

**Opening Statement of
Auditor General Eugene A. DePasquale
Tuesday, February 23, 2016**

Before the House and Senate Appropriations Committees

Regarding 2016/17 Fiscal Year Budget for the Department of the Auditor General

2016-17 BUDGET REQUEST

The Department is requesting \$43.59 million for the 2016-17 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 a modest \$876,000, or 2.05 percent, increase in our general government operations allocation for the 2016-17 fiscal year. We were able to keep our request 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.

Since we are clearly facing another very tough budget, I realize that across state government we must continue to improve efficiencies so that we can do more with less. At the Department of the Auditor General, we are doing that. Given the value that our audits bring to the commonwealth, we tried to address mandated cost increases in a manner that does not threaten our ability to ensure the long-term viability of our auditing mission.

Cost Savings

One of the first tasks I undertook after assuming office was to change the way the Department budgets. 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 challenges. This helped us identify a number of areas where we could reduce our own costs and reallocate those savings to other areas of our operation.

We have made great progress internally, generating savings of \$2.87 million. This is a remarkable accomplishment because, as many of you know, the nature of our work is extremely labor intensive — 94 percent of our general government operations budget is for personnel costs.

These savings were accomplished by increasing the efficiency of our operation, including:

- Cutting the fleet of state-owned vehicles by 92 percent, going from 241 cars in 2013 to just 21 today, and reducing other travel and transportation costs;
- Migrating the Department's human resources, purchasing and financial operations to the Commonwealth's SAP system;
- Eliminating 93.9 percent of the Department's leased office space and parking leases; and
- Shifting the Department's printing operations to other existing commonwealth printing resources.

AUDITS

In addition to generating internal cost savings, our streamlined processes and procedures enable us to produce audits that are more timely, and with fewer staff. In fact, we are producing audits at a faster rate than any other three-year time period in the agency's recent history. 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.

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

- The Pennsylvania Department of Education's assistance to poorly performing schools and the oversight of education programs by the State Board of Education.
- The Department of Community and Economic Development's management of programs for counties' homelessness prevention and rehousing;
- The State System of Higher Education's policies and programs on campus safety and sexual violence awareness;
- The Department of Labor and Industry's implementation and oversight of Act 102 that prohibits excessive mandatory overtime for healthcare workers; and
- The Pennsylvania Gaming Control Board's funding for local law enforcement agencies and its control of excessive food reimbursements for board members.

What's more, since January 2013, we identified in excess of \$111 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.

IT FUNDING REQUEST

Three years ago, the Department's information technology infrastructure was significantly outdated and limited our ability to work efficiently in the modern world and to interact and exchange information with other agencies and auditees.

Over the past three years, the Department used \$5.25 million in technology modernization funds to help strengthen and modernize our IT infrastructure. We were able to replace outdated hardware and software, and establish a 'refresh' cycle for the Department's computers. Additionally, we enhanced connectivity and security, provided field staff with wifi "hot spots" to obtain secure network connectivity from any location, and installed a Voice Over Internet Protocol phone system with unified communications to further enhance communication with field staff.

It is important to note that due to the uncertainty of the last budget we were uncomfortable with performing any large scale IT projects in the current fiscal year. Instead, we focused on streamlining our processes – moving both the municipal pension and volunteer firefighters' relief aid applications to an electronic system – as well as continuing our software and hardware refresh cycle.

For 2016-17, we requested \$3 million to continue our IT modernization plan. With those funds, we plan to implement an electronic document management system to manage all electronic documentation throughout the Department. Such an improvement will help us build on our existing successes, continue to move to a more streamlined auditing process, and will leave the Department in a much better position to further increase our audit productivity.

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.

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