

**Opening Statement of
Auditor General Eugene A. DePasquale
Wednesday, February 13, 2019**

**Before the House Appropriations Committee
The Honorable Stanley Saylor, Chairman
The Honorable Matt Bradford, Democratic Chairman**

Regarding 2019/20 Fiscal Year Budget for the Department of the Auditor General

Chairman Saylor, Chairman Bradford, and members of the House Appropriations Committee: Good afternoon and thank you for the opportunity to discuss the Department of the Auditor General's fiscal year 2019-2020 budget request.

2019-20 Budget Request

The Department is requesting \$42.04 million for the 2019-20 fiscal year. Since taking office in 2013, I have worked very hard to keep my department's requests as low as possible. This year, even though we are faced with a more than \$2.44 million increase in costs for contractually mandated salary adjustments, health care and retirement benefits, I am only requesting \$1.04 million, or 2.53%, increase in our general government operations allocation for the 2019-20 fiscal year. Once again, I am able to keep our annual requests moderate because the cost savings we have achieved since I took office have been reallocated to help offset rising mandatory costs. Since 2013, I have reduced our administrative costs by instituting a work from home program for field auditors, eliminated the 242-car fleet and consolidated office spaces, which saved the department over \$3 million. This makes my department very lean given the fact personnel makes up over 96% of the department's total operating cost.

Meanwhile, I have worked very hard to maintain our work product and be responsive to audit requests. Since 2017, the department has received over 35 legislative requests for large, special performance audits, and this does not include three additional new audits required by legislation. It is important to note that at the same time, my department's budget was slashed by nearly 7.5% in 2017. At this point, my department is so lean — 96.4% of my budget allocation is for personnel — that any cuts potentially mean a reduction in auditors that could hamper the ability to conduct important audits in a timely manner. Since my department identifies waste and inefficiencies that far exceed our annual budget, cuts like those greatly impact our ability to conduct audits and help the state save money.

There is one other achievement in the department that I would specifically like to highlight. In 2016, the department began to transition to a completely online application system for VFRA and state pension aid. I am happy to report that in the 2018 filing year, **for the first time ever**, we had 100% reporting by the municipalities.

Audits

Despite the previous reductions to my budget and increased mandated costs, our streamlined processes and procedures have enabled us to produce audits that are more timely, and with fewer staff. This is a direct result of modernizing our technology infrastructure, which focused on restructuring our operations to best utilize resources and our current workforce.

What's more, since January 2013, I identified more than \$537 million in potential state savings through our audits of school entities, municipal pension plans, liquid fuels, corporate tax returns, volunteer firefighter relief associations, and other programs. Some examples include:

- **Audits of Scranton School District and Penn Hills School District** – These audits found extreme dysfunction and overspending that put the districts into financial crisis.
- **Audits of the Susquehanna and Delaware River Basin Commissions** – These audits revealed the need for better accountability and transparency. In particular, the SRBC audit raised concerns due to thousands of dollars of questionable purchases for alcohol, food and employee perks. The audit of the DRBC showed it was unable to provide itemized receipts for a small portion of its spending.
- **School District Transportation Costs** – Many of our school district audits are finding student transportation issues that are driving up costs. Since 2013, my audits identified 19 school districts in 11 counties that paid \$54.8 million more than the state transportation reimbursement.

Not All Impacts are Financial

Our audits and special reports are making a difference, for example:

- A special report found a lack of oversight of pharmacy benefit managers could be affecting the price of prescription drugs.
- Two "State of the Child" special reports assessed the strengths and challenges of Pennsylvania's child-welfare system, and focused on county CYS caseworkers; then presented an action plan to help protect Pennsylvania's at-risk children.
- As co-chair of the School Safety Task Force, I held meetings across the state to listen to students, staff, administrators, law enforcement experts and others on how to best protect students. The task force report focused on improving communication and information sharing, increasing access to mental health services, and effectively integrating law enforcement and school resource officers.
- Performance audits of the Department of Community and Economic Development and the Department of Human Services found that more can be done through LIHEAP (Low-Income Home Energy Assistance Program) and weatherization programs to make sure that people are living in healthy, safe conditions during the winter months.

A Look Forward

In the next few months my department will be releasing a number of audits and special reports with statewide impact, including:

- A review of the state's workforce development programs,
- a review of contracting and impacts of Act 89 on the Department of Transportation,
- a review of the Department of State's voter registration system (SURE),
- a review of the Pennsylvania Turnpike Commission's expenditures for infrastructure,
- a review of the Pennsylvania Game Commission,
- a report on criminal justice reform, and
- a series of hearings and report regarding the state's climate change initiatives.

Chairman Saylor, Chairman Bradford, and members of the Committee, be assured, I will continue to lead by example. I submit this request in order to maintain the quality and quantity of our audit production to make government better for the taxpayers we all serve. With that, I am pleased to answer any questions that you might have.

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