

Fiscal Estimate - 2019 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 19-5378/1	Introduction Number AB-0835
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Description
 creating a legislative office of inspector general and making an appropriation

Fiscal Effect

State:

<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Increase Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<input type="checkbox"/> Indeterminate	<input type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Decrease Existing Appropriations		
<input type="checkbox"/> Create New Appropriations		

Local:

<input type="checkbox"/> No Local Government Costs		
<input type="checkbox"/> Indeterminate		
1. <input type="checkbox"/> Increase Costs	3. <input type="checkbox"/> Increase Revenue	5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs	4. <input type="checkbox"/> Decrease Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	

Fund Sources Affected	Affected Ch. 20 Appropriations
<input checked="" type="checkbox"/> GPR <input checked="" type="checkbox"/> FED <input type="checkbox"/> PRO <input checked="" type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	805,815,865,859,851,852,858

Agency/Prepared By DHS/ Christina Isenring (608) 266-8155	Authorized Signature Andy Forsaith (608) 266-7684	Date 2/13/2020
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Fiscal Estimate Narratives

DHS 2/13/2020

LRB Number	19-5378/1	Introduction Number	AB-0835	Estimate Type	Original
Description creating a legislative office of inspector general and making an appropriation					

Assumptions Used in Arriving at Fiscal Estimate

This bill creates a legislative service agency known as the "Legislative Office of the Inspector General," consisting of 14 inspectors general and their staff who are assigned to and housed at the headquarters of certain state agencies.

Under this bill each state agency, including the Department of Health Services (DHS), must provide office space for the inspector general assigned to the agency and pay for services provided by the inspectors general. Under this bill, the current Office of the Inspector General (OIG) at DHS and associated appropriations are eliminated. The Department established the OIG in October 2011 to bring focus to the Department's program integrity initiatives. The current OIG at DHS has department-wide responsibilities for auditing use of department funds in support of the department's commitment to be an effective steward of the public resources DHS is entrusted to manage.

The OIG, which reports directly to the DHS Secretary, conducts audits of providers who receive department funds, performs internal audits of department programs and operations, and investigates allegations of fraud, waste, or abuse of DHS resources by contractors, providers and recipients. The OIG also is responsible for working with DHS program divisions and partners to develop policies and practices to prevent fraud, waste and abuse.

Eliminating the DHS appropriations specified in the bill would result in an annual funding reduction to DHS of \$15,849,200 All Funds (\$5,761,000 GPR, \$1,070,600 PRS, and \$9,017,600 FED) based on FY 20 budgeted levels.

As written, the bill may not recreate the full scope of activities of the current DHS OIG within the new legislative office. The bill may be read to limit the services provided by the inspectors general to internal audits of DHS programs. As indicated above, the DHS OIG is responsible for not only internal audits of DHS operations but also program integrity activities related to external providers, contractors, and consumers of DHS programs, most notably the Medicaid and FoodShare programs. OIG activities results in approximately \$34 million All Funds (\$10.8 million GPR) in identified annual recoveries of provider, contractor, and recipient overpayments. If OIG's external activities were discontinued, the state would forgo these recoveries in the future.

The bill would result in one-time and ongoing costs to DHS. It is estimated the one-time costs to set up office space for the Legislative Office of the Inspector General can be absorbed by DHS. This bill would create ongoing costs by requiring DHS to maintain office space for the inspector general assigned to the agency and pay for services provided by the inspector general.

It is assumed the cost billed to DHS for DHS-related activities of the legislative office would equal the current budget of the Internal Audit Section of the DHS OIG. Because the bill eliminates base funding for the DHS OIG, this bill would increase ongoing costs to DHS by \$1,207,778 All Funds (\$45,726 GPR, \$1,070,600 PRS, \$91,452 FED) per year. Internal Audit functions within the DHS OIG are supported by 8.6 FTE who collect and review audits of agencies external to DHS that are required to submit independent audits as a condition of grants or contracts; evaluate information technology systems, services, and controls to ensure compliance, adequate security and privacy; and conduct internal audits of DHS programs. In addition, 1 FTE supervisor coordinates all activities of the Section.

In addition, because the bill eliminates all base funding for the OIG, the Department would require \$14,641,422 All Funds (\$5,715,274 GPR, \$8,926,148 FED) to continue external audit activities currently performed by the

OIG. If the Department discontinued such activities, recoveries of overpayments would decrease by an estimated \$34 million All Funds (\$10,800,000 GPR, \$23,200,000 FED) per year.

In summary, under the bill, the Department would incur \$15,849,200 All Funds (\$5,761,000 GPR, \$1,070,600 PRS, and \$9,017,600 FED) to reimburse the Legislative Office of the Inspector General for internal audit functions and to continue current OIG external audit activities.

Alternatively, if the Department discontinued all OIG functions, the net fiscal effect to the Department would be \$35,207,778 All Funds (\$10,845,726 GPR, \$1,070,600 PRS, \$23,291,452 FED). This amount is the sum of \$1,207,778 All Funds (\$45,726 GPR, \$1,070,600 PRS, \$91,452 FED) to be paid to the Legislative Office of the Inspector General for internal audit functions and an estimated \$34 million All Funds (\$10,800,000 GPR, \$23,200,000 FED) in forgone overpayment recoveries from providers, contractors, and recipients. In addition, discontinuing all OIG functions may result in the potential loss of National Drug Settlement recoveries, which in recent years has averaged \$22 million GPR annually.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2019 Session

Detailed Estimate of Annual Fiscal Effect

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Description creating a legislative office of inspector general and making an appropriation			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
One-time costs are minimal and can be absorbed by DHS.			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
	State Operations - Salaries and Fringes	\$15,849,200	\$
	(FTE Position Changes)		
	State Operations - Other Costs		
	Local Assistance		
	Aids to Individuals or Organizations		
	TOTAL State Costs by Category	\$15,849,200	\$
B. State Costs by Source of Funds			
	GPR	5,761,000	
	FED	9,017,600	
	PRO/PRS	1,070,600	
	SEG/SEG-S		
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
		Increased Rev	Decreased Rev
	GPR Taxes	\$	\$
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$15,849,200	\$
NET CHANGE IN REVENUE		\$	\$
Agency/Prepared By Authorized Signature Date			
DHS/ Christina Isenring (608) 266-8155		Andy Forsaith (608) 266-7684	2/13/2020