

**Opening Statement of  
Auditor General Eugene A. DePasquale  
Tuesday, March 10, 2015**

**Before the House Appropriations Committee  
The Honorable Bill Adolph, Chairman  
The Honorable Joe Markosek, Democratic Chairman**

**Regarding 2015/16 Fiscal Year Budget for the Department of the Auditor General**

Good morning and thank you for the opportunity to discuss the Department of the Auditor General's 2015-16 budget needs.

As the state's chief elected fiscal watchdog, I am committed to ensuring that taxpayer dollars are spent properly and effectively. When I came into office, I made it clear to my staff that we work for every Pennsylvanian and we will be accountable, transparent and serve as an example of government efficiency. However, I knew that if I was going to be critical of how others spend tax dollars, I had to make certain our house was in order.

**LEADING BY EXAMPLE**

One of the first tasks I undertook after taking office was to change the way the department budget. Instead of doing a year to year plan, we instead created a four-year budget plan to ensure we would be able to sustain our operations in spite of potential budgetary cuts. This helped us identify a number of areas we could cut our own costs.

We have made great progress internally, creating savings of \$2.01 million annually. This is accomplished by increasing the efficiency of our operation including: reducing our travel expenses — cutting our fleet of state-owned cars by 80 percent — consolidating office space and parking leases, divesting of our printing operation and modernizing our internal operations. This money has been reallocated to assist the department in increasing our audit performance and our improvements are paying huge dividends.

While these and other administrative changes helped the Department to save as much as possible, these savings alone were not sufficient to bridge the gap in our budget. As many of you know, the nature of our work is extremely labor intensive and 94 percent of our general government operations budget expenditures are for personnel.

Although we have had a significant reduction in our workforce, our people are our greatest assets and we have taken steps to invest in them. We have established several training initiatives to more fully develop employees and managers to strengthen their professional skills, beyond their typical training to obtain certified professional education (CPE) credits.

Employees at all levels of the Department are receiving extensive training on our new IT systems and on strengthening management skills. We also are making efforts to more fully engage our employees in the mission of the Department to improve government accountability, transparency and the effective use of taxpayer dollars.

## **FOCUSING ON AUDITS**

Of course, I cannot talk about the Department's changes without addressing our audits. We are focusing our audits on areas that will improve the lives of all Pennsylvanians and prepare our state for a brighter future. The numbers speak for themselves. Last year we produced 5,275 audits with the lowest number of staff since the mid-1980s. In fact, we produced 30 percent more audits last year and reduced the audit time by 33 percent. Last year alone, our auditors identified \$42.5 million in corporate tax underpayments, misallocated funds, and potential fraud.

We are constantly monitoring and tweaking our audit processes and procedures to make the best use of technology and staffing resources. The prioritization process we put in place is helping us better align resources with audit responsibilities. Cost savings are also being found by distributing audits electronically and developing a method to use electronic working papers to improve efficiency and make auditors more mobile and agile.

Our audits are making a difference. Last year we released several major program audits that identified shortcomings in:

- DEP's oversight of water quality during the Marcellus Shale gas drilling boom,
- DCED's monitoring of job creation programs and outcomes, and
- DPW's need to have better controls over its Access Card benefits.

Those are just a few examples of our work last year. We also held a series of public meetings on charter school operations and funding and produced a comprehensive report on municipal pension funding problems that puts the statewide unfunded liability at \$7.7 billion.

## **2015-16 BUDGET REQUEST**

In spite of the massive internal savings we were able to achieve, the Department still faces mandatory retirement increases that exist throughout the entire commonwealth. Therefore, I am requesting a 2.07 percent increase in the Department's General Government Operation (GGO) appropriation, or \$42.25 million, for the 2015-16 fiscal year.

I realize that across state government we must all continue to improve efficiencies so that we can do more with less because we are facing another very tough budget. We are doing that. The increase request is necessary to address unanticipated increases in retirement costs that were not known until last October. Given the value that our audits bring to the commonwealth, we cannot allow mandated cost increases to threaten our ability to ensure the long-term viability of our auditing mission.

## **IT FUNDING REQUEST**

At the beginning of 2013, the Department's technology was completely inadequate and limited our ability to work efficiently in the modern world and to interact and exchange information with other agencies and auditees. Now, the Department is entering what we hope to be, the final year of our strategic IT infrastructure modernization plan. Over the past two years, the department received \$3.5 million in technology modernization funds to help strengthen our severely outdated IT hardware and software. This funding allowed us to take some major steps to improve our security and efficiency. First and foremost, we transitioned from an old, expensive procurement system to SAP for all of our human

resources and procurement needs, finally allowing the department to move away from paper leave slips.

Additionally, we were able to replace outdated hardware and software, and establish a refresh cycle for the department's computer and servers. Last year, we took another large step forward by enhancing connectivity and security, and installing a Voice Over Internet Protocol phone system to enhance communications with field staff.

This year we requested \$5 million as the final installment for our IT modernization plan. We are planning to implement an electronic document management system to manage all electronic documentation throughout the Department. This will help us build on our existing successes, continue to move to a more streamlined process, and will leave the department in a much better position to further increase our audit productivity.

Chairman Adolph, Chairman Markosek, and members of the committee, be assured, we will continue to lead by example. We 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. I thank you for the opportunity to appear before you today.