

### Fiscal Estimate - 2015 Session

Original     
  Updated     
  Corrected     
  Supplemental

LRB Number <b>15-2497/2</b>	Introduction Number <b>AB-0382</b>
-----------------------------	------------------------------------

<b>Description</b> Creating a legislative office of inspector general and making appropriations
--

<b>Fiscal Effect</b>	
<b>State:</b>	
<input type="checkbox"/> No State Fiscal Effect	
<input type="checkbox"/> Indeterminate	
<input type="checkbox"/> Increase Existing Appropriations	<input type="checkbox"/> Increase Existing Revenues
<input type="checkbox"/> Decrease Existing Appropriations	<input type="checkbox"/> Decrease Existing Revenues
<input type="checkbox"/> Create New Appropriations	<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"/> Decrease Costs
<b>Local:</b>	
<input type="checkbox"/> No Local Government Costs	
<input type="checkbox"/> Indeterminate	
1. <input type="checkbox"/> Increase Costs	3. <input type="checkbox"/> Increase Revenue
<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
	<b>5. Types of Local Government Units Affected</b> <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <u>0</u> <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts

<b>Fund Sources Affected</b>	<b>Affected Ch. 20 Appropriations</b>
<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

<b>Agency/Prepared By</b>	<b>Authorized Signature</b>	<b>Date</b>
DHS/ Christina Isenring (608) 266-8155	Andy Forsaith (608) 266-7684	1/25/2016

## Fiscal Estimate Narratives

DHS 1/25/2016

LRB Number	15-2497/2	Introduction Number	AB-0382	Estimate Type	Original
<b>Description</b> Creating a legislative office of inspector general and making appropriations					

### 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 13 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. Governor Walker established the Department's OIG in October 2011 to bring focus to the Department's program integrity initiatives. The establishment of the OIG significantly strengthened the Department's ability to protect the taxpayers of Wisconsin by preventing and detecting waste, fraud, and abuse in public assistance programs. 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 \$12,805,900 All Funds (\$4,970,200 GPR, \$431,200 PRS, and \$7,404,500 FED) based on FY 17 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 fraud, waste, and abuse investigations of external providers, contractors, and consumers of DHS programs, most notably the Medicaid and FoodShare programs. In FY 15, OIG activities resulted in \$34,314,200 All Funds (\$10,772,100 GPR, \$23,542,100 FED) in 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 \$622,900 All Funds (\$65,100 GPR, \$431,200 PRS, \$126,600 FED) per year. The DHS OIG's Internal Audit Section, currently with 5 FTE, collects and reviews audits of agencies external to DHS that are required to submit independent audits as a condition of grants or contracts (2 FTE); evaluates information technology systems, services, and controls to ensure compliance, adequate security and privacy (1 FTE); and conducts internal audits of DHS programs (1 FTE). 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 \$12,183,000 All Funds (\$4,905,118 GPR, \$7,277,916 FED) to continue external audit activities currently performed by the OIG. If the Department discontinued such activities, recoveries of overpayments would

decrease by \$34,314,200 All Funds (\$10,772,100 GPR, \$23,542,100 FED) per year.

In summary, under the bill, the Department would incur \$12,805,900 All Funds (\$4,970,200 GPR, \$431,200 PRS, and \$7,404,500 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 \$34,937,200 All Funds (\$10,837,200 GPR, \$431,200 PRS, \$23,668,800 FED). This amount is the sum of \$622,900 All Funds (\$65,100 GPR, \$431,200 PRS, \$126,600 FED) to be paid to the Legislative Office of the Inspector General for internal audit functions and \$34,314,200 million All Funds (\$10,772,100 GPR, \$23,542,100 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 - 2015 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>15-2497/2</b>	<b>Introduction Number</b> <b>AB-0382</b>	
<b>Description</b> Creating a legislative office of inspector general and making appropriations		
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>		
One-time costs are minimal and can be absorbed by DHS.		
<b>II. Annualized Costs:</b>	<b>Annualized Fiscal Impact on funds from:</b>	
	Increased Costs      Decreased Costs	
<b>A. State Costs by Category</b>		
State Operations - Salaries and Fringes	\$12,805,900	\$
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
<b>TOTAL State Costs by Category</b>	<b>\$12,805,900</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>		
GPR	4,970,200	
FED	7,404,500	
PRO/PRS	431,200	
SEG/SEG-S		
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$12,805,900	\$
NET CHANGE IN REVENUE	\$	\$
<b>Agency/Prepared By</b>	<b>Authorized Signature</b>	<b>Date</b>
DHS/ Christina Isenring (608) 266-8155	Andy Forsaith (608) 266-7684	1/25/2016