



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 1618

PRINTERS NO. 4068

PRIME SPONSOR: Fee

COST / (SAVINGS)

FUND	FY 2016/17	FY 2017/18
General Fund	See fiscal impact	See fiscal impact

SUMMARY: House Bill 1618, printer's number 4068, amends the act of April 9, 1929 (P.L. 177, No. 175), known as The Administrative Code of 1929, by adding an article to establish the Office of State Inspector General.

ANALYSIS: The bill adds a new article (proposed as Article V-A) to The Administrative Code to establish the Office of State Inspector General as an independent office to conduct investigations and performance reviews of State agencies to provide increased accountability and oversight to deter and prevent waste, fraud, abuse and corruption in the administration of state government services. Beginning January 16, 2019, the Governor shall nominate a State Inspector General who shall serve for a term of six years. The nomination of the State Inspector General shall be confirmed by an affirmative vote of two-thirds of all members of the Senate. No later than 90 days prior to the end of the term of a State Inspector General, the Governor shall make a nomination for the next State Inspector General. The State Inspector General may serve no more than two terms and may not seek election nor accept appointment to a political office during his or her tenure or for one year thereafter. The Governor may remove the State Inspector General for cause.

The State Inspector General shall have the following powers and duties:

- Select, appoint and employ officers and employees to carry out the functions, powers and duties of the office;
- Investigate and report on the administration of a program and operation of an executive agency if it is determined to be necessary;
- Consult with the Office of General Counsel or the Attorney General to insure any reports to be issued do not have an adverse impact on a grand jury proceeding or prosecution being conducted by a law enforcement agency;
- Request information and assistance from federal, executive or local government agencies;
- Obtain information, documents, reports, answers, records, accounts, papers and other necessary data and documentary evidence from officers and employees of an executive agency;
- Issue subpoenas relating to any matter pertinent to an investigation;
- Conduct civil and administrative investigations of a program or operation of an executive agency, and provide information and evidence that relates to criminal acts discovered during the course of an investigation to appropriate law enforcement officials;

- Make referrals to the Auditor General for the audit of an executive agency's operations and functions;
- Receive and investigate complaints from any source;
- Engage in prevention activities, including, but not limited to, review of legislation, review of rules, regulations, policies, procedures and transactions, training and education;
- Recommend remedial actions to be taken by an executive agency to overcome or correct operating or maintenance deficiencies and inefficiencies;
- Issue public reports; and
- Maintain information on the cost of investigations and cooperate with administrative and prosecutorial agencies to recover costs from nongovernmental entities involved in willful misconduct.

An appropriation for the Office shall be made in a separate line item and shall be under the jurisdiction of the State Inspector General.

Subject to sufficient funds being appropriated for such purpose, the Office of State Inspector General shall hire additional employees for the purpose of investigating fraud, waste, misconduct and abuse claims from the Department of Human Services and the Department of Health for a period of not less than two years. The number of new employees hired shall be sufficient to increase by at least 50% the total complement of employees in the Office of Inspector General on March 31, 2016. Not later than one year after the additional employees are hired, a written report shall be submitted to the Senate and the House of Representatives detailing the number of total investigations addressed broken down by new and prior employees, the dollar amount of recovery/cost avoidance per employee, the number of investigations filed that were not addressed, and any additional cost-saving efforts initiated as a result of the additional employees.

By December 31 of each year, the State Inspector General shall issue an annual report to the Senate and the House of Representatives that includes at a minimum, information on investigations conducted within the Department of Human Services, an accounting of taxpayer money that was recovered as a result of the work of the office, the monetary value that resulted from fraud prevention activities, performance information, and specific recommendation concerning the improvement of any state program to further reduce waste, fraud and abuse.

The Office of Inspector General was created by Executive Order 1987-7 and is currently aligned under the Executive Offices where it benefits from administrative support functions of the Executive branch, including human resources, fiscal support services and information technology services. The 2016-17 General Appropriations Act included \$16,091,000 in State funds for the Office of Inspector General through two General Fund line items (\$3,823,000 Office of Inspector General; \$12,268,000 Office of Inspector General - Welfare Fraud). The Office of Inspector General also was appropriated a total of \$13,605,000 in federal funds through four federal appropriations and \$1,111,000 is anticipated from augmenting revenue from special fund investigation reimbursements. As of March 31, 2016, the Office of Inspector General had a current filled

complement of 225 filled positions (33 Office of Inspector General and 192 Office of Inspector General – Welfare Fraud) to carry out its investigative and reporting functions.

FISCAL IMPACT: The enactment of this bill could increase costs to the General Fund by approximately \$7,850,000 to support salary, benefits and operating costs for the 50% increase in positions (113 positions) to be dedicated to the investigation of waste, fraud and abuse in the Department of Human Services and the Department of Health. The bill provides that the 50% increase in positions is subject to sufficient funds being appropriated for such purpose.

It is projected that the costs for the Office of State Inspector General shall increase beyond those of the current Office of Inspector General, perhaps by as much as \$830,000 in future years as increased costs will be incurred for additional staffing to handle the administrative support services (human resources, fiscal, and information technology) that will no longer be provided by executive branch agencies (i.e. Office of Administration).

The General Fund appropriation for the Office of State Inspector General will have to include funds to cover the projected increased costs; however, it is anticipated that a portion of the increased costs will be offset by recoveries as waste, fraud and abuse in Commonwealth programs is identified and deterred.

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House Appropriations Committee (R)

DATE: October 25, 2016

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.