
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1131 Session of
2021

INTRODUCED BY RYAN, KAUFFMAN, STAATS, HERSHEY, OWLETT, GROVE,
ROWE, KEEFER, B. MILLER, COX, JAMES, MOUL AND GLEIM,
APRIL 7, 2021

REFERRED TO COMMITTEE ON STATE GOVERNMENT, APRIL 7, 2021

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.

19 (3) A major State agency benefits by examining the major

1 State agency's operations and determining which activities
2 accomplish the major State agency's mission, vision and
3 strategic objectives.

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

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

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

16 Section 3. Definitions.

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

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

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

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

28 "Cost-drivers." Anything that causes cost in providing a
29 service or producing a good. When aggregated, the marginal cost
30 of producing a good or service.

1 "Department." The Department of the Auditor General of the
2 Commonwealth.

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

8 (1) Developing a process map that describes a widely
9 accepted business process improvement system by which the
10 major State agency engages in specific activities that
11 increase efficiency and reduce waste at the major State
12 agency.

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

17 (3) Utilizing the major State agency's employees to map
18 the major State agency's processes and recommend improvements
19 to the processes with an emphasis on involving the major
20 State agency's employees who directly provide a product or
21 service to an end user.

22 (4) Providing the means to measure, through a limited
23 number of performance metrics based on how resources are
24 allocated and delivered to residents of this Commonwealth,
25 the major State agency's processes in order to demonstrate
26 the effectiveness of the processes.

27 (5) Training the major State agency employees to mentor
28 and train other major State agency employees in business
29 improvement process systems.

30 (6) Providing for public comment regarding performance

1 audits and reports conducted under this act.

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

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

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

10 (2) The issuer of the written communication has special
11 knowledge or competence in accounting or auditing arising
12 from any of the following:

13 (i) The issuer of the communication has a name or
14 title indicating that the issuer or any individual
15 employed by or affiliated with the issuer is an
16 accountant or auditor.

17 (ii) The language of the written communication.

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

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

22 (2) Findings and recommendations based on the
23 comprehensive evaluation which are submitted to a major State
24 agency in a management letter.

25 "Qualified performance auditor." A certified internal
26 auditor, certified fraud examiner or certified public accountant
27 who possesses a minimum of five years of experience conducting
28 performance or operational audits of private or public entities.

29 Section 4. Duties of department.

30 (a) General rule.--The department shall have the following

1 duties:

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

5 (2) Choosing a schedule of performance audits of major
6 State agencies so that each major State agency will be the
7 subject of a performance audit at least once during an
8 initial three-year period after the effective date of this
9 act.

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

12 (4) Recommending a set of performance measures prior to
13 the commencement of a performance audit.

14 (5) Upon receipt of a performance audit of a major State
15 agency under this act, posting the performance audit on the
16 department's publicly accessible Internet website and
17 providing a copy of the performance audit to all of the
18 following, or their authorized designee:

19 (i) The Governor.

20 (ii) The chairperson and minority chairperson of the
21 appropriate oversight committee of the Senate, if
22 applicable.

23 (iii) The chairperson and minority chairperson of
24 the appropriate oversight committee of the House of
25 Representatives, if applicable.

26 (iv) The major State agency subject to the
27 performance audit.

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

30 (7) Recommending a lean process improvement system

1 training schedule for major State agencies that shall recur
2 no less than once every three years for each major State
3 agency.

4 (b) Training.--A major State agency shall provide lean
5 process improvement system training for all management employees
6 of the major State agency prior to the implementation of the
7 lean process improvement system and a training program that
8 recurs no less than once every three years thereafter.

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

10 (a) Schedule.--All major State agencies shall be subject to
11 a performance audit during an initial three-year period after
12 the effective date of this act. The schedule of performance
13 audits for the initial three-year period shall be determined by
14 the department.

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

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

- 28 (1) The Governor.
- 29 (2) The General Assembly.
- 30 (3) The chairperson and minority chairperson of the

1 appropriate oversight committee of the Senate, if applicable.

2 (4) The chairperson and minority chairperson of the
3 appropriate oversight committee of the House of
4 Representatives, if applicable.

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

7 Section 6. Continuing performance audits of major State
8 agencies.

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

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

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

28 (1) The Governor.

29 (2) The General Assembly.

30 (3) The major State agencies subject to the performance

1 audits.

2 Section 7. Duties of major State agencies.

3 (a) Records.--Except as prohibited by the laws of this
4 Commonwealth, a major State agency shall provide the department
5 all the records that the department determines to be necessary
6 to allow the qualified performance auditor to conduct the
7 performance audit as required under this act.

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

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

12 (i) The mission and purpose of the major State
13 agency.

14 (ii) The services to be accomplished by the major
15 State agency.

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

17 (iv) Critical success factors at the major State
18 agency.

19 (v) Measures of effectiveness at the major State
20 agency.

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

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

24 (c) Recovered money.--

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

29 (2) Any money saved by a major State agency as a result
30 of the implementation of a lean process improvement system

1 shall be deposited into the Budget Stabilization Reserve Fund
2 established in section 1701-A of the act of April 9, 1929
3 (P.L.343, No.176), known as The Fiscal Code.

4 Section 8. Progress report by major State agencies.

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

- 13 (1) The Governor.
- 14 (2) The General Assembly.
- 15 (3) The department.

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

- 18 (1) The major State agency's progress in remedying
19 concerns and implementing suggestions detailed in the
20 performance audit.
- 21 (2) The major State agency's implementation of a lean
22 process improvement system as specified under section 7(b).

23 Section 9. Effective date.

24 This act shall take effect in 60 days.