



Pennsylvania Department of the

AUDITOR GENERAL

Facebook: Pennsylvania Auditor General

Twitter: @PaAuditorGen

News for Immediate Release

Jan. 23, 2018

Auditor General DePasquale Testifies Before House Financial Rescue Caucus, Discusses Risks to Commonwealth, 2018 Plans for His Department

HARRISBURG – Auditor General Eugene DePasquale today presented the following testimony before the House Financial Rescue Caucus:

**Written Statement of
Auditor General Eugene A. DePasquale
Tuesday, January 23, 2018
House Financial Rescue Caucus
The Honorable Frank Ryan, Majority Chairman
The Honorable Jared Solomon, Democratic Chairman**

Chairman Ryan, Chairman Solomon, and members of the House Financial Rescue Caucus:
Thank you for this forum to discuss risks to the Commonwealth and the direction of my agency in 2018. I think it is fantastic that this caucus was formed to help increase awareness of the state's ongoing financial challenges.

First and foremost, our Commonwealth faces a major financial risk because we lack a fair and equitable education funding formula. Recent audits of school districts like Sto-Rox in Allegheny County and Aliquippa in Beaver County, found that through no fault of their own these districts are financially struggling. When a school district struggles financially, student education suffers as learning opportunities are limited. This can have a long-lasting economic impact on communities. We need to provide adequate education funding so that every student can succeed in the classroom and in the workforce. As you all know, the state plays a significant part in the education funding equation and when state funding doesn't keep up with student needs, it can lead to increased costs for local governments and real estate taxpayers.

This failure to adequately fund programs and services is not limited to solely to education funding. During my audit of the of the Department of Human Services' ChildLine hotline, my team noticed that an incorrect assessment of the financial impact of new laws ultimately led DHS to fail to request and procure additional dollars for children and youth agencies and resulted in more children being put at increased risk. Similarly, the Department of Labor & Industry's Unemployment Compensation Service and Infrastructure Improvement Fund (SIIF) found that not devoting enough resources at the beginning of a project can lead to much higher costs down the line, which adversely impacted the citizens by slowing down or even causing a stoppage of needed services.

Finally, budget concerns further complicate the state's financial picture. As we saw in the recent years, Wall Street notices the uncertainty in the state's financial status and reacts by downgrading the state's credit rating, which can cost the commonwealth millions in additional interest and fees.

As Auditor General, my team conducts about 5,000 audits per year, giving me a close-up view of the inefficiencies in how state tax dollars are spent. From some of my recent audits, the inefficiencies are due to a multitude of reasons:

- lack of competitive bidding and claw-back provisions in all contracts;
- outdated or obsolete technology; and
- failure to oversee how funds are spent.

Audit Releases 2018

The department anticipates the upcoming release of a number of school audits (including Lancaster School District and Aspira of Pennsylvania Charter School) as well as our standard review of municipal pension plans, Volunteer Firefighter Relief Associations and liquid fuels funds to ensure they are being spent properly. Other audits to be released include:

- PennDOT – includes a review of the Department of Transportation’s contracting process, and
- Workforce Development — review of the Commonwealth’s multi-agency workforce development programs

Upcoming Audits in 2018

This year I am focusing my department on a few areas that are of specific interest from both fiscal and performance perspectives. Currently, I anticipate starting audits in 2018 of the:

- Department of State’s voter registry system,
- Pennsylvania Turnpike Commission,
- Delaware River Basin Commission,
- Susquehanna River Basin Commission, and
- Pennsylvania Game Commission.

Conclusion

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, such as 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.

Again, Chairman Ryan, Chairman Solomon, and members of the House Financial Rescue Caucus, thank you for the opportunity speak to you today. I am happy to answer any questions that you might have.

###