



OFFICE OF THE STATE AUDITOR

Suzanne M. Bump

**Testimony of State Auditor Suzanne Bump
Before House and Senate Committees on Ways and Means
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Good morning, Messrs. Chairmen and members of both committees. My name is Suzanne Bump, and it is an honor to appear before you today as the Commonwealth's new State Auditor. Let me introduce my senior staff members who will be working with you as you begin the task of producing a balanced budget that preserves core government services with far fewer available dollars. With me today are Laura Marlin, First Deputy Auditor; Pamela Lomax, Deputy Auditor for Administration and Finance; John Parsons, Deputy Auditor for Audit Operations; and Gerry McDonough, Deputy Auditor for Legal and Policy.

The Auditor's Office has four line items which totaled just over \$17 million in Fiscal Year 2011. It is a budget which has experienced nearly 14 percent, or \$2.7 million, in cuts since the start of FY09. Since more than 90 percent of the appropriations funds personnel costs, the budget cuts have resulted in staff reductions. At present the office has 64 fewer FTE's than at the outset of FY09.

I understand that Fiscal Year 2012 will be one of the most challenging that we have faced, and I am not blind to the reality of further reductions. What I am asking for today is that you fund the office at no less than the levels recommended in the Governor's proposed budget. While this will necessitate additional staff cuts in our main account, I am confident that the changes I am making and the agenda I am setting will ensure that the Auditor's office will be able to meet its mandate to be the fiscal watchdog over the public's money.

Let me tell you about my current activities and plans. Since taking office on January 19th, we have begun to retool in order to improve efficiency, and to elevate the quality of our work so that our audits can serve as blueprints to make government work better.

The first phase of retooling included a realignment of several divisions, an initial evaluation of staffing needs, the hiring of qualified senior staff and the termination of a number of lower-level employees in order to better match resources with the needs of the office. We intend to use resultant savings to hire more audit staff in order to strengthen audit operations and make its work more valuable to the people of Massachusetts, and we continue to evaluate current audit staff.

Second, at my invitation, the National State Auditors Association has commenced a peer review, and in early March an audit team will visit to thoroughly evaluate our audit operations' compliance with the Generally Accepted Government Auditing Standards issued by the U.S. Comptroller General and the U.S. Government Accountability Office. We will use the results of this peer review to inform our continued efforts to strengthen the professionalism of the office.

In order to further enhance the effectiveness of our staff, we are developing a personnel performance management system to set specific goals and objectives for the office and to ensure that employee performance is evaluated with those goals in mind. The system will allow us to identify and reward successful performance and ensure effective professional development to enhance the skills of the staff.

In addition to the day-to-day work of the office, we have initiated a few specific projects, the results of which should be useful to you as you continue to look for savings and make choices about where to invest our limited resources:

One is a review of the state's business tax incentive programs, which are valued at over \$1.5 billion. This is a goal I established last year. So far we have assembled the internal team to commence what we envision as a multi-phase program to analyze the purposes, oversight, results and accountability provisions of our many business tax exemptions, credits, and incentives. Your committees have worked closely with the Auditor's Office in the past, and I intend to continue

that tradition of offering the resources of the Office as well as our audit findings to assist you as you evaluate existing tax incentives and review proposals for new programs.

Also, we are currently conducting a review of accounts receivable at major state agencies, looking at the amounts and age of fees, fines and reimbursements owed the Commonwealth. Once the survey work is completed, we will conduct more in-depth analysis at agencies where collections lag to determine what system controls are lacking and recommend improvements that will increase collections. The goal is to make sure agencies are taking in all receivables, which the Governor's budget estimates at \$2.8 billion or almost 10% of the state's total revenue for FY 2012.

Other collection efforts we will review are those which follow this office's audit of a state contractor who has been found to have spent state money inappropriately. In 2002 and 2006, the Office audited state agency compliance with the standards, policies and procedures by which state agencies and human services providers resolve issues identified in audits. The 2002 audit found that a number of state agencies did not fully comply with OSD's Audit Resolution Policy, numerous deficiencies were not corrected, and \$420,000 in misused state funds was not recovered. In 2006, a similar audit found that agencies were still not complying with the policy, resulting in \$2.4 million in lost revenue. In FY 2012, we will again audit agency compliance with this policy and, if we find continued non-compliance, I expect that we will recommend legislative or regulatory changes to ensure that misused state funds identified in audits are recovered by appropriate agencies in a timely and efficient manner.

With every audit, our Medicaid Audit Unit identifies ways to save money in that program, which now accounts for one third of the entire state budget. A recent audit in the Medicaid dental program provides an excellent example of the valuable work of this unit. Over the past four fiscal years, payments to dental providers in the program have increased by over 250 percent from \$116 million to over \$300 million. The audit of just a limited number of dental providers participating in the Medicaid program uncovered nearly \$5.7 million in overcharges and other unnecessary costs, mostly from excessive X-ray services over a period of four years. The insights gleaned from that audit have led us to initiate additional audits of other aspects of the dental services program, and we are confident they too will point to potential system improvements and cost recoveries.

Similarly, the work of our Bureau of Special Investigations has great potential to identify systemic improvements in our public assistance programs, including Mass Health, to prevent fraud and realize savings. During fiscal year 2010, BSI identified over \$4 million in public assistance fraud, including \$2.9 million in Medicaid fraud, \$613,000 in financial assistance fraud, and \$521,000 in Food Stamp fraud.

This work, and more still in formation, is calculated to enhance the office's professionalism and effectiveness and is sure to benefit the taxpayers of the Commonwealth. I respectfully request your help, mindful of the challenges that you face in developing a budget for the coming fiscal year, in preserving the vital functions of this office. I urge that you fund the Auditor's office at not less than recommended in the Governor's proposed budget, which reflected a 2 percent reduction in our administrative line item and level funding in our Medicaid Audit, Local Mandates and Bureau of Special Investigations line items.

My goal in this office is to make government work better. I see us - you and I - as partners in that work, examining government operations and then determining effective solutions to problems of fraud, inefficiency, ineffectiveness, or a lack of accountability or transparency. I look forward to working with you and your colleagues in the Legislature as I move this office towards a structure that supports this vision. I also welcome and encourage your ideas about how the Auditor's office can better serve the citizens of Massachusetts by ensuring that the funds that you appropriate are used for the purposes intended.

Thank you again for the opportunity to testify today. I will be happy to answer any of your questions.