



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

SENATE BILL NO. 527

PRINTERS NO. 1081

PRIME SPONSOR: Aument

COST / (SAVINGS)

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

SUMMARY: Senate Bill 527, printer's number 1081, 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.

The effective date is 60 days after enactment.

ANALYSIS: The bill adds a new article (proposed as Article V-A) to The Administrative Code to statutorily authorize the Office of State Inspector General 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. Within 90 days of the effective date of the act, the Governor shall nominate a State Inspector General who shall serve concurrent with the Governor's term of office. Qualifications for the State Inspector General shall include strong leadership skills and demonstrated ability in accounting, auditing, financial analysis, law, management analysis, and investigation or criminal justice administration. The State Inspector General may not seek election to a political office during his or her tenure as State Inspector General. The Governor may remove the State Inspector General, including for cause.

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

- Select, appoint and employ individuals 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 or a unit of a Federal, State, or local government agency;
- 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;
- Review the reliability and validity of the information provided by an executive agency's performance measures and standards;
- Receive and investigate complaints from any source;
- Provide information and evidence that relates to criminal acts discovered during the course of an investigation to appropriate law enforcement officials;
- 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.

Notwithstanding any other provisions of law, the State Inspector General shall have specific authority to investigate and may file criminal charges for a violation of the following:

- Section 481 of the Human Services Code (false statements relating to applications for assistance);
- Section 1408 of the Human Services Code (prohibited acts related to medical assistance benefits or payments);
- 18 Pa.C.S. § 7313 (relating to buying or exchanging federal food order coupons, stamps, authorization cards or access devices); and
- 18 Pa.C.S. § 7314 (relating to fraudulent traffic in food orders).

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

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 2017-18 budget (HB 218) includes \$15,349,000 in State funds for the

Office of Inspector General through two General Fund line items (\$4,042,000 Office of Inspector General; \$11,307,000 Office of Inspector General - Welfare Fraud). The Office of Inspector General also was appropriated a total of \$14,405,000 in federal funds through four federal appropriations and \$1,111,000 is anticipated from augmenting revenue from special fund investigation reimbursements. The Office of Inspector General has a current filled complement of 216 filled positions (34 Office of Inspector General and 182 Office of Inspector General - Welfare Fraud) to carry out its investigative and reporting functions.

FISCAL IMPACT: The enactment of this bill will have no adverse impact on Commonwealth funds as the functions of the new statutorily authorized State Inspector General are very similar to present functions of the Office of Inspector General. It is assumed that funds currently allocated to the Office of Inspector General will be used to support the Office of State Inspector General.

The General Fund appropriation for the Office of State Inspector General may increase if the scope and amount of investigations conducted by the State Inspector General increase to the point that additional staffing is necessary; 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: July 8, 2017

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