



Commonwealth of Pennsylvania  
Department of the Auditor General  
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EUGENE A. DePASQUALE  
AUDITOR GENERAL

March 2, 2017

The Honorable Seth Grove  
Room B-8 Main Capitol Building  
Harrisburg, PA 17120

Dear Representative Grove,

Thank you for your supplemental inquiry to my department's FY 17-18 budget request. I always look forward to providing additional clarification our budget funding request.

As you are aware, we are an independent agency with only one line-item in the budget appropriation. We were able to provide you detailed information for the portions your request that do apply to my department: specifically sections 1. Program Performance; 3. Line-Item Review (per our submission to Governor 10/2016); 6. Contracts; 7. Lapsed Funds; 9. Augmentations; and 11. IT Modernization.

If, after your review of the information I have provided, you have additional questions or require additional information, please feel free to contact me. Again, thank you for your thoughtful request, I look forward to working with you.

Sincerely,

A handwritten signature in blue ink that reads "Eugene A. DePasquale".

Eugene A. DePasquale  
Auditor General

Enclosures

cc: Hon. Mike Turzai, Speaker, Pennsylvania House of Representatives  
Hon. Dave Reed, Majority Leader, Pennsylvania House of Representatives  
Hon. Stanley Saylor, Majority Appropriations Chair, Pennsylvania House of Representatives  
Hon. Bryan Cutler, Majority Whip, Pennsylvania House of Representatives

**Department of the Auditor General**

**Representative Seth Grove Request - Budget Hearing February 23<sup>rd</sup>, 2017**

**#1 & #3:** The Department of the Auditor General's budget is driven by personnel expenditures which account for approximately 95% of the Department's total expenditures. The biggest personnel expenditure cost drivers are mandated employee benefits and union contract raises. For FY 17, the Department anticipates the personnel expenditures to increase by \$3.55 million, \$1.24 million in salaries and \$2.31 million in employee benefits.

	<b>Actual Expenditures 2015-16</b>	<b>Available 2016-17</b>	<b>Budget Request</b>	<b>\$ Diff Y/Y</b>	<b>% Diff Y/Y</b>
	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>		
<b>Salaries/Personnel Services</b>	\$27,924,854.00	\$30,189,924.00	\$31,427,587.00	\$1,237,663.00	4.10%
<b>Wages</b>	\$0.00	\$0.00	\$0.00		
<b>Overtime</b>	\$0.00	\$0.00	\$0.00		
<b>Voluntary Retirement Incentive</b>	\$0.00	\$0.00	\$0.00		
	<b>\$27,924,854.00</b>	<b>\$30,189,924.00</b>	<b>\$31,427,587.00</b>	<b>\$1,237,663.00</b>	<b>4.10%</b>

<b>Hospital Ins - SS</b>	\$4,810,661.00	\$4,370,934.00	\$4,668,300.00	\$297,366.00	6.80%
<b>Soc. Sec. Contribution - SS</b>	\$1,867,909.49	\$1,792,332.00	\$1,939,037.46	\$146,705.46	8.19%
<b>Medicare - SS</b>	\$436,849.80	\$420,218.00	\$455,700.01	\$35,482.01	8.44%
<b>Retirement Contribution - SS</b>	\$6,772,337.00	\$8,416,620.00	\$9,911,064.00	\$1,494,444.00	17.76%
<b>State Workmen's Ins. Premium Payment</b>	\$468,025.00	\$434,708.00	\$471,414.00	\$36,706.00	8.44%
<b>Employee Group Life Ins. - SS</b>	\$56,769.98	\$54,817.00	\$55,773.90	\$956.90	1.75%
<b>Health Benefits - SS</b>	\$5,250,486.00	\$5,493,867.00	\$5,810,805.00	\$316,948.00	5.77%
<b>Unemployment Comp. - SS</b>	\$0.00	\$0.00	\$0.00		
<b>Employer LPO Assessment</b>	\$557,360.09	\$579,610.00	\$565,696.57	-\$13,913.43	-2.40%
<b>Annual Leave Payout</b>	\$0.00	\$0.00	\$0.00		
<b>Sick Leave Payout</b>	\$0.00	\$0.00	\$0.00		
<b>Voluntary Retirement Incentive</b>	\$0.00	\$0.00	\$0.00		
<b>Other Personnel Services</b>	\$0.00	\$0.00	\$0.00		
	<b>\$20,220,398.36</b>	<b>\$21,563,096.00</b>	<b>\$23,877,790.94</b>	<b>\$2,314,694.94</b>	<b>10.73%</b>

<b>Grand Total:</b>	<b>\$48,145,252.36</b>	<b>\$51,753,020.00</b>	<b>\$55,305,377.94</b>	<b>\$3,552,357.94</b>	<b>6.86%</b>
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## **#11: Information and Technology Modernization**

When I took over in January 2013, the Department's IT operations had been starved for over eight years, leaving seriously out of date equipment, operating systems, software, and network hardware which was going end-of-life and was no longer going to be supported by vendors for updates, patches, maintenance, etc. We performed a complete assessment of our IT infrastructure landscape and evaluated the needs to bring our Department into the 21<sup>st</sup> century and increase our efficiencies. That assessment became the roadmap to stabilize, enrich and transform our IT operations, and included:

- Upgrading end user PCs and implementing an up-to-date operating system;
- Providing portable printers, scanners and wifi jet paks to our field staff;
- Upgrading our switch, storage, and server infrastructure to support modern, efficient operations securely;
- Upgrading our dated PBX telephone systems to a unified communications system;
- Moving from an independent, expensive ERP system to the Commonwealth's SAP system;
- Converting from Lotus Notes to Microsoft Exchange;
- Rewriting and deploying an updated and comprehensive audit tracking system;
- And implementing an electronic document/records management system (EDRMS).

Initially we requested \$9 million to complete our roadmap, based on estimated costs arrived at with the assistance of our assessment vendor. To date we have spent approximately \$3 million and have achieved all of our goals with the exception of the final implementation of an electronic document/records management system. The initiatives related to our IT upgrade have come in at or under our original budget projections. We did not have any large IT contracts (i.e., hundreds of thousands or millions). Our own infrastructure staff installed and configured most of the new equipment in-house, and the rewrite and deployment of our updated and comprehensive audit tracking system was completed in-house by our own developers, with the expenses associated being related to the purchase of a few software licenses, a project manager, and training for staff.

We are seeking to waive \$3 million (included in waiver documentation) in IT funds which were appropriated last fiscal year in order to complete the last phase of the roadmap – the EDRMS. This final phase is anticipated to be a multi-year project from design to implementation. In order to ensure that our final initiative stays on track and within projected budgets, we will work in advance of contract execution to ensure a full business analysis so our expectations under the contract are clear and will demand a deliverable at the agreed upon price. We will also utilize the skills of a professional project manager to ensure the project is on schedule and is meeting required deliverables without overruns.

Our efforts to consolidate included eliminating our PeopleSoft ERP system and joining the Commonwealth's SAP system for personnel, budget, purchasing, and financials, as well as closing our Duplicating shop and utilizing DGS publications.