



# HOUSE COMMITTEE ON APPROPRIATIONS

## FISCAL NOTE

HOUSE BILL NO. 985

PRINTERS NO. 2192

PRIME SPONSOR: Ryan

### COST / (SAVINGS)

FUND	FY 2018/19	FY 2019/20
General Fund	See fiscal impact	See fiscal impact

**SUMMARY:** House Bill 985, printer's number 2192, is a free-standing act that provides for auditor qualifications for the Department of the Auditor General, for new department employees, for current department employees, for employee certification, for forensic audits, for fraud audits and for committee standards.

The effective date is 60 days after enactment.

**ANALYSIS:** The bill provides a new free-standing act, to be known as the Auditor General Employee Qualification Act. The Act requires Department of the Auditor General (AG) employees conducting an audit to be adequately qualified to conduct the type of audit involved. The Department of the Auditor General does not currently possess the statutory ability to conduct forensic or fraud audits. The bill provides the AG with the statutory authority to conduct these audits. A forensic audit is defined as an examination of an entity's financial information with the purposes of determining if such information is accurate and lawful. A fraud audit is defined as an examination of an entity's financial information for the purposes of proving or disproving whether fraudulent activity has occurred.

A qualified forensic auditor must be a certified public accountant and a certified fraud examiner. A certified fraud examiner is an individual who has satisfied the requirements of the Association of Certified Fraud Examiners. AG employees hired before the effective date of the bill shall be permitted to continue conducting the same type of audits the employees currently perform. Employees hired after the effective date of the bill may not conduct audits unless they are properly qualified as specified in the Act. The AG shall develop policies to encourage and assist current employees in becoming properly certified. The AG shall provide financial incentives for employees who become certified to assist the employees with the cost of continued professional education.

Forensic and fraud audits may be performed by the Department of the AG upon request by a State agency, the Governor, or the chair or minority chair of the Appropriations Committees of the Senate or House of Representatives. A forensic audit may also be performed when the AG receives an indication when lawfully performing an audit that sufficient records or information

are not available to complete the audit. A fraud audit may also be performed when the AG receives an indication, when lawfully performing an audit of an entity, that fraudulent activity or criminal activity may have occurred. The AG may also appoint a qualified forensic auditor or fraud auditor not currently employed by the Commonwealth to perform the forensic or fraud audit. In cases where an agency requested the forensic or fraud audit, the agency shall be responsible for the cost incurred for appointing a non-Commonwealth employee qualified forensic or fraud auditor.

The AG will be required to provide results of fraud and forensic audits to the Governor, chair and minority chair of Appropriations Committees of the Senate and House of Representatives, and the Attorney General if necessary.

The bill also grants the AG authority to issue subpoenas to require the attendance of witnesses and the production of records. A subpoena may be enforced by the Commonwealth Court or court of record if a person or entity fails to comply. Information gathered through subpoena power is not accessible from the AG under the Right-to-Know-Law and may not be disclosed by the AG absent an order from the Commonwealth Court or other court of record.

**FISCAL IMPACT:** The enactment of this legislation will have no adverse impact on Commonwealth funds. The Department of Auditor General stated that unless there are several forensic audit requests in the near future, the Department would be able to accommodate the requirements of the bill with existing funds.

**PREPARED BY:** Lisa Taglang  
House Appropriations Committee (R)

**DATE:** June 19, 2019

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