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Rough Draft

Appropriations Committee  
March 21, 2013

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[AGENCY 10]

MIKE FOLEY: (Exhibit 7) Good afternoon, Chairman Mello and members of the Appropriations Committee. For the record, my name is Mike Foley, that's F-o-l-e-y, and I am the Auditor of Public Accounts. My testimony today will be fairly brief, as my primary purpose in appearing before you today is really just for two reasons. First, I'm here to say thank you for your work and for the level of appropriations that you've initially suggested for my office in your preliminary budget proposal. You've been good to me. Second, I'm here in the event that you have any questions of me regarding the nature of my work or the work of my staff of whom I am enormously proud. Some of you are probably aware that I served on the Appropriations Committee not very many years ago, and I understand firsthand the difficulties and the challenges of writing a state budget. You are the committee that does much of the heavy lifting for our Legislature and I appreciate the long and sometimes tedious hours that you devote to your responsibilities. Your preliminary budget proposal calls for a small 2.5 percent increase in General Fund appropriations for my office in the first year, and roughly a 1 percent increase in General Funds the second year. If those preliminary numbers ultimately become the final numbers, I will come away from this session grateful to you and knowing that my office was treated fairly by this committee; so please be assured of my appreciation. However, having said that, I want to point out to you so that you're aware that a very small adjustment of \$32,000 in year 2 could have a major and significant impact on the quality of government auditing. The first page of my handout is an excerpt from an annual document published by the Department of Administrative Services that ranks all of the state agencies according to the percentage of total agency budget devoted to personnel expenses. And as you can see, of the 25 agencies with the highest percentages, my office ranks first, with over 93 percent of my total budget devoted to personnel. We operate in a very highly efficient manner with very little spent on administrative and travel expenses. That's a critically important statistic because, as you can see from the second page of my handout, my office is operating on fewer General Fund dollars today than what it did when I first became the Auditor in 2007,

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some six years ago. And as you can see from the lower chart on that same page, the amount of total state expenditures subject to the audit process is considerably higher than it was in 2007, and undoubtedly will increase more in the next biennium. In short, my office is doing our best to do more with less, and I'm incredibly proud of and grateful to my staff. Historically, one of the great challenges in the Auditor's Office has been staff retention. Most state agencies have workers who develop an expertise that's quite valuable to the state but very often not transferable to the private sector. My auditors, on the other hand, develop and refine skills that are highly marketable in the private sector. As I am sure you can appreciate, the salary differential between what I can pay a highly skilled accountant, some of whom are CPAs, does not compare very well with what they can earn in the private sector. As a result, we frequently find ourselves in a mode of losing staff, rehiring, and then training. And given the complexity of government operations and the learning curve involved, this pattern of rehiring and training new staff compromises the effectiveness of government auditing. A \$32,000 increase in year 2 of my budget will enable me to sustain a small salary adjustment that will be granted so that we do not fall further and further behind the salary differential with the private sector. By doing this, I can at least have a fighting chance to retain staff a bit longer. I believe the practical effect of this will be better audits, more effective oversight, and ultimately, more savings to the Nebraska taxpayers. Without that small adjustment, I will be able to give my auditors a small increase but I don't know if I'll be able to sustain that increase the second year. Once again, I thank you for your expression of support for my work as is evidenced by your preliminary budget proposal. And with that, Mr. Chairman, I conclude my testimony and would be pleased to take your questions. [AGENCY 10]

SENATOR MELLO: Thank you for your testimony, Auditor Foley. Are there any questions from the committee? Seeing none, thank you. [AGENCY 10]

MIKE FOLEY: Thank you. [AGENCY 10]

SENATOR MELLO: Are there any further testifiers here today on behalf of Agency 10,

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the Nebraska Auditor of Public Accounts? Seeing none, that will close today's hearing on Agency 10 and move us next to Agency 11, the Nebraska Attorney General.  
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