L.318, No.140),
16 known as the CPA Law.

17 "Chartered Global Management Accountant." An individual who
18 meets the requirements of the Association of Certified Fraud
19 Examiners or the Chartered Institute of Management Accountants
20 to become a Chartered Global Management Accountant.

21 "Department." The Department of the Auditor General of the
22 Commonwealth.

23 "Financial audit." An examination of an entity's financial
24 records to determine and verify the accuracy and reliability of
25 the entity's records.

26 "Forensic audit." An examination of an entity's financial
27 information with the purposes of determining if the entity's
28 financial information is accurate and lawful.

29 "Fraud audit." An examination of an entity's financial
30 information for the purposes of proving or disproving whether

1 fraudulent activity has occurred.

2 "Management letter." A written communication that states or
3 implies:

4 (1) Assurance as to the reliability of attested
5 information, compiled financial statements or assessments of
6 the status or performance of a State agency.

7 (2) The issuer of the written communication has special
8 knowledge or competence in accounting or auditing arising
9 from:

10 (i) The name or title of the issuer or individual
11 employed by or affiliated with the issuer indicating that
12 the individual is an accountant or auditor.

13 (ii) The contents of the written communication.

14 "Performance audit." A comprehensive evaluation or a
15 specific program or account of an entity, including:

16 (1) The effectiveness, efficiency and economy with which
17 resources are managed and consumed.

18 (2) Findings based on paragraph (1).

19 (3) Recommendations for improvement submitted in a
20 management letter.

21 "Qualified financial auditor." A certified public accountant
22 who has at least two years of auditing experience.

23 "Qualified forensic auditor." An individual who is a
24 certified public accountant and a certified fraud examiner.

25 "Qualified fraud auditor." A certified fraud examiner.

26 "Qualified performance auditor." A certified internal
27 auditor, certified fraud examiner, public accountant or
28 Chartered Global Management Accountant who possess a minimum of
29 five years of experience conducting performance audits or
30 operational audits of private or public entities.

1 "State agency." An office, department, authority, board or
2 commission of the executive branch.

3 Section 3. Auditor qualifications.

4 Department employees conducting an audit shall be adequately
5 qualified to conduct the type of audit involved. Employees shall
6 possess the following qualifications:

7 (1) Employees conducting performance audits shall be
8 qualified performance auditors.

9 (2) Employees conducting financial audits shall be
10 qualified financial auditors.

11 (3) Employees conducting forensic audits shall be
12 qualified forensic auditors.

13 (4) Employees conducting fraud audits shall be qualified
14 fraud auditors.

15 Section 4. New department employees.

16 An employee hired by the department after the effective date
17 of this section may not conduct audits or participate in the
18 auditing process of audits for which the employee is not
19 qualified under section 3.

20 Section 5. Current department employees.

21 ~~(a) General rule.~~ A department employee hired prior to the <--
22 effective date of this section shall be permitted to continue
23 conducting the same type of audits which the employee conducted
24 prior to the effective date of this section ~~for a period of five~~ <--
25 ~~years after the effective date of this section.~~

26 ~~(b) Limitation.~~ ~~After the conclusion of the five year~~ <--
27 ~~period under subsection (a), the department employee may not~~
28 ~~conduct or participate in an auditing process for which the~~
29 ~~employee is not qualified under section 3.~~

30 Section 6. Employee certification.

1 (a) Department policy.--The department shall develop a
2 policy encouraging an employee to obtain the proper
3 certification necessary to conduct an audit which the employee's
4 job requires. The policy shall:

5 (1) Direct an employee to the resources necessary to
6 obtain a certification under section 3.

7 (2) Include provisions that allow the department to
8 collaborate with an employee to ensure that the employee has
9 adequate time and resources to complete a certification
10 ~~necessary to maintain the employee's employment.~~ <--

11 (b) Financial incentives.--The department shall provide
12 financial incentives for an employee who becomes certified in
13 order to assist the employee with the cost of ~~necessary~~ <--
14 continued professional education.

15 Section 7. Forensic audits.

16 (a) Department forensic audits.--The department may perform
17 a forensic audit if any of the following occur:

18 (1) A forensic audit is requested by a State agency. The
19 department may appoint a qualified forensic auditor not
20 currently employed by the Commonwealth to perform the
21 forensic audit, and the requesting State agency shall be
22 responsible for the cost incurred by the performance of the
23 forensic audit.

24 (2) The department receives an indication when lawfully
25 performing an audit on an entity that sufficient records or
26 information are not available to complete the audit.

27 (3) A forensic audit is requested by the Governor, the
28 chairperson or minority chairperson of the Appropriations
29 Committee of the Senate or the chairperson or minority
30 chairperson of the Appropriations Committee of the House of

1 Representatives.

2 (b) Forensic audit results.--

3 (1) The department shall provide the results of a
4 forensic audit to the Governor, the chairperson and minority
5 chairperson of the Appropriations Committee of the Senate and
6 the chairperson and minority chairperson of the
7 Appropriations Committee of the House of Representatives.

8 (2) If the results contain evidence of suspected
9 criminal activity, the department shall provide the results
10 to the Office of Attorney General.

11 Section 8. Fraud audits.

12 (a) Department fraud audits.--The department may perform a
13 fraud audit if any of the following occur:

14 (1) A fraud audit is requested by a State agency. If
15 requested by a State agency, the department may appoint a
16 qualified fraud auditor not currently employed by the
17 Commonwealth to perform the fraud audit, and the requesting
18 State agency shall be responsible for the cost incurred in
19 the performance of the fraud audit.

20 (2) The department receives an indication when lawfully
21 performing an audit on an entity that fraudulent activity or
22 other criminal activity may have occurred.

23 (3) A ~~forensic~~ FRAUD audit is requested by the Governor, <--
24 the chairperson or minority chairperson of the Appropriations
25 Committee of the Senate or the chairperson or minority
26 chairperson of the Appropriations Committee of the House of
27 Representatives.

28 (b) Fraud audit results.--

29 (1) The Department shall provide the results of a fraud
30 audit to the Governor, the chairperson or minority

1 chairperson of the Appropriations Committee of the Senate and
2 the chairperson or minority chairperson of the Appropriations
3 Committee of the House of Representatives.

4 (2) If the results contain evidence of suspected
5 criminal activity, the department shall provide the results
6 to the Office of Attorney General.

7 Section 9. Committee standards.

8 When conducting audits, the department shall strive to meet
9 the standards and best practices specified by the Committee of
10 Sponsoring Organizations of the Treadway Commission.

11 Section 10. Construction.

12 Nothing in this act shall be construed to prohibit the
13 department from performing its obligations under the laws of
14 this Commonwealth.

15 Section 11. Effective date.

16 This act shall take effect in 60 days.