



Pennsylvania Department of the

AUDITOR GENERAL

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News for Immediate Release

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Auditor General DePasquale Testifies Before Senate Appropriations Committee on 2018-19 Budget Request

Says his audits have identified in excess of \$537 million in potential state savings since 2013

HARRISBURG – Auditor General Eugene DePasquale today discussed his department’s 2018-19 budget request with members of the Senate appropriations committee. He said since January 2013, he has identified in excess of \$537 million in potential state savings through audits of school entities, municipal pension plans, liquid fuels, corporate tax returns, volunteer firefighter relief associations, and other programs.

He submitted the following statement to the committee:

**Opening Statement of
Auditor General Eugene A. DePasquale
Wednesday, February 21, 2018**

**Before the Senate Appropriations Committee
The Honorable Pat Browne, Chairman
The Honorable Vince Hughes, Democratic Chairman**

Regarding 2018/19 Fiscal Year Budget for the Department of the Auditor General

Chairman Browne, Chairman Hughes, and members of the Senate Appropriations Committee: Good afternoon and thank you for the opportunity to discuss the Department of the Auditor General’s fiscal year 2018-2019 budget request.

2018-19 BUDGET REQUEST

The Department is requesting \$41.19 million for the 2018-19 fiscal year. We have worked very hard to keep our request as low as possible. For example, this year, even though we are faced with a more than \$2.8 million increase in costs for contractually mandated salary adjustments, health care and retirement benefits, we are only requesting \$1.06 million, or 2.63%, increase in our general government operations allocation for the 2018-19 fiscal year. Once again we are 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, and still keep our yearly budget requests responsible and realistic.

Last year my department’s budget was slashed by nearly 7.5%, which was the largest cut to an operations line in the entire commonwealth, at the same time, the number of requests for audits has increased. In fact, my department’s budget has decreased by about 1.5% (about \$650k) since 2013, while employee benefits have increased in excess of 35% during that same time period. These cuts have not gone unnoticed; *Governing* magazine reported that we took the largest financial cut of any state auditor in the country last year.

Since 2013, we have succeeded in reducing our administrative costs by eliminating the 242-car fleet and consolidating office space, among other things. These reductions have saved the agency in excess of \$3 million. This kind of reduction has a dramatic impact on the department because 96.4% of our budget allocation is utilized for personnel. At this point, any cuts potentially mean reduction in auditors and the ability to conduct important audits. Since my department identifies waste and inefficiencies that far exceed our annual budget, cuts like those sustained last year could have a profound impact on our ability to conduct audits and help the state save money.

AUDITS

Despite the reductions to our 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 through the use of additional IT funding granted to the Department by the General Assembly, as well as by restructuring our operations to best utilize resources and our current workforce.

What's more, since January 2013, we identified in excess of \$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:

- Philadelphia Parking Authority – found the School District of Philadelphia potentially missed out on \$77.9 million over the past five years.
- Scranton School District – found multiple transportation contracts and budgeting/spending issues causing over a \$26 million deficit in the school district's budget.
- SERS/PSERS – found that the pension plans need to continue to work to negotiate better contracts when offering management fees to investment managers.
- SIIF - found major accounting, infrastructure, and oversight problems in the fund that supports the state unemployment compensation system.

Not All Impacts Are Financial

Our audits are making a difference. We released several major program performance audits and special reports that identified shortcomings in:

- A Special Report found that there was a backlog of untested rape kits,
- The School District of Lancaster and many other school districts are failing to ensure that school bus driver certifications are complete, and in certain instances have had children being driven by individuals that have felony convictions that by law bar them from being hired as bus drivers,
- Performance audits of the Departments of Drug and Alcohol Programs, Human Services, and Corrections and their role to help combat the opioid epidemic, and
- The "State of the Child Special" Report was a comprehensive review of the state's children and youth service agencies.

Municipal Authorities

Finally, if I may, I would like to leave you with one more very important issue that deserves substantial review because of its direct impact on the citizens -- the thousands of municipal authorities across the state that are lacking state oversight. These entities make decisions regarding vital services, like water, sewer and parking, that directly impact their residents, but these authorities are generally subject to no government review. Changes to this current system could have an immediate and profound impact on improving the efficiency of our local governments.

Billions of dollars being spent each year by citizens for services provided by these municipal authorities with no government accountability or transparency to ensure the taxpayers' money is being efficiently and properly utilized. One example is my department's review of the Philadelphia Parking Authority showed that failure to timely collect parking tickets may have cost the Philadelphia school district in excess of \$70 million in education funding.

Chairman Browne, Chairman Hughes, 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.

I am pleased to answer any questions that you might have.

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