State Auditor
JFC Budget Hearing
Fiscal Year 2023

The Honorable Kathleen K. McGuiness
February 8, 2022
Our Office
Mission Statement

The Delaware State Auditor serves Delawareans by providing independent objective oversight of the state government’s use of taxpayer dollars with the goal of deterring fraud, waste and abuse through unbiased assessments, including the use of various audits, special reports, and investigations of financial operations designed to ensure statutory compliance while enhancing governmental economy, efficiency and effectiveness.
Accomplishments

PROVIDING TRANSPARENCY OF THE OVER $1.25 BILLION DELAWARE RECEIVED FROM THE AMERICAN RESCUE PLAN ACT

UPGRADED OFFICE TO TEAMMATE+ TO INCREASE EFFICIENCY

COLLABORATED WITH INSPECTORS GENERAL ACROSS THE COUNTRY TO CREATE A ONE-STOP SHOP FOR FEDERAL AND STATE REPORTS

UPCOMING, HIGH-LEVEL INTERNAL CONTROLS COURSE TO INCREASE CITIZEN UNDERSTANDING

CONTRIBUTED INTERNAL CONTROLS, PROJECT: GRAY FOX, AND THE RISK ASSESSMENT SURVEY TO THE GOVERNMENT EFFICIENCY AND ACCOUNTABILITY REVIEW (GEAR) BOARD
Accomplishments

IN CALENDAR YEAR 2021, OAOA IDENTIFIED $367.3 MILLION IN EFFICIENCY SAVINGS, GOVERNMENT OVERSPENDING AND POTENTIAL TAX REVENUE. GIVEN OUR GENERAL FUND BUDGET OF ~$2.8 MILLION, THAT'S A RETURN ON INVESTMENT OF MORE THAN 131 TIMES OUR ANNUAL SPEND.

RECEIVED OVER 1,000 FRAUD HOTLINE COMMUNICATIONS. THAT'S GREATER THAN THE NUMBER OF TIPS MADE OVER THE LAST DECADE COMBINED.

LED THE CREATION OF A NATIONAL COVID DATA QUALITY AUDIT TEMPLATE USED BY MEMBERS OF THE NATIONAL ASSOCIATION OF STATE AUDITORS, COMPTROLLERS, AND TREASURERS (NASACT).
Delaware Code identifies at least 39 topics that require over 100 mandated audits.

The most time-consuming and expensive of the mandated audits are the three largest annual engagements:

- *Annual Comprehensive Financial Report (ACFR)*
- *Single Audit (SA)*
- *Systems and Organizational Controls (SOC)*
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Delaware State Auditor

Annual Comprehensive Financial Report (ACFR)

• Delaware’s yearly fiscal report card
• Impacts the state’s bond rating and tells financial investors whether Delaware is a safe bet for investment
• Federally mandated and could affect Delaware’s receipt of federal funding if not completed on time
The Single Audit (SA) is an audit of federal funding allocated to states.

If the Single Audit is not completed, all state agencies risk losing eligibility for federal monies they receive to help Delawareans.
The Systems and Organizational Controls (SOC) verifies that the State of Delaware is following best practices for internal controls related to finance, security, processing, integrity, privacy, and availability.
Transfer, NOT Increase
#1: Transfer $393.92 from GF Personnel to GF Contractual Services

Existing budget fails to cover the full cost of the three largest mandated audits:

- The Annual Comprehensive Financial Report (ACFR)
- The Single Audit (SA) and
- The Systems and Organizational Control Audit (SOC)

If we encumber the full amount of funds needed for those audits alone (**$1,177,200**), we will already exceed our total General Fund contractual budget of $783,300 by **$393,920**.
#1: Transfer $393.92 from GF Personnel to GF Contractual Services (cont.)

<table>
<thead>
<tr>
<th>Service Description</th>
<th>Cost</th>
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<tbody>
<tr>
<td>Annual Comprehensive Financial Report (ACFR)</td>
<td>$618,825</td>
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<tr>
<td>Single Audit (SA)</td>
<td>$487,085</td>
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<tr>
<td>Systems and Organizational Controls (SOC)</td>
<td>$71,313</td>
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<tr>
<td>Technology/DTI</td>
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<td>Office Costs</td>
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<td>Required Continuing Education for Staff &amp; Professional Association Memberships</td>
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<tr>
<td>Audit Tools and Review Services</td>
<td>$350,000</td>
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<tr>
<td>Independent Counsel</td>
<td>$150,000</td>
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**Total**  
$1,833,328

**Current Contractual Services General Fund Budget**  
$783,300

**Uncovered Amount**  
$1,050,028

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#2: Transfer $150.0 from GF Personnel to GF Contractual Services

• The State Auditor’s Office provides independent objective oversight of state government’s use of taxpayer dollars. The State Auditor’s Office is responsible for conducting financial audits and independent assessments for state agencies, including the Department of Justice and agencies who depend upon them for legal counsel.

• A transfer of $150,000 from GF Personnel Funds to GF Contractual Services to retain independent counsel will best serve Delawareans by ensuring appropriate legal representation for the state’s independent fiscal watchdog to avoid any conflicts of interest.
Reminder

29 Del. C. Ch. 29 §2906(d) states:

“The expenses incurred for the performance of such agency postaudits upon authorization of the Auditor of Accounts shall be charged:

“(1) To general fund appropriations of the General Assembly to the Office of Auditor of Accounts for Audits of general fund activity;

“(2) To capital appropriations of the General Assembly to the several agencies for audits of capital fund activity; and

“(3) To general fund appropriations and/or special fund accounts for audits of special fund activity. If there is any question as to the proper accounts to be charged, the question shall be resolved by agreement between the Auditor of Accounts and the Director of the Office of Management and Budget.”
OAOA has seven positions that are funded through ASF, which remains a volatile revenue source.

The office has only 27 allocated positions total.
Why is ASF Revenue Volatile?

• OAOA’s main source of revenue is generated by charging other agencies that are audited. The rate charged is an administrative fee that is determined annually by OMB and a third-party company.

• The rate changes every year.
Conclusion

• #1: *Transfer $393.92* from GF Personnel to GF Contractual Services

• #2: *Transfer $150.00* from GF Personnel to GF Contractual Services

• #3: *Move 7 personnel positions* from ASF funding to GF
Thank You