

FY24 Budget: Public Hearing

Talking Points

November 16, 2022 ~2:15pm

OAOA Attendees:

*Auditor Dennis E. Greenhouse, Auditor-elect Lydia York,
Fiscal and Policy Analyst - Connor Perry*



< 5 Min Intro and Public Comment

Good afternoon, I am State Auditor Dennis Greenhouse and I'm here with Auditor Elect Lydia York, and my Fiscal and Policy Analyst Connor Perry.

I want to start by thanking everyone for their time and any viewers or listeners from the public for being here with us today.

Normally, we would use this time to discuss key initiatives, what this office has done in the past year, and what we're planning for the upcoming fiscal year, but this year is a little different. I have only been State Auditor for about a month, and just last week, Delawareans elected their new State Auditor – Lydia York. The budget requests made today reflect the office's needs but not necessarily the vision Auditor-elect York will implement when sworn in come January.

For now, we're doing our part to set this office and the new administration up for success and help them during this transition period. Today, I'm going to use this opportunity to speak to the public about what this office does and a little about the people working behind the scenes to make it happen.

When I first took office, I noticed the office has a staff of dedicated and hard-working people; People who want to do a good job for the citizens of the state. I served as State Auditor from 1983-1989. In 1984 the Single Audit Act of 1984 passed Congress and was signed into law and the scope of our audits changed. At that time, we had 44 employees. Today, the Auditor's office has just 27 FTE's (Full-time Equivalent) but the responsibility of the office has not changed.

Delaware Code states, "The Auditor of Accounts shall conduct postaudits of all the financial transactions of all state agencies. . . ". The Auditor's Office conducts various engagements reviewing state agency, school district, and other organizations' finances as mandated by Delaware Code.



There are a few “major” engagements and many others including:

1. The Single Audit – which intends to provide assurance to the Federal Government that a non-federal entity that receives federal funding has internal controls in place and is generally in compliance with program requirements. Non-federal entities can include states, local governments, Indian tribes, universities, and non-profit organizations.
2. The ACFR (Annual Comprehensive Financial Review) - is a far-reaching annual review of the State’s finances that reviews over 40 agencies financial statements. This annual report provides information about the state’s overall financial condition and is one part of what determines Delaware’s bond rating.
3. There are a variety of other audits and engagements mandated by Delaware Code. These other mandates include things like reviewing school construction projects, bank reconciliations, and financial statement audits of long-term care facilities to name just a few. Some engagements must be done annually, while other engagements do not have set frequencies and may only come up once every few years.

The State Auditor also serves on the Board of Pardons that holds public meetings to hear pardons or sentence commutations to make recommendations to the Governor for review, serves on the GEAR (Government Efficiency and Accountability Review - Board) Financial Services Delivery team, and operates the Fraud Hotline for Delawareans to report suspected fraud, waste, or abuse in state government.

This office is as important now as it was when I last served as the State Auditor. Auditor-elect York will take office in January, and I ask that you provide her and her team the resources they need to succeed and that you work together to continue these important budget discussions. Auditor-elect York may have new requests or areas she would like to see this office expand, and the fiscal team will work to incorporate those ideas into the budget so her new administration can hit the ground running with a budget that reflects these priorities.

Recognizing the uncertainty of an election, the Auditor’s Office’s fiscal staff developed this year’s budget requests so that the incoming administration has the tools it needs to be successful and focused on essentials like addressing constraints in personnel and supply funding. That means moving funding to ensure this office is fully staffed and making sure the professional staff has the supplies and audit software they need to do their jobs effectively. That’s why we’re requesting to increase the Auditor’s Office’s supply budget and to transfer our seven ASF funded positions to the General Fund.

Thank you for listening, and I yield my time for public comment.



Request #1

- **Increase GF Supply Budget to cover software / supply needs**
 - **WHY?**
 - OAOA is requesting an additional \$35,000 in Supply funds because of software and supply needs for audit staff. OAOA requires industry-specific software needs and the budget appropriation code for audit software falls under a Supply appropriation rather than Contractual.
 - OAOA is open to increasing ASF Supply spending authority in lieu of an actual GF increase
 - **CONSEQUENCES IF BUDGET REQUEST IS NOT FUNDED**
 - As in years past, OAOA will be forced to put in change requests to make up for budgetary shortcomings as this software is necessary for completing mandated audits.

Request #2

- **Request to Transfer 7 ASF (Appropriated Special Fund) Funded Positions to the General Fund**
 - OAOA is requesting to transfer all seven ASF funded positions to the GF. OAOA subsequently requests that the Governor's Recommended ASF Budget of \$600.6 be transferred to the GF to fund the 7 following positions:
 - Accountant, State Auditor II, State Auditor III, State Auditor III, State Auditor IV, Administrative Auditor, HR Specialist III.
 - **WHY?**
 - While OAOA contracts some audit work, we need a full staff to work with contracted CPA firms and complete engagements conducted in-house. ASF revenue is historically volatile as much of OAOA's revenue comes from School Construction engagements funded through the State's Bond Bill.
 - OAOA cannot reasonably forecast what capital projects may or may not be approved, and the scale and number of projects approved causes significant swings in OAOA's annual revenue collection.
 - OAOA is requesting that these positions be transferred to the GF with the appropriate level of funding to fully-staff OAOA through GF Personnel Funds rather than relying on a high volume of school construction to meet agency obligations.
 - **WHAT HAPPENS IF UNFULFILLED: (NEXT PAGE)**



- **WHAT HAPPENS IF UNFULFILLED:**
 - Given that the office has only 27 allocated positions total, this means over a quarter of all OAOA staff is funded from a volatile and fluctuating revenue stream that cannot support 6 additional FTE's.
 - Our projected ASF Revenue for FY24 does not allow us to **both** fully staff the office and cover the cost of the state's Annual Comprehensive Financial Review (ACFR).
 - If OAOA fills all vacant ASF-funded positions, little to no funding will be left to fulfill other ASF needs and obligations.
 - Should OAOA fill all ASF positions, we will need to work with OMB to address the resulting deficit or risk the appropriation running negative throughout the year. There is no guarantee OAOA will be able to raise the \$600.6 in ASF revenue to cover these positions and additional revenue to cover contractual obligations.

