

Legislative Audit for 2014: Testimony of Eric Epstein



February 2, 2015

Representative Mark Keller
Chairman, Legislative Audit Advisory Commission
Room 108, Ryan Office Building
P.O. Box 202086
Harrisburg, PA 17120-2086
Voice: 717-787-5774
Fax: 717-705-2088

Dear Chairman Keller:

In recent years, Pennsylvania citizens have witnessed a sad parade of scandals and lapses of judgment by public officials. During this period the Legislative Audit Advisory Commission has delayed the release of the Legislature's Annual Audit and refused to issue an Request For Proposal ("RFP") for accounting services.*

Rock the Capital is respectfully requesting that the Commission authorize an RFP for accounting services and incorporate Rock the Capital's recommendations 7, 8 and 9 as outlined on pages 3-4.

* "The Request for Proposal outlines the bidding process and contract terms, and provides guidance on how the bid should be formatted and presented. A RFP is typically open to a wide range of bidders, creating open competition between companies looking for work." (Investopedia)

In addition, Rock the Capital strongly encourages the Commission to invite the Auditor General to audit the financial affairs (financial statement) for the fiscal year ended June 30, 2014 of the General Assembly of the Commonwealth of Pennsylvania.

Historically, the legislature has ignored most of the observations and recommendations made by the Committee's certified public accountants - Ernst & Young and Mitchell & Titus.

Rock the Capital has collected recommendations made by auditors, legislators, regulators and concerned citizens since 2006. We also urge you to implement key observations, findings and recommendations from this year's audit by Mitchell & Titus.

1) Since at least 2008, the auditor hired to report on the surplus has recommended that the Legislature consider **adopting a policy that establishes and monitors the appropriate amount of surplus.**

In the past, House and Senate Republican and Democratic caucuses, agreed the legislative surplus should be capped, but they have not reached an agreement on where it should be set.

It is time to implement a protocol for capping the legislative surplus.

2) The Audit should **disclose the nature and amount of any findings of irregularities and improprieties.**

3) The Audit should also **provide descriptions of large, unusual and/or inappropriate sums disbursed by use of the "advance appropriation method."** This disbursement vehicle method does not document to any external authority the justification for these expenditures.

4) **The Legislature should implement recommendations made by the Committee's contracted CPA firms to consolidate House checking accounts.**

The House of Representatives in recent years has maintained up to 36 separate checkbooks. Auditors have recommended reducing the number of accounts to defeat the “...opportunity for errors to be committed...”

There is no reason to postpone consolidation and standardization of the accounts.

5) Moreover, the House also lacks a standard leave policy to match the consistent policy throughout state Senate offices.

A standard leave policy needs to be adopted by the House of Representatives.

6) Throughout the Legislature, employees aren't required to itemize expenses they paid for with a credit card when they get reimbursed.

A standard and uniform policy of itemized expenses accounting needs to be implemented.

7) In light of the matters disclosed and discussed in the Footnotes of previous Audited Financial Statements, it is obvious that the information presented is not useful from the standpoint of informing either the Legislative Audit Advisory Commission, members of the General Assembly, or the public as to the nature, appropriateness or efficacy of significant expenditures of tax dollars.

Please implement a protocol that utilizes meaningful descriptions as to the nature of many of the amounts disbursed.

8) Additionally, please incorporate meaningful classifications of expenditures by easily understandable expense classifications. The audited financial statements and related information should provide sufficient detail and clarity about expenditures for citizens to learn with reasonable certainty what activities are being conducted by the General Assembly and the appropriateness of such activities.

9) We respectfully request that the Committee authorize an independent forensic audit of all leadership accounts, including but not limited to “advance appropriation disbursement accounts” under the direct or indirect control of the legislative leaders of the General Assembly, the Chief Clerk of the House and Senate and/or their respective staff or other representatives.

We ask that this audit comply with the highest professional standards. We further ask that the audit cover the entire 2013-2014 legislative session, and be concluded and released publicly by June 30, 2015.

10) The Committee should adopt and implement an opportunity period for public comment and public testimony at it’s next public meeting.

Clearly, the annual expenditures of the General Assembly are of vital interest to the public. Citizens have the right to know the nature and amount of all expenditures of their taxes and that such expenditures advance legitimate public interests.

Thank you for your attention to this request. We look forward to your favorable reply.

Sincerely,

Eric Epstein, Coordinator
Rock the Capital
4100 Hillsdale Road
Harrisburg, PA 17112
717-635-8615

cc:

- Auditor General Eugene DePasquale