

**GENERAL ASSEMBLY OF THE  
COMMONWEALTH OF PENNSYLVANIA**

**STATEMENT OF FINANCIAL AFFAIRS  
OF THE GENERAL ASSEMBLY**

**YEAR ENDED JUNE 30, 2020**

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## **INDEPENDENT AUDITOR'S REPORT**

Legislative Audit Advisory Commission of the  
Commonwealth of Pennsylvania  
Harrisburg, Pennsylvania

### **Report on the Financial Statement**

We have audited the accompanying statement of financial affairs of the General Assembly of the Commonwealth of Pennsylvania (“General Assembly”) for the year ended June 30, 2020, and the related notes to the financial statement.

### **Management’s Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the budgetary basis of accounting described in Note 1; this includes determining that the budgetary basis of accounting is an acceptable basis for the preparation of the financial statement in these circumstances. Management is also responsible for the design, implementation and maintenance of internal controls relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

### **Auditor’s Responsibility**

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the organization’s preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization’s internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the appropriations, disbursements, lapses, commitments and appropriation balances of the General Assembly for the year ended June 30, 2020, in accordance with the budgetary basis of accounting described in Note 1.

### **Basis of Accounting**

We draw attention to Note 1 of the financial statement, which describes the Organization's basis of accounting. The financial statement is prepared on the budgetary basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The supplementary information included in the schedule of disbursements by category is presented for the purpose of additional analysis and is not a required part of the financial statement. The supplementary information included in the schedule of disbursements by category is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information included in the schedule of disbursements by category is fairly stated in all material respects, in relation to the financial statement as a whole.

A handwritten signature in cursive script that reads "Boyer & Ritten". The signature is written in black ink and is centered on the page.

Camp Hill, Pennsylvania  
January 11, 2021

GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA

STATEMENT OF FINANCIAL AFFAIRS OF THE GENERAL ASSEMBLY  
Fiscal Year Ended June 30, 2020

Legislative Department or Agency	Purpose of Appropriations	Total Current Year Appropriations	Appropriation Balances Available from Prior Year(s)	Disbursed	Transfers In / (Out)	Appropriation Balances (Deficits) before Commitments	Commitments	Appropriation Balances (Deficits) after Commitments
<b>Senate</b>								
Chief Clerk								
Donetta M. D'Innocenzo	Senators' Salaries	\$ 8,864,000	\$ 1,997,341	\$ 8,774,313	\$ -	\$ 2,087,028	\$ 56,047	\$ 2,030,981
	Salaried Officers and Employees	13,973,000	1,340,510	13,756,915	-	1,556,595	228,965	1,327,630
	Employees of the Chief Clerk	3,085,000	2,882,156	2,446,318	-	3,520,838	5,102	3,515,736
	Incidental Expenses	3,595,000	6,272,845	1,525,564	-	8,342,281	64,840	8,277,441
	Expenses - Senators	1,416,000	4,388,594	833,688	-	4,970,906	34,243	4,936,663
	Legislative Printing and Expenses	8,048,000	17,626,835	7,253,538	-	18,421,297	1,108,810	17,312,487
President:								
John Fetterman	Senate President - Expenses	-	161,913	14,401	-	147,512	-	147,512
Floor Leader (R):								
Jake Corman	Caucus Operations (R)	42,326,330	13,529,598	41,411,809	-	14,444,119	992,490	13,451,629
Floor Leader (D):								
Jay Costa	Caucus Operations (D)	37,534,670	7,451,971	35,946,988	-	9,039,653	840,228	8,199,425
Chairman - Appropriations Committee (R):								
Patrick Browne	Committee on Appropriations (R)	1,507,500	1,378,221	1,118,992	-	1,766,729	3,968	1,762,761
Chairman - Appropriations Committee (D):								
Vincent J. Hughes	Committee on Appropriations (D)	1,507,500	1,749,255	1,239,442	-	2,017,313	1,200	2,016,113
Total Senate current pension obligation		-	-	-	-	-	17,807,104	(17,807,104)
<b>Senate total</b>		<b>\$121,857,000</b>	<b>\$ 58,779,239</b>	<b>\$ 114,321,968</b>	<b>\$ -</b>	<b>\$ 66,314,271</b>	<b>\$ 21,142,997</b>	<b>\$45,171,274</b>

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GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA

STATEMENT OF FINANCIAL AFFAIRS OF THE GENERAL ASSEMBLY (Continued)  
Fiscal Year Ended June 30, 2020

Legislative Department or Agency	Purpose of Appropriations	Total Current Year Appropriations	Appropriation Balances Available from Prior Year(s)	Disbursed	Transfers In / (Out)	Appropriation Balances (Deficits) before Commitments	Commitments	Appropriation Balances (Deficits) after Commitments
<b>House of Representatives</b>								
Chief Clerk								
Dave Reddecliff	Members' Salaries, Speaker's Extra Compensation	\$ 35,290,000	\$ 3,928,386	\$ 36,161,035	\$ -	\$ 3,057,351	\$ 9,291	\$ 3,048,060
	Bi-Partisan Committee, Chief Clerk, Comptroller and EMS	14,834,000	5,789,532	15,886,970	-	4,736,562	288,187	4,448,375
	Mileage: Reps, Officers, and Employees	372,000	43,509	439,785	200,000	175,724	29,671	146,053
	Chief Clerk and Legislative Journal	3,443,000	791,957	1,346,567	(1,000,000)	1,888,390	30,697	1,857,693
	Contingent expenses	591,000	198,026	749,649	500,000	539,377	179,231	360,146
	Incidental Expenses	5,069,000	1,319,052	6,533,165	2,500,000	2,354,887	131,965	2,222,922
	Expenses - Representative	4,251,000	3,217,702	2,687,307	(1,000,000)	3,781,395	167,088	3,614,307
	Legislative Printing and Expenses	10,674,000	1,709,996	9,664,723	-	2,719,273	2,772,075	(52,802)
	National Legislative Conference Expenses	-	781,148	46,250	(700,000)	34,898	5,000	29,898
Speaker:								
Mike Turzai	Speaker's Office	1,810,000	8,670,719	364,351	-	10,116,368	-	10,116,368
	Contingent expenses	20,000	117,315	14,541	-	122,774	-	122,774
Floor Leader (R):								
Bryan Cutler	Special Leadership Account (R)	6,045,000	28,497,601	4,925,912	(500,000)	29,116,689	-	29,116,689
	Caucus Operations (R)	69,275,000	3,341,099	67,188,407	-	5,427,692	1,341,510	4,086,182
	Contingent expenses	7,000	50,037	12,576	-	44,461	-	44,461
Floor Leader (D):								
Frank Dermody	Special Leadership Account (D)	6,045,000	17,238,160	250,277	-	23,032,883	6,345	23,026,538
	Caucus Operations (D)	64,100,000	28,030,670	71,485,289	-	20,645,381	1,626,540	19,018,841
	Contingent expenses	7,000	85,340	182	-	92,158	-	92,158
Chairman - Appropriations Committee (R):								
Stanley E. Saylor	Committee on Appropriations (R)	3,223,000	3,088,531	(439,176)	-	6,750,707	83,269	6,667,438
	Contingent expenses	6,000	53,479	14,111	-	45,368	-	45,368
Chairman - Appropriations Committee (D):								
Matt Bradford	Committee on Appropriations (D)	3,223,000	7,607,608	3,140,290	-	7,690,318	62,280	7,628,038
	Contingent expenses	6,000	14,226	174	-	20,052	-	20,052
Whip (R):								
Kerry Benninghoff (1)	Contingent expenses	6,000	16,935	4,762	-	18,173	-	18,173
Donna Oberlander (2)								
Whip (D):								
Jordan Harris	Contingent expenses	6,000	9,986	2,311	-	13,675	-	13,675

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GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA

STATEMENT OF FINANCIAL AFFAIRS OF THE GENERAL ASSEMBLY (Continued)  
Fiscal Year Ended June 30, 2020

Legislative Department or Agency	Purpose of Appropriations	Total Current Year Appropriations	Appropriation Balances Available from Prior Year(s)	Disbursed	Transfers In / (Out)	Appropriation Balances (Deficits) before Commitments	Commitments	Appropriation Balances (Deficits) after Commitments
<b>House of Representatives (continued)</b>								
Caucus Chairman (R): Marcy Toepel	Contingent expenses	3,000	24,810	659	-	27,151	-	27,151
Caucus Chairman (D): Joanna McClinton	Contingent expenses	3,000	1,217	1,715	-	2,502	-	2,502
Caucus Secretary (R): Mike Reese	Contingent expenses	3,000	8,397	883	-	10,514	-	10,514
Caucus Secretary (D): Rosita Youngblood	Contingent expenses	3,000	659	3,203	-	456	-	456
Chairman - Policy Committee (R): Donna Oberlander	Contingent expenses	2,000	5,042	1,263	-	5,779	-	5,779
Chairman - Policy Committee (D): P. Michael Sturla	Contingent expenses	2,000	5,715	3,580	-	4,135	-	4,135
Caucus Administrator (R): Kurt A. Masser	Contingent expenses	2,000	12,728	162	-	14,566	-	14,566
Caucus Administrator (D): Neal Goodman	Contingent expenses	2,000	19,399	1,242	-	20,157	-	20,157
Staff Administrator (R): Jacob Smeltz	Contingent expenses	20,000	166,576	3,704	-	182,872	-	182,872
Staff Administrator (D): Paul Parsells	Contingent expenses	20,000	117,159	19,403	-	117,756	-	117,756
Total House of Representatives current pension obligation		-	-	-	-	-	28,636,994	(28,636,994)
<b>House of Representatives total</b>		<b>\$ 228,363,000</b>	<b>\$ 114,962,716</b>	<b>\$ 220,515,272</b>	<b>\$ -</b>	<b>\$ 122,810,444</b>	<b>\$ 35,370,143</b>	<b>\$ 87,440,301</b>

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GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA

STATEMENT OF FINANCIAL AFFAIRS OF THE GENERAL ASSEMBLY (Continued)  
Fiscal Year Ended June 30, 2020

Legislative Department or Agency	Purpose of Appropriations	Total Current Year Appropriations	Appropriation Balances Available from Prior Year(s)	Disbursed	Transfers In / (Out)	Appropriation Balances (Deficits) before Commitments	Commitments	Appropriation Balances (Deficits) after Commitments
<b>Legislative Service Agencies and Miscellaneous Appropriations</b>								
Legislative Reference Bureau:								
Vincent C. DeLiberator, Jr., Director	Salaries, wages and expenses	\$ 9,691,000	\$ 6,867,608	\$ 9,724,621	\$ -	\$ 6,833,987	\$ -	\$ 6,833,987
	Contingent expenses	25,000	9,847	23,118	-	11,729	-	11,729
	Printing of Pennsylvania Bulletin and Pennsylvania Code	886,000	847,401	791,917	-	941,484	-	941,484
	New drafting system	-	66,053	-	-	66,053	-	66,053
Legislative Budget and Finance Committee:								
Robert B. Mensch, Chairman	Salaries, wages and expenses	2,020,000	2,492,540	1,826,139	-	2,686,401	13,126	2,673,275
Legislative Data Processing Committee:								
Brent McClintock, Executive Director	Salaries, wages and expenses	32,255,000	32,497,160	26,789,606	-	37,962,554	3,014,912	34,947,642
	IT Modernization	2,500,000	-	29,975	-	2,470,025	14,963	2,455,062
Joint State Government Commission:								
Appointed Chairman - Vacant	Salaries, wages and expenses	1,701,000	1,371,494	1,625,484	-	1,447,010	8,998	1,438,012
Glenn Pasewicz, Executive Director								
Local Government Commission:								
Scott E. Hutchinson, Chairman	Salaries, wages and expenses	1,283,000	913,725	1,066,884	-	1,129,841	2,227	1,127,614
	Local government codes	24,000	171,982	(86)	-	196,068	-	196,068
Legislative Air and Water Pollution Control Committee:								
Parke Wentling, Chairman	Salaries, wages and expenses	582,000	588,784	523,515	-	647,269	5,443	641,826
Legislative Audit Advisory Committee:								
Mark K. Keller, Chairman	Salaries, wages and expenses	285,000	585,242	167,500	-	702,742	-	702,742
Independent Regulatory Review Commission:								
David Sumner, Executive Director	Salaries, wages and expenses	2,155,000	2,186,800	1,939,424	-	2,402,376	48,193	2,354,183
Capitol Preservation Committee:								
John R. Gordner, Chairman	Capitol Renovation Committee	827,000	674,664	927,976	-	573,688	2,988	570,700
David Craig, Executive Director	Restoration of the Capitol	3,157,000	4,358,919	5,292,386	-	2,223,533	-	2,223,533
Independent Fiscal Office								
Matthew Knittel, Director	Salaries, wages and expenses	2,343,000	4,035,879	2,316,793	-	4,062,086	20,646	4,041,440
Pennsylvania Legislative Reapportionment Commission:								
Donetta M. D'Innocenzo, Chief Clerk of the Senate	Miscellaneous expenses	1,053,000	3,789,999	-	-	4,842,999	-	4,842,999
Commonwealth Mail Processing Center:								
Donetta M. D'Innocenzo, Chief Clerk of the Senate	Salaries, wages and expenses	3,583,000	4,433,932	3,014,898	-	5,002,034	51,337	4,950,697
Center for Rural Pennsylvania								
Barry L. Denk, Director	Salaries, wages and expenses	1,128,000	1,029,061	1,187,342	-	969,719	461,527	508,192
Total Legislative Support Agency current pension obligation							4,073,609	(4,073,609)
<b>Legislative Service Agencies and Miscellaneous Appropriations total</b>		\$ 65,498,000	\$ 66,921,090	\$ 57,247,492	\$ -	\$ 75,171,598	\$ 7,717,969	\$ 67,453,629
<b>Total</b>		\$ 415,718,000	\$ 240,663,045	\$ 392,084,732	\$ -	\$ 264,296,313	\$ 64,231,109	\$ 200,065,204

- (1) Beginning of the fiscal year
- (2) End of the fiscal year

# GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA

## NOTES TO THE FINANCIAL STATEMENT

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### **Note 1. Nature of Activities and Summary of Significant Accounting Policies**

Basis of Presentation: The General Assembly of the Commonwealth of Pennsylvania prepares its financial statement on the budgetary basis of accounting, which is essentially cash basis modified for appropriations and certain commitments as discussed in Note 4. Accordingly, the accompanying financial statement is not intended to present changes in net position in conformity with accounting principles generally accepted in the United States of America.

At the state level, the government of the Commonwealth of Pennsylvania consists of three separate branches: the Executive, the Legislative and the Judicial branches. The legislative branch is comprised of the Senate, House of Representatives and various legislative service agencies (“LSA’s”), committees and commissions. The financial activity presented in this financial statement is also included within the Commonwealth of Pennsylvania’s Comprehensive Annual Financial Report for the fiscal year ended June 30, 2020, prepared in accordance with accounting principles generally accepted in the United States of America applicable to governments.

Appropriations: Act 1-A of 2019, known as the General Appropriations Act of 2019 became law on June 28, 2019, and effective as of July 1, 2019. This Act specifies the amounts of monies appropriated to the various legislative departments and agencies of the General Assembly for the payment of the salaries, wages and other costs and expenses incurred in the conduct of their activities, and for the purposes set forth in the Act, or other acts, for the fiscal year ended June 30, 2020. The Act provides that the monies so appropriated are to be used for the payment of costs and expenses incurred during the fiscal year ended June 30, 2020, and for payment of those costs and expenses remaining unpaid at the close of the preceding fiscal year. The Act also provides that the monies so appropriated shall be continuing appropriations.

Disbursements: The monies appropriated to the legislative departments and agencies of the General Assembly are disbursed by two methods.

Disbursements are made primarily by using the voucher transmittal method under which the department or agency must prepare and submit to the State Treasury a voucher transmittal form requesting payment to the payees shown and, in the amounts, listed on the transmittal. The department or agency sends the voucher transmittal to the State Treasury to prepare the checks payable to the payees listed.

The remaining disbursements are made by using the advance appropriation method. Under this method, the department or agency requests the State Treasury to prepare a check payable to an officer or an employee of the department or agency in an amount specified on an advancement transmittal form submitted to the State Treasury. The checks are deposited in, and the bills are paid from, a checking account opened in a commercial bank by the officer or employee. Under this method, the legislative department or agency obtains the funds appropriated to it prior to the payment of the costs and expenses incurred. The Act mentioned above generally provides that any department or agency that receives monies under an advance appropriation must maintain in its files an accounting of the disbursement of such funds, together with supporting documents.

# GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA

## NOTES TO THE FINANCIAL STATEMENT

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### Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

#### Disbursements (Continued):

The advance appropriation method is used for the following disbursements:

#### Senate

Incidental expenses

#### House of Representatives

Special Leadership Account (R) and (D)  
Committee on Appropriations (R) and (D)  
Contingent expenses

#### Legislative Reference Bureau

Contingent expenses

#### Capitol Preservation Committee

Capitol Renovation Committee

Current year budgetary disbursements, as presented in the statement of financial affairs of the General Assembly, have been adjusted by immaterial amounts for changes in the above noted advancement account cash balances at the end of the fiscal year, which are maintained in conventional checking accounts.

Operating Rules and Policies: The financial affairs of the General Assembly and the related service agencies comprise primarily the receipts and disbursements of monies appropriated to them in the annual appropriations acts and amendments thereto. In the appropriations acts, the descriptions of the purposes for which the monies are appropriated vary from specific to very general.

As a result, the General Assembly and the related service agencies have supplemented the appropriations acts with rules and manuals containing more specific details about the purposes for which appropriated monies could be disbursed and descriptions of the type and manner of documentation of such disbursements.

The accounting and operations policies of the General Assembly contains the standards applicable to various legislative service agencies, committees and commissions and was adopted by the Rules Committees of both the Senate and House of Representatives. House Rule 14 and the Accounting and Operations Manual of the House of Representatives (including Bipartisan Management Committee policies) and Senate Financial Operating Rules (including Committee on Management Operations policies) were adopted by the members of the respective Chamber of both the Senate and the House of Representatives. These rules and policies incorporate applicable statutory provisions and set forth the purposes for which appropriated funds can be expended. They also contain standards of documentation for disbursements and descriptions of the record-keeping procedures to be used in preparing and maintaining an accounting record of the disbursement of the appropriated funds.

# GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA

## NOTES TO THE FINANCIAL STATEMENT

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### Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Available from Prior Year(s): The General Appropriations Acts of 1977-2018 and amendments thereto provide that appropriations to the various legislative departments and agencies of the General Assembly are continuing appropriations. Therefore, appropriations unexpended at the end of an appropriation period are available in the subsequent appropriation period.

Concentration of Credit Risk: Various departments and agencies of the General Assembly maintain conventional checking accounts which, at times, exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. The General Assembly has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Use of Estimates: The financial statement includes some amounts that are based on management's best estimates and judgments. The most significant estimates relate to commitments and retirement benefits. These estimates may be adjusted as more current information becomes available, and any adjustment could be significant.

Subsequent Events: The General Assembly has evaluated subsequent events through January 11, 2021, the date the financial statements were available to be issued. See Note 5.

### Note 2. Appropriation Transfers

Appropriation Transfers are made in accordance with Act 1-A of 2019 (General Appropriations Act of 2019), which allows for the transfer of current year funds, or any remaining unexpended and unencumbered funds from prior fiscal years, for the House of Representatives, Senate and Legislative Support Agencies, as of the effective date of the Act. Appropriation Transfers allow the Bipartisan Management Committee of the House of Representatives and the Committee on Management Operations of the Senate to transfer funds between appropriations, as each committee deems necessary.

In accordance with Section 261 and 262 of Act 1-A 2019, the following appropriation transfers occurred during the fiscal year:

<u>Appropriation Name</u>	<u>Increase (Decrease)</u>
House Representatives:	
Chief Clerk	
National Legislative Conference Expenses	\$ (700,000)
Expenses - Representative	(1,000,000)
Chief Clerk and Legislative Journal	(1,000,000)
Mileage: Reps, Officers and Employees	200,000
Incidental Expenses	2,500,000
Contingent Expenses	500,000
Special Leadership Account (R)	(500,000)
Net Change	<u>\$ -</u>

GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENT

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**Note 3. Other Available Funds**

In addition to the appropriations using the advancement method of disbursement, the Senate and the House of Representatives also maintain conventional checking accounts for the payment of certain member and employee benefits. LSAs with employees, participate in either the Senate Benefits Account or the House Benefits Account. The Funds are disbursed from various appropriations for deposit into these accounts and payment of these benefits.

The following table summarizes the activity for each account for the fiscal year ended June 30, 2020:

	<b>Funds Available from Prior Year</b>	<b>Net Current- Year Activity</b>	<b>Funds Available at June 30, 2020</b>
Senate Benefits Account	\$ 9,005,508	\$ 5,020,121	\$ 14,025,629
House Benefits Account	\$ 18,186,525	\$ 1,919,731	\$ 20,106,256

The net current year activity represents the difference between deposits from other appropriations and health insurance rebates received and disbursements made for benefits. The funds available from the prior year and at June 30, 2019, for the Senate Benefits Account and House Benefits Account, represent the respective ending balances in the conventional checking accounts. These funds are available for payment of benefits but are not reflected in the statement of financial affairs. The disbursements from the appropriations for deposit in these accounts are reflected in the “Disbursed” amount for the respective appropriations in the statement of financial affairs.

The House Benefits Account incurred \$206,176 in benefit costs as of June 30, 2020, for which payment is to be made subsequent to June 30, 2020. The Senate Benefits Account incurred \$2,261,722 in benefit costs as of June 30, 2020, for which payment is to be made subsequent to June 30, 2020.

**GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA**

**NOTES TO THE FINANCIAL STATEMENT**

**Note 3. Other Available Funds (Continued)**

In addition to the above-mentioned benefit accounts, the Senate, House and LSAs have other funds available that are not included in the Statement of Financial Affairs. These restricted receipt accounts have been used to account for the receipt of Local Services Tax, Earned Income Tax and Pennsylvania Unemployment Compensation Tax. These payments are paid electronically through the Treasury Department. The Senate, House and LSAs initiate the disbursement of these funds to appointed collection agencies on a monthly or quarterly basis depending on the tax.

The following table summarizes the activity for each account for the fiscal year ended June 30, 2020:

	<b>Funds Available from Prior Years</b>	<b>Net Current Year Activity</b>	<b>Available at June 30, 2020</b>
<b>Senate</b>			
Local Services Tax	\$ 18,598	\$ 24	\$ 18,622
Earned Income Tax	56,770	191	56,961
Unemployment Tax	6,666	16	6,682
	82,034	231	82,265
<b>House of Representatives</b>			
Local Services Tax	36,932	5,322	42,254
Earned Income Tax	89,833	34,512	124,345
Unemployment Tax	9,753	1,607	11,360
	136,518	41,441	177,959
<b>Legislative Support Agencies</b>			
<b>Earned Income Tax</b>			
Legislative Reference Bureau	16,899	2,884	19,783
Local Government Commission	2,698	(374)	2,324
Capitol Preservation Committee	1,244	259	1,503
Independent Fiscal Office	3,538	580	4,118
Joint State Government Commission	2,442	99	2,541
Legislative Budget & Finance Committee	2,952	127	3,079
Legislative Data Processing Committee	6,908	226	7,134
Joint Legislative Conservation Commission	1,076	46	1,122
Independent Regulatory Review Commission	3,457	181	3,638
Center for Rural PA	1,328	36	1,364
	42,542	4,064	46,606
<b>Total Restricted Receipt Accounts</b>	<b>\$ 261,094</b>	<b>\$ 45,736</b>	<b>\$ 306,830</b>

The net current year activity represents the difference between the Local Services, Earned Income and Unemployment Compensation Tax restricted receipts and quarterly disbursements made to collecting entities.

Subsequent to June 30, 2020, the Senate and House of Representatives disbursed funds to the appropriate tax collectors or agencies for these restricted receipts totaling \$6,685 and \$135,554, respectively.

GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENT

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**Note 3. Other Available Funds (Continued)**

Two related service agencies have funds available that are not included in the statement of financial affairs. These agencies are the Legislative Reference Bureau and the Capitol Preservation Committee. Each maintains a restricted receipts account, which is used to account for monies received from sources other than the state treasury.

The following table summarizes the activity for each account for the fiscal year ended June 30, 2020:

	<b>Funds Available from Prior Years</b>	<b>Net Current Year Activity</b>	<b>Funds Available at June 30, 2020</b>
Legislative Reference Bureau			
Pennsylvania Consolidated Statutes			
Restricted Receipts Account	\$ 216,759	\$ 46,954	\$ 263,712
Capitol Preservation Committee			
Capitol Restoration Trust Fund			
Restricted Receipts Account	\$ 441,149	\$ 38,198	\$ 479,347

The net current year activity for the Pennsylvania Consolidated Statutes Restricted Receipts Account represents net activity of receipts and disbursements from the publication of pamphlet laws and consolidated statutes. The net current year activity for the Capitol Restoration Trust Fund Restricted Receipts Account represents contributions from the general public and disbursements for flags, flag preservation laboratory expenses and other items of historical significance that are subject to Committee approval.

# GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA

## NOTES TO THE FINANCIAL STATEMENT

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### Note 4. Appropriation Commitments

#### Current Commitments

The General Appropriations Acts of 1977-2019 and amendments thereto provide that appropriations to the various legislative departments and agencies of the General Assembly are continuing appropriations. Therefore, appropriations unexpended at the end of an appropriation period are available in the subsequent appropriation period. However, various commitments relate to the continuing appropriation balance. Current commitments are commitments due within one year (12 months) of the fiscal year end. Current commitments include invoices payable, accrued payroll, lease and other commitments, and pension obligations. Current commitments are presented in the Statement of Financial Affairs of the General Assembly.

The following is a summary of the current commitments presented in the Statement of Financial Affairs of the General Assembly at June 30, 2020:

	<b>Senate</b>	<b>House</b>	<b>LSAs</b>	<b>Total</b>
Invoices payable	\$ 552,163	\$ 1,353,118	\$ 2,777,972	\$ 4,683,253
Accrued payroll	1,794,784	3,040,133	161,986	4,996,903
Lease and other commitments	988,946	2,339,898	704,402	4,033,246
Pension obligation	17,807,104	28,636,994	4,073,609	50,517,707
Total current commitments	<u>\$ 21,142,997</u>	<u>\$ 35,370,143</u>	<u>\$ 7,717,969</u>	<u>\$ 64,231,109</u>

Invoices Payable - Invoices payable represents liabilities incurred during the fiscal year but paid subsequent to year-end, for goods and services received and assets acquired from vendors.

Accrued Payroll - Accrued payroll relates to wages the General Assembly owes its employees for work performed during the fiscal year but paid subsequent to year-end.

Lease and Other Commitments - Lease commitments are regular payments over a specified number of years under long-term contracts entered into by the General Assembly for the use of various assets. Other commitments include contractually obligated commitments to be paid in the future, such grants or other contracts. Payments due within one year are reported as current commitment. Payments due in more than one year are deemed long-term commitments.

Pension Obligations - Pension obligations represent each agency's portion of the total State Employment Retirement System (SERS) liability. These obligations are included as required by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The most recent audit of the SERS was performed as of December 31, 2019, and the report is dated May 28, 2020. Projected contributions due within one year are reported as current commitments, and the remaining obligation is deemed a long-term commitment.

GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA

NOTES TO THE FINANCIAL STATEMENT

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**Note 4. Appropriation Commitments (Continued)**

Long-Term Commitments

Commitments due in more than one year are long-term commitments. Long-term commitments include lease and other commitments, pension obligations, other post-employment retirement benefits and future compensated leave payout amounts. Long-term commitments are not presented in the Statement of Financial Affairs of the General Assembly as this statement is prepared on the budgetary basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This information is provided for the purpose of additional analysis and is not a required part of the financial statement.

The following is a summary of the long-term commitments at June 30, 2020:

	<b>Senate</b>	<b>House</b>	<b>LSAs</b>	<b>Total</b>
Lease and other commitments	\$ 164,824	\$ 2,477,166	\$ 224,928	\$ 2,866,918
Pension obligation	126,486,567	203,412,920	28,935,470	358,834,957
Other post-employment benefits	354,581,331	601,922,682	-	956,504,013
Future compensated leave payouts	11,961,595	11,717,238	2,912,736	26,591,569
Total long-term commitments	<u>\$493,194,317</u>	<u>\$ 819,530,006</u>	<u>\$ 32,073,134</u>	<u>\$1,344,797,457</u>

Other Post-Employment Benefits - Other post-employment benefits represent the value of the amounts owed for benefits for retired employees and future retirees based on the vesting requirements of each agency. These obligations are included as required by GASB Statement No. 75 and are considered long-term based on the actuarial valuations.

The most recent actuary report for the Senate was performed by Aquarius Capital Solutions Group, LLC as of July 1, 2019, for fiscal year ended June 30, 2020, dated August 19, 2020. The figures in this report were based on the actuarial valuation date of July 1, 2019.

The most recent actuary report for the House of Representatives was performed by Conrad Siegel as of July 1, 2019, for fiscal year ended June 30, 2020, dated August 4, 2020. The figures in this report were based on a roll forward calculation from the actuarial valuation date of July 1, 2018.

Legislative Service Agencies with employees are included in the other post-employment benefit reports for either Senate or House of Representative. The employees are combined within the report and therefore the liability cannot be separated.

Future Compensated Leave Payouts - Future compensated leave payouts represent the total value of General Assembly employees' accumulated vacation, sick and personal leave if paid as of June 30, 2020; and are considered long term commitments. The value is based on the payout rates for each employer and the maximum amount of time allowable to be paid out according to each employer's leave payout policy. These obligations are included in commitments as required by GASB Statement No. 16.

## GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA

### NOTES TO THE FINANCIAL STATEMENT

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#### **Note 5. Subsequent Events**

Recent developments arising from the coronavirus pandemic and efforts to mitigate the disease's domestic and global impacts have disrupted operations of companies in many industries. Facility closings, labor and personnel layoffs, curtailments of supply lines and increased materials costs, contracted production, dislocations of product-delivery methods, and reduced markets enhance local government's risk factors as they have significant reliance on tax revenues from citizens and taxpayers to fund portions of their operations. These factors adversely impact revenue recognition, cash flows and liquidity, contingencies, and in some instances, the going-concern assumption. Presently, the ultimate, effects of this crisis on financial position, results of operations, and cash flows are indeterminable because the duration of the crisis is also indeterminable; however, management continues to monitor developments.

**SUPPLEMENTARY INFORMATION**

**GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA**

**SCHEDULE OF DISBURSEMENTS BY CATEGORY**

**Fiscal Year Ended June 30, 2020**

Announcements	\$	22,291
Education		154,040
Fixed Assets		15,563,349
Insurance		156,218
Leases		10,605,914
Miscellaneous/other		1,235,265
Payroll/benefits		328,225,301
Postage		2,667,162
Printing		930,986
Publications		1,085,290
Renovations/preservations		390,786
Repairs/maintenance		3,595,552
Services		16,791,017
Supplies		4,362,817
Transportation		3,576,492
Travel		2,048,017
Utilities		674,235
	\$	<u>392,084,732</u>

Legislative Audit Advisory Commission of the  
Commonwealth of Pennsylvania  
Harrisburg, Pennsylvania

This letter includes comments and suggestions with respect to matters that came to our attention in connection with our audit of the financial statement of the Legislative Audit Advisory Commission (“LAAC”) of the General Assembly of the Commonwealth of Pennsylvania (“General Assembly”) as of and for the year ended June 30, 2020. These items are offered as constructive suggestions to be considered part of the ongoing process of modifying and improving the General Assembly’s practices and procedures.

***Implement Accrual Basis Accounting System***

The current accounting system (e.g. accounting software) utilized by General Assembly fiscal operations personnel is limited to tracking expenses by when they are paid rather than when they are incurred (e.g. cash basis accounting). Implementing an accounting system which is capable of recording expenditures when incurred (e.g. accrual basis accounting), rather than paid, will provide more exact information and real-time status of respective line-item Appropriations.

An accrual basis accounting system for the General Assembly’s fiscal operations will:

- Make reporting and access to information easier
- Improve data availability, accuracy, efficiency and transparency
- Mitigate gaps and risks in current processes

***Integration of Advanced Appropriations into Accounting System***

The legislative departments and agencies of the General Assembly which receive advance appropriations, retain record of the activity in a manner external from the current accounting system (e.g. accounting system) utilized by all other legislative departments and agencies of the General Assembly. The activity, external of the current accounting system hinders the ability to easily view consolidated activity of the General Assembly at any given point in time. One recommendation to assist in this matter is the transitioning of accounting for House Leadership Contingent accounts to the Comptroller’s Office, as stated above. We recommend implementing an accounting system that can retain the activity of the advance appropriations and requiring the use of this accounting system.

***Full Utilization of Expense Category/Codes***

Each expense posted to the accounting system is required to be coded with an expense category. This category classifies the expense by natural expense (i.e. supplies, services, utilities, etc.). We suggest the Legislative Support Agencies (“LSAs”) better utilize categories and coding within the accounting systems; posting to specific expense categories and creating additional categories, in order to effectively decipher expenditures during a fiscal year.

### ***Process Improvements for Legislative Support Agencies***

Each LSA has established processes and procedures for their specific set of operation. LSAs are encouraged to improve upon their current processes and procedures; specifically, effective documentation, supplementary reviews and utilization of standard purchase orders.

### ***Create Continuity of Operations and Succession Plan***

The House Leadership Contingent and Legislative Support Agency individuals responsible for the financial processes have institutional knowledge and responsibilities that are critical for day-to-day operations. While minimal cross-training and back-up processes exist, the extended absence of fiscal employees is detrimental to any entity's operations. We recommend documentation and intensive cross-training of operational processes as they relate to the applicable Appropriation areas.

Additionally, we encourage the House of Representatives and Legislative Support Agencies to develop succession plans for key employees within each Appropriation unit. A strong succession plan will help ensure the Organization will be able to conduct its operations in an orderly and efficient manner which has been the basic premise for its past success.

### ***Implement Purchasing Cards***

We noted matters involving the use of separate checking accounts maintained for the various House of Representatives Leadership contingent expenses. From an operational perspective, Members of the Caucus' Leadership would prefer maintaining ownership of their appropriations. However, we believe a different approach may be possible which would incorporate a standard of best practices for the financial affairs of the House of Representatives.

We recommend researching and possible implementation of a purchasing/procurement card (P-Card) program.

### ***Transition Accounting for House Leadership Contingent Accounts to Comptroller's Office***

As mentioned above, adoption of a P-Card system for House of Representatives Leadership contingent account holders' purchases is one recommendation offered to reduce the risk associated with numerous checkbooks and accounting transactions external of the Comptroller's review. As an alternative suggestion to mitigate the same risk, we recommend researching and possibly transitioning the House Leadership Contingent Accounting functions to the Comptroller's office; the format would be similar to the transition that occurred for Committee Chairman accounts. This would be a reimbursement process, similar to regular Member and Committee expenses, where the Comptroller's Office would receive a reimbursement voucher that they would in turn review to ensure compliance with House spending guidelines before issuing a reimbursement check.

The House Leadership Contingent accounts would maintain their separate allocated appropriations; however, there would no longer be a need for separate report of activity; all transactional accounting would occur in the Comptroller's office. The leader responsible for each contingent account would continue to maintain control over the use of the funds.

***Conclusion***

This letter is intended solely for the information and use of the Legislative Audit Advisory Commission and others within the General Assembly of the Commonwealth of Pennsylvania, and is not intended to be, and should not be, used by anyone other than these specified parties. We appreciate serving the General Assembly of the Commonwealth of Pennsylvania and would be happy to assist you in addressing and implementing any of the suggestions in this letter.

A handwritten signature in black ink that reads "Boyer & Ritten". The signature is written in a cursive style with a large, sweeping flourish under the word "Boyer".

Camp Hill, Pennsylvania  
January 11, 2021

Legislative Audit Advisory Commission of the  
Commonwealth of Pennsylvania  
Harrisburg, Pennsylvania

We are pleased to present this report related to our audit of the financial statement of General Assembly of the Commonwealth of Pennsylvania (“General Assembly”) as of and for the year ended June 30, 2020. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the General Assembly’s financial reporting process.

Generally accepted auditing standards (AU-C 260, *The Auditor’s Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit, as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

### **Our Responsibilities With Regard to the Financial Statement Audit**

Our responsibility under auditing standards generally accepted in the United States of America has been described to you in our arrangement letter dated February 4, 2020. Our audit of the financial statement does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

### **Overview of the Planned Scope and Timing of the Financial Statement Audit**

We issued a separate communication dated April 7, 2020, regarding the planned scope and timing of our audit and discussed with you our identification of, and planned audit response to, significant risks of material misstatement.

### **Accounting Policies and Practices**

The following identifies the qualitative aspects of significant accounting practices, including accounting policies, accounting estimates and financial statement disclosures which you may wish to monitor as part of your oversight responsibilities of the financial reporting process:

#### *Preferability of Accounting Policies and Practices*

Under the budgetary basis of accounting, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

### *Adoption of, or Change in, Accounting Policies*

Management and the Members of the Commission have the ultimate oversight responsibility for the appropriateness of the accounting policies used by the General Assembly. Management did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period which should be brought to your attention for approval.

The following is a description of a significant accounting policy or its application that was considered or initially selected during the year ended June 30, 2020:

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The following is a description of an accounting pronouncement which will be considered for implementation during subsequent fiscal years, with the modified effective date as established by GASB Statement No. 95:

GASB Statement No. 87, *Leases*, will be effective for the General Assembly beginning with its year ending June 30, 2022 (fiscal periods beginning after June 15, 2021). This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

The General Assembly's management has not yet determined the effects, that the Statement will have on the General Assembly's financial statement.

### *Significant or Unusual Transactions*

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Management Judgments and Accounting Estimates*

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgements. The process used by management encompasses its knowledge and experience about past and current events and certain assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statement relate to commitments, including pension obligation.

Management has informed us they used all relevant facts available to them at the time to make the best judgments about accounting estimates and we considered this information in the scope of our audit. Management's estimate of these items is based on current and historical information available to management, and in some cases, involved actuarial calculations. We evaluated the key factors and assumptions used to develop the above estimates in determining that they are reasonable in relation to the financial statement taken as a whole.

### *Financial Statement Disclosures*

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosure affecting the financial statement was the disclosure relating to the commitments, including pension obligation. The financial statement disclosures are objective, consistent and clear.

### *Supplementary Information*

With respect to the supplementary information, accompanying the financial statement we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine the information complies with the budgetary basis of accounting, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statement or to the financial statement itself.

### **Audit Adjustments**

There were no audit adjustments made to the original trial balance presented to us to begin our audit.

### **Uncorrected Misstatements**

There were no uncorrected misstatements accumulated during the audit.

### **Disagreements with Management**

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statement.

### **Consultations with Other Accountants**

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

### **Significant Issues Discussed with Management**

No significant issues arising from the audit were discussed or the subject of correspondence with management.

### **Significant Difficulties Encountered in Performing the Audit**

We did not encounter any difficulties in dealing with management relating to the performance of the audit.

### **Management Letter**

We have separately communicated the comments and ideas that are offered as constructive suggestions to be considered part of the ongoing process of modifying and improving the General Assembly's practices and procedures in a letter dated January 11, 2021.

### **Significant Written Communications Between Management and Our Firm**

We have requested certain representations from management that are included in the management representation letter dated January 11, 2021.

**Other Information in Documents Containing Audited Financial Statement**

We are not aware of any other documents that contain the audited basic financial statement. If such documents were to be published, we would have a responsibility to determine that such financial information was not materially inconsistent with the audited statement of the General Assembly.

**Closing**

This report is intended solely for the information and use of the Members of the Legislative Audit Advisory Commission and management and is not intended to be and should not be used by anyone other than these specified parties. We will be pleased to respond to any questions you have about this report. We appreciate the opportunity to be of service to the General Assembly of the Commonwealth of Pennsylvania.

A handwritten signature in cursive script that reads "Boyer & Ritten". The signature is written in black ink and is positioned above the typed address and date.

Camp Hill, Pennsylvania  
January 11, 2021