



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 2353

PRINTERS NO. 4013

PRIME SPONSOR: Gaydos

COST / (SAVINGS)

FUND	FY 2019/20	FY 2020/21
General Fund	\$0	See fiscal impact

SUMMARY: House Bill 2353 amends Title 71 (State Government) providing for the assessment and reduction of improper payments by Commonwealth agencies. Upon enactment, this legislation shall take effect in 60 days.

ANALYSIS: This bill would require Commonwealth agencies to assess improper payments no less than once every two years. An agency shall conduct an initial assessment no later than 10 days after the effective date of the bill. As part of the assessment, an agency shall determine whether their programs have a low, moderate, or high level of risk of improper payments occurring, and provide explanation. Recommendations for reducing improper payments must also be included. An agency shall provide a copy of the assessment to the Secretary of the Budget, the State Inspector General, the Auditor General, the Independent Fiscal Office, the Legislative Finance and Budget Committee (LFBC), and members of the General Assembly.

The Inspector General shall establish a schedule to review at least one agency each calendar year and shall examine the agencies programs and activities to determine the susceptibility to improper payments, the number of improper payments, and the total amount of state or federal funds that were expended improperly. Upon completion, reports shall be submitted to the Auditor General, the LFBC, and members of the General Assembly. Reports shall include an estimate of the total annual amount of improper payments, the total percentage of an agency's expenditures that constitute improper payments, reasoning for improper payments, an evaluation if improper payments can be prevented, steps taken by an agency to address improper payments, and the actions necessary to reduce improper payments to no more than 3% of an agency's total expenditures.

No later than five years after review, the LFBC shall perform an audit of an agency to determine if the agency has reduced its rate of improper payments by at least 50% since the initial review. If improper payments have not been reduced by 50%, notice shall be provided to the Governor, the Inspector General, and members of the General Assembly. Upon such notice, the Governor shall transfer into budgetary reserve the lesser of an amount equal to the total improper payments or an amount equal to the percentage of the agency's expenditures that exceed the improper payment rate established in its corrective action plan. No later than 6 months after the Governor

transfers funds into budgetary reserve, the LBFC shall conduct another audit to determine if improper payments have been reduced by 50%. If so, after required notice to the Governor, Inspector General, and General Assembly is provided, any previously transferred funds to the budgetary reserve shall be sent back to the agency for general government operations.

FISCAL IMPACT: The enactment of this legislation may result in increased administrative costs associated with agency assessments, reviews, and required audits. To the extent the bill reduces improper payments, the Commonwealth may realize savings.

PREPARED BY: Casey Martin
House Appropriations Committee (R)

DATE: June 23, 2020

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