

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1053 Session of 2019

INTRODUCED BY RYAN, BERNSTINE, COX, DUSH, GABLER, GILLEN, GREINER, GROVE, HERSHEY, IRVIN, KAUFFMAN, KEEFER, B. MILLER, OWLETT, RAPP, ROTHMAN, STAATS, STRUZZI AND ZIMMERMAN, APRIL 5, 2019

AS REPORTED FROM COMMITTEE ON STATE GOVERNMENT, HOUSE OF REPRESENTATIVES, AS AMENDED, APRIL 16, 2019

AN ACT

1 Providing for duties of the Department of the Auditor General,
2 for initial performance audit of major State agencies, for
3 continuing performance audits of major State agencies, for
4 duties of major State agencies and for progress report by
5 major State agencies.

6 The General Assembly of the Commonwealth of Pennsylvania
7 hereby enacts as follows:

8 Section 1. Short title.

9 This act shall be known and may be cited as the Lean State
10 Government Act.

11 Section 2. Findings and declarations.

12 The General Assembly finds and declares as follows:

13 (1) The purpose of this act is to require a major State
14 agency to implement a lean process improvement system to
15 analyze and improve the major State agency's operations.

16 (2) A lean process improvement system has been
17 successfully used by private and public entities around the
18 world to create efficient and goal-oriented operations.

1 (3) A major State agency benefits by examining the major
2 State agency's operations and determining which activities
3 accomplish the major State agency's mission, vision and
4 strategic objectives.

5 (4) A major State agency should focus the major State
6 agency's operations around value-adding activities and
7 eliminating wasteful operations which do not add value.

8 (5) A critical step in a lean process improvement system
9 is the use of a performance audit to determine the
10 effectiveness of programs and operations by evaluating
11 specific performance measures and to determine whether the
12 money spent on these performance measures has resulted in
13 better major State agency performance.

14 (6) Implementing a lean process improvement system will
15 assist a major State agency to reduce costs and improve
16 operations and delivery of services.

17 Section 3. Definitions.

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

21 "Certified fraud examiner." An individual who has satisfied
22 the requirements of the Association of Certified Fraud Examiners
23 to become a certified fraud examiner.

24 "Certified internal auditor." An individual who has
25 satisfied the requirements of The Institute of Internal Auditors
26 to become a certified internal auditor.

27 "Certified public accountant." As defined in the act of May
28 26, 1947 (P.L.318, No.140), known as the CPA Law.

29 ~~"Chartered Global Management Accountant." An individual who~~ <--
30 ~~meets the requirements specified by the Association of Certified~~

1 ~~Fraud Examiners or the Chartered Institute of Management~~
2 ~~Accountants as a Chartered Global Management Accountant.~~

3 "Cost-drivers." Anything that causes cost in providing a
4 service or producing a good. When aggregated, the marginal cost
5 of producing a good or service.

6 "Department." The Department of the Auditor General of the
7 Commonwealth.

8 "Lean process improvement system." A management methodology
9 system for a major State agency that improves process speed and
10 quality, reduces waste and lowers cost through the use of data-
11 driven project or service analysis. The term includes any of the
12 following practices:

13 (1) Developing a process map that describes a widely
14 accepted business process improvement system by which the
15 major State agency engages in specific activities that
16 increase efficiency and reduce waste at the major State
17 agency.

18 (2) Engaging in specific activities to rapidly improve
19 the major State agency's processes that will increase value
20 or decrease staff time, inventory, defects, overproduction,
21 complexity, delays or excessive movement.

22 (3) Utilizing the major State agency's employees to map
23 the major State agency's processes and recommend improvements
24 to the processes with an emphasis on involving the major
25 State agency's employees who directly provide a product or
26 service to an end user.

27 (4) Providing the means to measure, through a limited
28 number of performance metrics based on how resources are
29 allocated and delivered to residents of this Commonwealth,
30 the major State agency's processes in order to demonstrate

1 the effectiveness of the processes.

2 (5) Training the major State agency employees to mentor
3 and train other major State agency employees in business
4 improvement process systems.

5 (6) Providing for public comment regarding performance
6 audits and reports conducted under this act.

7 "Major State agency." Any office, department, authority,
8 board or commission of the executive branch with a budget
9 exceeding \$100,000,000 in a fiscal year.

10 "Management letter." A written communication that states or
11 implies all of the following:

12 (1) Assurance as to the reliability of attested
13 information, compiled financial statements or assessments of
14 the status or performance of a major State agency.

15 (2) The issuer of the written communication has special
16 knowledge or competence in accounting or auditing arising
17 from any of the following:

18 (i) The issuer of the communication has a name or
19 title indicating that the issuer or any individual
20 employed by or affiliated with the issuer is an
21 accountant or auditor.

22 (ii) The language of the written communication.

23 "Performance audit." A comprehensive evaluation of a major
24 State agency's performance, including all of the following:

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

27 (2) Findings and recommendations based on the
28 comprehensive evaluation which are submitted to a major State
29 agency in a management letter.

30 "Qualified performance auditor." A certified internal

1 auditor, certified fraud examiner, OR certified public <--
2 accountant ~~or Chartered Global Management Accountant~~ who <--
3 possesses a minimum of five years of experience conducting
4 performance or operational audits of private or public entities.

5 Section 4. Duties of department.

6 (a) General rule.--The department shall have the following
7 duties:

8 (1) Entering into contracts with a qualified performance
9 auditor to conduct performance audits of major State agencies
10 if necessary to administer this act.

11 (2) Choosing a schedule of performance audits of major
12 State agencies so that each major State agency will be the
13 subject of a performance audit at least once during an
14 initial three-year period after the effective date of this
15 act.

16 (3) Choosing a schedule of continuing performance audits
17 for selected major State agencies.

18 (4) Recommending a set of performance measures prior to
19 the commencement of a performance audit.

20 (5) Upon receipt of a performance audit of a major State
21 agency under this act, posting the performance audit on the
22 department's publicly accessible Internet website and
23 providing a copy of the performance audit to all of the
24 following, or their authorized designee:

25 (i) The Governor.

26 (ii) The chairperson and minority chairperson of the
27 appropriate oversight committee of the Senate, if
28 applicable.

29 (iii) The chairperson and minority chairperson of
30 the appropriate oversight committee of the House of

1 Representatives, if applicable.

2 (iv) The major State agency subject to the
3 performance audit.

4 (6) Developing a lean process improvement system
5 training program for major State agencies.

6 (7) Recommending a lean process improvement system
7 training schedule for major State agencies that shall recur
8 no less than once every three years for each major State
9 agency.

10 (b) Training.--A major State agency shall provide lean
11 process improvement system training for all management employees
12 of the major State agency prior to the implementation of the
13 lean process improvement system and a training program that
14 recurs no less than once every three years thereafter.

15 Section 5. Initial performance audit of major State agencies.

16 (a) Schedule.--All major State agencies shall be subject to
17 a performance audit during an initial three-year period after
18 the effective date of this act. The schedule of performance
19 audits for the initial three-year period shall be determined by
20 the department.

21 (b) Audit.--All major State agencies shall be subject to
22 performance audits by a qualified performance auditor. The
23 performance audits shall be completed no later than three years
24 after the effective date of this act unless a request for an
25 extension has been approved by the General Assembly. A
26 performance audit shall contain findings and recommendations
27 regarding the operations of the major State agency being audited
28 and the qualified performance auditor shall submit the findings
29 and recommendations to the department upon completion of the
30 performance audit.

1 (c) Submission.--Upon receipt of a performance audit under
2 subsection (b), the department shall provide a copy of each
3 performance audit to all of the following:

4 (1) The Governor.

5 (2) The General Assembly.

6 (3) The chairperson and minority chairperson of the
7 appropriate oversight committee of the Senate, if applicable.

8 (4) The chairperson and minority chairperson of the
9 appropriate oversight committee of the House of
10 Representatives, if applicable.

11 (5) The major State agencies subject to the performance
12 audits.

13 Section 6. Continuing performance audits of major State
14 agencies.

15 (a) Schedule.--A major State agency may be subject to a
16 performance audit every three years after the lapse of the
17 initial three-year period under section 5. The schedule of
18 continuing performance audits shall be determined by the
19 department, and may be revised as the department deems
20 necessary. The department may consider a major State agency's
21 size and financial status and may choose not to schedule smaller
22 and financially stable major State agencies for continuing
23 audits.

24 (b) Audit.--Major State agencies specified in the schedule
25 shall be subject to a continuing performance audit every three
26 years by a qualified performance auditor. Performance audits
27 shall contain findings and recommendations regarding the
28 operations of the major State agency and the qualified
29 performance auditor shall submit the findings and
30 recommendations to the department upon completion of the

1 performance audit.

2 (c) Submission.--The department shall provide a copy of each
3 performance audit to all of the following:

4 (1) The Governor.

5 (2) The General Assembly.

6 (3) The major State agencies subject to the performance
7 audits.

8 Section 7. Duties of major State agencies.

9 (a) Records.--Except as prohibited by the laws of this
10 Commonwealth, a major State agency shall provide the department
11 all the records that the department determines to be necessary
12 to allow the qualified performance auditor to conduct the
13 performance audit as required under this act.

14 (b) System.--Based on the findings and recommendations of a
15 performance audit conducted under this act, a major State agency
16 shall utilize a lean process improvement system as follows:

17 (1) Identifying and documenting all of the following:

18 (i) The mission and purpose of the major State
19 agency.

20 (ii) The services to be accomplished by the major
21 State agency.

22 (iii) Cost-drivers at the major State agency.

23 (iv) Critical success factors at the major State
24 agency.

25 (v) Measures of effectiveness at the major State
26 agency.

27 (vi) Processes utilized by the major State agency.

28 (2) Taking corrective steps to eliminate inefficiencies
29 in the major State agency's processes.

30 (c) Recovered money.--

1 (1) A major State agency shall provide notice of any
2 money saved as a result of the implementation of a lean
3 process improvement system to the Office of the Budget and
4 the General Assembly.

5 (2) Any money saved by a major State agency as a result
6 of the implementation of a lean process improvement system
7 shall be deposited into the Budget Stabilization Reserve Fund
8 established in section 1701-A of the act of April 9, 1929
9 (P.L.343, No.176), known as The Fiscal Code.

10 Section 8. Progress report by major State agencies.

11 (a) Submission.--A major State agency shall submit a report,
12 which shall be a public record, one year after the major State
13 agency receives a performance audit under this act. If the
14 performance audit contains recommendations for corrective
15 action, a major State agency shall submit a report, which shall
16 be a public record, each of the next two years after submitting
17 the initial report. Reports required under this section shall be
18 submitted to all of the following:

19 (1) The Governor.

20 (2) The General Assembly.

21 (3) The department.

22 (b) Contents.--Reports required under this section shall
23 contain the following information:

24 (1) The major State agency's progress in remedying
25 concerns and implementing suggestions detailed in the
26 performance audit.

27 (2) The major State agency's implementation of a lean
28 process improvement system as specified under section 7(b).

29 Section 9. Effective date.

30 This act shall take effect in 60 days.