



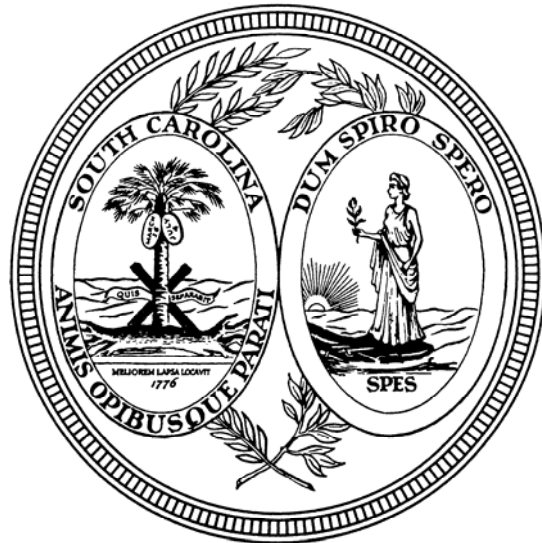
SOUTH CAROLINA GENERAL ASSEMBLY

# Legislative Audit Council

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## ANNUAL ACCOUNTABILITY REPORT FY 10-11





SOUTH CAROLINA GENERAL ASSEMBLY

# Legislative Audit Council

Independence, Reliability, Integrity



September 15, 2011

Her Excellency, Nikki Haley, Governor  
and Members of the General Assembly:

This is the annual accountability report of the South Carolina Legislative Audit Council for the fiscal year ended June 30, 2011. The LAC encourages legislative requests for performance audits and is committed to audit work that will be responsive to legislative needs. Please call (803) 253-7612 with questions or comments.

I would like to note that our director, Thomas J. Bardin, Jr., passed away on August 27, 2011. In addition to being a good and decent man, Tom was an invaluable employee and leader at the LAC for 20 years and the Department of Social Services for 12 years. Over the next few months, the board of the LAC will conduct and complete a search for the agency's third director in its 36-year history.

Respectfully submitted,

George L. Schroeder  
Interim Director

LAC.SC.GOV

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## Section I — Executive Summary

### 1. Mission, Vision, and Values

The LAC's mission is to conduct performance audits of state agencies and programs to help ensure that their operations are efficient and that they achieve their performance goals and comply with the law. Our vision is to become a primary source of information for legislative decision makers and the citizens of South Carolina in their efforts to improve state government. In conducting audits, the LAC seeks to uphold the values of independence, reliability, accuracy, and thoroughness.

### 2. Major Achievements in FY 10-11

In FY 10-11, the Legislative Audit Council published eight performance audit reports and two follow-up reports. We made 95 recommendations and identified potential financial benefits of approximately \$500,000. In each of our audits, we also identified ways that are not financial but could improve the performance of state government.

FY 10-11 was the first year in which S.C. employees fired for gross misconduct were deemed ineligible for unemployment benefits. This change was enacted in state law as recommended in an LAC audit of the Department of Employment and Workforce. We estimate these savings to be approximately \$6 million per year. For this audit, we were selected for a 2011 Impact Award from the National Legislative Program Evaluation Society.

### 3. Key Strategic Goals

The LAC has three strategic goals:

1. Maintain or reduce the cost of state government.
2. Improve the performance of state government.
3. Provide information to the South Carolina General Assembly and the public.

### 4. Key Strategic Challenges

A key strategic challenge to our organization has been a reduction in state general fund appropriations by 29% from FY 07-08 to FY 11-12. As a result, only 65% of the agency's authorized staff positions are filled.

### 5. Use of the Accountability Report

The process of developing annual accountability reports has resulted in our use of formal strategic planning. It has also resulted in our development of outcome measures, including "Percent of Audit Recommendations Implemented" and "Financial Benefits Realized." We calculate these two statistics each year through our audit follow-up process, which has enabled us to quantify the extent to which our audits have been successful.

## Section II — Organizational Profile

### 1. Main Products and Services

The LAC's main products are performance audits of state agencies and programs, in which we identify ways to reduce the cost and improve the performance of state agencies, and provide information to the General Assembly and the public. We help ensure that operations are efficient and that agencies follow the law to achieve the desired results. We deliver the results of these audits in published reports.

### 2. Key Customer Groups and Their Key Expectations

The LAC's key customer groups are the General Assembly and the citizens of South Carolina. We provide information, analysis, and recommendations to help the General Assembly improve state agencies and to help the citizens of South Carolina oversee state government. Our key customer groups' key expectations include independence, reliability, accuracy, and thoroughness.

### 3. Key Stakeholder Groups

The LAC's key stakeholder groups are the agencies we audit. We provide information, analysis, and recommendations to assist them in improving their operations.

### 4. Key Suppliers and Partners

The primary inputs used by the LAC to produce audits are labor and information. Below we describe the key suppliers of these inputs:

- LAC employees conduct almost all of the information collection, analysis, and writing required to prepare an audit. Infrequently, we obtain the services of an outside entity to conduct analysis. The key suppliers of our employees are colleges and universities in South Carolina and elsewhere, as well as other government agencies.
- Our key suppliers of information are the agencies we audit, central state government agencies in South Carolina (such as the Office of the Comptroller General, Office of the State Treasurer, and the Office of Human Resources), agencies in other states, and the federal government.

We have no formal partnerships; however, on an as-needed basis, we consult with the Office of the Attorney General, the Office of the State Auditor, the procurement audit section of the Budget and Control Board, and the State Law Enforcement Division.

## 5. Office Location

The LAC operates out of a single location at:

1331 Elmwood Avenue  
Suite 315  
Columbia, SC 29201

## 6. Number of Employees

The LAC had 17 employees, all unclassified, at the end of FY 10-11.

## 7. Regulatory Environment

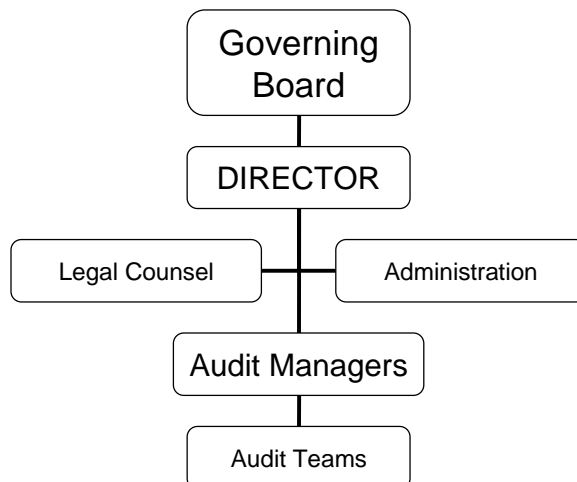
The LAC operates under the requirements of Government Auditing Standards established by the Comptroller General of the United States.

## 8. Performance Improvement Systems

The LAC's senior leaders encourage input and innovative ideas from staff throughout the year. Our organization has informal discussions, formal staff meetings, and formal staff committees.

We have implemented structured mechanisms for identifying areas in need of improvement, including legislator surveys, LAC staff surveys, peer reviews, and performance measures.

## 9. Organizational Structure



## 10. Expenditures and Appropriations

MAJOR BUDGET CATEGORIES	FY 09-10 ACTUAL EXPENDITURES		FY 10-11 ACTUAL EXPENDITURES		FY 11-12 APPROPRIATIONS ACT	
	Total Funds	General Funds	Total Funds	General Funds	Total Funds	General Funds
Personal Service		\$586,034		\$636,069	\$1,043,748	\$728,748
Other Operating		95,258		87,689	90,000	90,000
Special Items						
Permanent Improvements						
Case Services						
Distribution to Subdivisions						
Fringe Benefits		127,364		157,868	253,751	148,751
Non-recurring						
<b>TOTAL</b>	<b>\$808,656</b>	<b>\$808,656</b>	<b>\$881,626</b>	<b>\$881,626</b>	<b>\$1,387,499</b>	<b>\$967,499</b>

### Other Expenditures

Sources of Funds	ACTUAL EXPENDITURES	
	FY 09-10	FY 10-11
Supplemental Bills	\$0	\$0
Capital Reserve Funds	\$0	\$0
Bonds	\$0	\$0

## 11. Major Program Areas

PROGRAM NUMBER AND TITLE	MAJOR PROGRAM AREA AND PURPOSE	FY 09-10 ACTUAL EXPENDITURES	FY 10-11 ACTUAL EXPENDITURES	KEY CROSS REFERENCES FOR FINANCIAL RESULTS
I – II	The work of the Legislative Audit Council is authorized by S.C. Code §2-15-10 <i>et seq.</i> Our sole program is conducting performance audits to find ways to reduce the cost and improve the performance of state agencies and programs, and to provide information to the General Assembly and the public.	State: \$808,656.23 Federal: 0 Other: 0 Total: \$808,656.23  % of Total Budget: 100%	State: \$881,626 Federal: 0 Other: 0 Total: \$881,626  % of Total Budget: 100%	See Chart 7.1.1 Table 7.1.3

## Section III — Elements of Malcolm Baldrige Criteria

### Category 1 — Senior Leadership, Governance, and Social Responsibility

1. How do senior leaders set, deploy, and ensure two-way communication for:

a) Short- and long-term direction and organizational priorities?

The LAC's short-term direction and organizational priorities are established by its senior leaders (governing board, director, and audit managers) through the development of audit plans that are written and carried out with the assistance of staff. The LAC's senior leaders set long-term direction and organizational priorities using:

- Section 2-15-10 *et seq.* of the South Carolina Code of Laws.
- Government Auditing Standards established by the Comptroller General of the United States.
- Input from staff, both informally and in the form of committees.
- Input from the General Assembly.

The forums for developing direction and priorities, which are usually communicated by written policy, include staff meetings, management meetings, staff committees, and informal discussions. Ideas come from LAC leadership, staff, members of the General Assembly, National Legislative Program Evaluation Society (NLPES) member states, and Government Auditing Standards.

b) Performance expectations?

The LAC's senior leaders, in conjunction with state law and Government Auditing Standards, have established performance expectations for all aspects of audit work. These are discussed among all staff at audit team meetings, and further communicated through audit and policy manuals, and through a written personnel evaluation instrument.

c) Organizational values?

The LAC's senior leaders have established the organizational values of responsiveness, fairness, independence, thoroughness, and accuracy in a manner that is consistent with Government Auditing Standards. These are discussed and communicated among all staff at agency and audit team meetings, and further communicated through audit and policy manuals, and through a written personnel evaluation instrument.



d) Ethical behavior?

The expectation of ethical behavior at the LAC has been established by senior leaders and staff in a manner consistent with Government Auditing Standards. Behavioral expectations, including independence, thoroughness, accuracy, and compliance with state law, are discussed and communicated among all staff at agency and audit team meetings, and further communicated through audit and policy manuals, and through a written personnel evaluation instrument.

2. How do senior leaders establish and promote a focus on customers and other stakeholders?

Senior leaders have established a focus on customers by establishing written policies that require two-way communication with members of the General Assembly and the agencies we audit at specific points before, during, and after each audit. Also, senior leaders have established policies through which the citizens and the media are informed of and have access to all audits.

3. How does the organization address the current and potential impact on the public of its programs, services, facilities, and operations, including associated risks?

The LAC considers the effects of our recommendations on the public. During our audits, we seek the input and advice of citizen and business groups. We use the information from these sources to ensure that our recommendations result in lower costs and/or improved services without negative consequences that outweigh the benefits.

4. How do senior leaders maintain fiscal, legal, and regulatory accountability?

Senior leaders are subject to external processes required by state law, which address fiscal, legal, and regulatory accountability. These external processes include financial audits, procurement audits, as well as the information we communicate in this annual accountability report. Internally, we have in place policies and procedures that address fiscal, legal, and regulatory accountability. These internal policies and procedures include internal controls in areas such as purchasing, employee travel, and employee leave.

5. What performance measures do senior leaders regularly review to inform them of needed actions?

Key performance measures that senior leaders regularly review include compliance with Government Auditing Standards, legislator satisfaction, employee satisfaction, cost per audit hour, product timeliness, and the number and dollar value of findings and recommendations. We also have outcome measures through which we monitor the percentage of our recommendations that have been implemented as well as the resulting financial benefits.

6. How do senior leaders use organizational performance review findings and employee feedback to improve their own leadership effectiveness, the effectiveness of management throughout the organization including the head of the organization, and the governance board/policy making body? How do their personal actions reflect a commitment to the organizational values?

Our governing board, director, and other senior leaders seek to uphold the values of independence, reliability, accuracy, and thoroughness by openly responding to shortcomings highlighted by performance measurements, disinterested peer review teams, and LAC staff. In response to feedback from our performance measures, senior leaders have charged staff committees with amending our policies and practices

7. How do senior leaders promote and personally participate in succession planning and the development of future organizational leaders?

Our senior leaders identify potential future management staff and ensure that they are given supervisory assignments in anticipation of promotional opportunities. In addition, these staff are given responsibility for managing follow-up audits under the direction of our senior leaders.

8. How do senior leaders create an environment for performance improvement and the accomplishment of strategic objectives?

The LAC's senior leaders encourage input and innovative ideas from staff throughout the year. Our organization has informal discussions, formal staff meetings, and formal staff committees. This environment complements our system of quantitative performance measures and targets.

9. How do senior leaders create an environment for organizational and workforce learning?

At the beginning and end of each audit assignment, staff meet with their supervisors to determine the skills that they and the organization need to develop. Staff attend organizational and staff training and classes to develop the needed skills. Government Auditing Standards established by the Comptroller General of the United States require that each of our auditors completes at least 80 hours of training every two years.

10. How do senior leaders engage, empower, and motivate the entire workforce throughout the organization? How do senior leaders take an active role in reward and recognition processes to reinforce high performance throughout the organization?

Ours is a small organization, with fewer than 20 employees, all working at a single location. Most engagement, communication, empowerment, and motivation occurs informally through daily interaction and face-to-face conversation. Appointments are not required for any employee to meet with any senior leader. We have regular meetings of audit teams, chaired by audit managers, and regular agency-wide meetings, chaired by the director. We also have an employee-of-the-quarter program and a program in which

any employee can formally recognize the accomplishment of any other employee at any time.

11. How do senior leaders actively support and strengthen the communities in which your organization operates? Include how senior leaders determine areas of emphasis for organizational involvement and support, and how senior leaders, the workforce, and the organization contribute to improving these communities.

The LAC supports and strengthens South Carolina primarily by being a source of information about the workings of state government. The director speaks to community and professional organizations throughout the year. Senior leadership answers questions from the media, which are the primary means by which most citizens learn of our audits. On a continual basis, we answer questions from citizens who need information on how to obtain help from state government. Citizens are usually interested in topics from recent audits, which have been requested by the General Assembly. In addition, our employees donate funds to the United Way and blood to the American Red Cross.

### Category 2 — Strategic Planning for FY 11-12

PROGRAM NUMBER AND TITLE	KEY STRATEGIC GOALS / OBJECTIVES	RELATED ACTION PLANS / INITIATIVES	KEY CROSS REFERENCES FOR QUANTITATIVE MEASURES
I - II	Reduce the cost of state government.	Employ qualified staff by developing their knowledge, skills, and abilities and by providing a positive work environment.	See Chart 7.4.1 Table 7.4.2
		Conduct performance audits of state agency programs in compliance with Government Auditing Standards.	See Table 7.6.1
	Improve the performance of state government.	Make and determine compliance with recommendations for reducing the cost of state government and improving its performance.	See Chart 7.1.1 Chart 7.1.2 Table 7.1.3 Table 7.1.4
		Provide information to the General Assembly and the public.	See Table 7.5.1
	Ensure that audits are published in a timely manner.	See Table 7.3.1	
	Ensure that audits are conducted in an efficient manner.	See Chart 7.2.1	

1. What is your Strategic Planning process, including key participants?

The process of developing the LAC’s strategic plan includes meetings and formal discussions of senior leaders.

How does your Strategic Planning process address:

- a) Your organization’s strengths, weaknesses, opportunities, and threats?

The LAC’s strategic plan identifies “organizational integrity” and “professional independence” as our “distinctive competencies.” Our strategic objectives include quantified performance targets for areas in which we have identified opportunities

and threats. One performance target which we have not met is the publishing of audits in a “punctual manner.”

b) Financial, regulatory, societal, and other potential risks?

Our strategic objectives, when met, can reduce financial, regulatory, and societal risks. Consistent with these objectives, our audit reports contain recommendations on how to reduce the risk of:

- Unnecessary or excessive state government expenditures.
- Unnecessary or excessive state government regulation.
- Harm to citizens resulting from the inadequate implementation of state government programs.

Within state government, including our organization, financial risks increased significantly in FY 10-11. State funding for agency operations was reduced due to a downturn in the economy.

(c) Shifts in technology and customer preferences?

In our FY 10-11 strategic planning process regarding these areas, we identified no shifts that would have a material impact on our operations.

(d) Workforce capabilities and needs?

To ensure that the LAC attracts and retains qualified staff, the LAC’s strategic plan requires that our auditors have relevant degrees and professional licenses. It also requires that auditors undergo continuing education of 80 hours every two years in accordance with Government Auditing Standards established by the Comptroller General of the United States. At the beginning of each audit assignment, staff meet with their supervisors to determine the skills that they and the organization need to develop. In addition, we conduct satisfaction surveys of our employees every other year.

(e) Organizational continuity in emergencies?

Working papers from completed audits are stored offsite in a state government warehouse. Our computerized data files are backed up each day and maintained offsite.

(f) Your ability to execute the strategic plan.

We developed our strategic plan based on the assumption that its execution is largely in our control. Certain performance measures linked with our strategic plan (such as the number of recommendations and potential financial benefits) are also a function of the programs we audit.

2. How do your strategic objectives address the strategic challenges you identified in your Executive Summary?

Our ability to achieve the strategic objectives of identifying ways to reduce the cost of state government, improve the performance of state government, and provide information to the General Assembly and the public are impacted by the significant reduction in state appropriations in FY 10-11. Nonetheless, we have not altered these strategic objectives, which we believe we can continue to meet, in the short term, through the use of audits that are more focused and narrow in scope.

3. How do you develop and track action plans that address your key strategic objectives, and how do you allocate resources to ensure the accomplishment of your action plans?

The process of developing LAC action plans that address key strategic objectives and tracking their implementation includes communication among various senior leaders, auditors, and administrative staff and reviewing statistics calculated by audit teams. Senior leaders allocate resources (which, for our agency means personnel, primarily) through a series of meetings throughout the year, in which projects are matched with the skills of our staff and the necessary number of staff required to accomplish our objectives.

4. How do you communicate and deploy your strategic objectives, action plans and related performance measures?

The LAC communicates its strategic objectives, action plans and related performance measures through discussions among all staff at agency and audit team meetings. They are further communicated through audit and policy manuals. The deployment of strategic objectives, action plans and performance measures is conducted by senior leaders, audit teams, and administrative staff.

5. How do you measure progress on your action plans?

Each action plan is linked with one or more of our 11 performance measures. (See the strategic planning chart on page 8.) We have established year-end performance targets for six of these measures (see page 27). All of these measures are monitored annually, and some are monitored monthly.

6. How do you evaluate and improve your strategic planning process?

Periodically, we have meetings of staff and meetings of senior leaders at which we discuss ways to improve our strategic planning process.

7. If the agency's strategic plan is available to the public through the agency's internet homepage, please provide a website address for that plan.

Our strategic plan is available on our website at [LAC.SC.GOV](http://LAC.SC.GOV).

### Category 3 — Customer Focus

1. How do you determine who your customers are and what their key requirements are?

The LAC determines who its customers are by reviewing state law. We determine their key requirements as follows:

- All audits must be requested by five or more legislators or be mandated specifically by state law. At the beginning of each audit, we meet with the legislative requesters to ensure that we understand their concerns. We then send a letter confirming audit objectives to the requesters and informing them of the estimated audit completion date.
- Determining the key requirements of the citizens is a complex task. Citizens will often contact us about an agency that is alleged to be performing in a substandard manner. We give instructions to such callers regarding how audits can be requested through their local legislators. Upon request, we also meet with members of the public to discuss their concerns.
- The news media are crucial to communication between the LAC and the General Assembly and the LAC and the public. A news story will often highlight a concern of members of the General Assembly or the public that is relevant to an upcoming or ongoing audit. For most of the public, news stories are the only source of information regarding LAC audits. We, therefore, notify news media of our publications and provide a link to our website where our reports are located and answer their questions.

2. How do you keep your listening and learning methods current with changing customer/business needs and expectations?

The LAC listens to and learns the needs of legislators through face-to-face conversations.

3. What are your key customer access mechanisms, and how do these access mechanisms enable customers to seek information, conduct business, and make complaints?

Each of our publications is available on our website ([LAC.SC.GOV](http://LAC.SC.GOV)). Citizens may contact us by telephone at (803) 253-7612 or by e-mail. Citizens may also visit our office at 1331 Elmwood Avenue, Suite 315 in Columbia. To ensure ease of access, parking is convenient and free.

4. How do you measure customer/stakeholder satisfaction and dissatisfaction, and use this information to improve?

The LAC informally measures the satisfaction of legislators through face-to-face conversations.

5. How do you use information and feedback from customers/stakeholders to keep services and programs relevant and provide for continuous improvement?

Because many legislators and citizens do not have time to read an entire report, we publish summaries of each report. We also meet regularly with legislators on an informal basis to ensure that the independent information we provide is useful.

6. How do you build positive relationships with customers and stakeholders to meet and exceed their expectations? Indicate any key distinctions between different customer and stakeholder groups.

The LAC maintains open lines of communication with legislators, citizens, and the agencies we audit. We regularly provide them with information from our audits. On short notice, any legislator, citizen, or agency official may meet with a senior staff member of the LAC.

#### Category 4 — Measurement, Analysis, and Knowledge Management

1. How do you decide which operations, processes, and systems to measure for tracking financial and operational performance, including progress relative to strategic objectives and action plans?

We have developed performance measures that address audit results as well as the quality and efficiency of internal operations. These measures were selected by LAC senior leaders, in conjunction with staff, based on similar measures used by the federal Government Accountability Office.

##### *Audit Results*

Each year we measure the following key *outputs*:

- The potential financial benefits identified in LAC audits.
- The number of recommendations in LAC audits.

Each year we also measure the following key *outcomes*:

- The financial benefits realized from LAC audits.
- The percentage of recommendations implemented from LAC audits.

The type of auditing the LAC does and the way it gets assignments make it difficult to quantify targets or benchmarks from other states that relate to reducing the cost and improving the performance of state government. Most LAC audits are requested on an ad hoc basis by members of the General Assembly, preventing us from knowing in the planning process what programs we will be auditing or the objectives of those audits. In addition, organizations similar to the LAC in other states do not always audit the same programs that are audited by the LAC.

## *Quality and Efficiency of Internal Operations*

Each year we measure aspects of the LAC's internal operations that we associate with quality and efficiency. Below is a list of internal performance targets established for FY 11-12.

- 100% of auditors will undergo a minimum of 20 hours of training each year and 80 hours within a specified two-year training period, in accordance with Government Auditing Standards. This training addresses topics such as fraud prevention, policy analysis, general management, and accounting.
- The LAC will comply with Government Auditing Standards, as determined by peer reviews conducted by teams of auditors from throughout the United States.
- The LAC will publish 80% of audits within two months of their projected dates of publication.
- The LAC's costs will be limited to \$65 per audit hour.

2. How do you select, collect, align, and integrate data/information for analysis to provide effective support for decision making and innovation throughout your organization?

We use data/information analysis to provide effective support for decisions in multiple areas. For example, before determining the appropriate staff to assign to an audit, senior leaders conduct a preliminary assessment of the potential issues and the expertise the project will require. When deciding whether to make a recommendation in an audit report, auditors at all levels assess the potential costs and benefits of the recommendation. Auditors at all levels are provided data to help them match their training needs with agency resources.

3. What are your key measures, how do you review them, and how do you keep them current with organizational service needs and directions?

In the short term, our key measures are measures of *output* — potential financial benefits *identified* and the number of recommendations *made* in LAC audits. In the long term, our key measures are measures of *outcome* — the percentage of recommendations *implemented* from LAC audits and the financial benefits *realized* from implementing LAC recommendations.

We review these measures, whose accuracy is ensured by our quality control process, at the end of each audit and follow-up audit.

Because we have established these measures based on the perennial needs of the LAC as an audit organization, it is not likely that they will cease to be current.



4. How do you select and use comparative data and information to support operational and strategic decision making and innovation?

The LAC has chosen to follow Government Auditing Standards established by the Comptroller General of the United States because they are recognized as a national benchmark for government performance auditing. These standards are detailed in their requirements and are reflected in our strategic plan and performance measures. Multi-state peer review teams, which review our compliance with the standards every three years, provide us with information that we use to compare the LAC with audit organizations in other states. *In FY 10-11, due to funding limitations, we were unable to contract for a peer review.*

5. How do you ensure data integrity, reliability, timeliness, accuracy, security and availability for decision making?

The LAC ensures the soundness of data through various means. The soundness of data regarding LAC professional qualifications, training hours, legislator satisfaction, employee satisfaction, audit results, cost, and audit timeliness is ensured through direct inspection by senior leaders and documentation from independent outside entities. The soundness of data provided by other organizations is ensured by LAC staff who inspect original documentation, make comparisons with other sources of data, and review internal controls of the agencies being audited. In addition, agencies are allowed to review and comment on our reports prior to publication.

6. How do you translate organizational performance review findings into priorities for continuous improvement?

Every three years, a peer review team, comprised of auditors from throughout the country, reviews the LAC's compliance with Government Auditing Standards. After each peer review, we establish a temporary committee to implement the recommendations of the peer review team. *In FY 10-11, due to funding limitations, we were unable to contract for a peer review.*

7. How do you collect, transfer, and maintain organizational and workforce knowledge? How do you identify, share and implement best practices, as appropriate?

The LAC collects, transfers, and maintains organizational and workforce knowledge through several mechanisms. First, for new auditors, we have a detailed orientation and training program conducted by experienced auditors. Not only does this practice transfer organizational knowledge to new auditors, it gives our experienced auditors the opportunity to rethink LAC audit practices. Second, we have developed and continuously update policy and procedure manuals for auditing and administrative activities. Amendments to these manuals are developed and analyzed by staff committees. Third, we are members of the National Legislative Program Evaluation Society, through which we share with staff in other states accumulated knowledge and best practices.

## Category 5 — Workforce Focus

1. How does management organize and measure work to enable your workforce to: (1) develop to its full potential, aligned with the organization's objectives, strategies, and action plans; and (2) promote cooperation, initiative, empowerment, teamwork, innovation, and your organizational culture?

The LAC organizes the work of its auditors in teams. At the beginning of each audit assignment, team members work together to develop an audit plan. Audit plans are reviewed by the agency director to ensure that they are consistent with the audit request made by legislators as well as the LAC's strategic objectives and action plans.

The audit manager gives research assignments to each auditor based, in part, on the skills and expressed interests of the auditor. The results from each research area and the timeliness of its completion are measured using standardized forms. In completing their assignments, auditors often consult with and obtain the perspective of teammates. New ideas for improving state government and/or reducing its cost are encouraged.

2. How do you achieve effective communication and knowledge/skill/best practice sharing across department, jobs, and locations? Give examples.

Because the LAC has fewer than 20 employees and operates at a single location, effective communication and collaboration occur primarily on an informal basis. In addition, staff periodically conduct formal in-house training of colleagues on various audit-related topics.

3. How does management recruit, hire, place, and retain new employees? Describe any barriers that you may encounter.

The LAC hires primarily at the entry level, with promotions being made from current staff. Using written minimum job qualifications and descriptions, we usually advertise in area newspapers and on the Internet. Each hiring is preceded by an onsite interview with LAC senior leaders. We retain new employees by providing them with challenging and interesting work assignments, work day flexibility, and reasonable wages.

4. How do you assess your workforce capability and capacity needs, including skills, competencies, and staffing levels?

The LAC assesses its workforce skills and competencies when establishing minimum job qualifications and when conducting post-audit performance reviews. Before audits begin, senior leaders meet to match auditor skills with audit assignments. The determination of staffing levels for specific audits is dependent on audit scope and the time available for audit completion.

5. How does your workforce performance management system, including feedback to and from individual members of the workforce, support high performance work and contribute to the achievement of your action plans?

The LAC's employee performance management system supports high performance by providing an assessment of each auditor's work on an audit-by-audit basis. The components of the evaluation instrument are tied directly to the skills needed to conduct performance auditing. All performance evaluations are discussed in private meetings, during which the views of the employee and his or her supervisor are exchanged.

Some of the factors we use to evaluate employee performance are included within the action plan portion of our strategic plan. These factors include employee education and training, compliance with certain Government Auditing Standards, and auditing efficiency.

6. How does your development and learning system for leaders address the following:

- a. Development of personal leadership attributes.

The LAC ensures that potential future leaders receive ongoing leadership-related training.

- b. Development of organizational knowledge.

Organizational knowledge at the LAC is developed by giving potential leaders increasing responsibilities, including planning audits, overseeing staff audit work, editing reports, and making presentations to other staff and our governing board.

- c. Ethical practices.

The LAC's ethical practices, which include the assurance of independence, reliability, accuracy, and thoroughness, are integrated with our structured system of conducting audits, as directed by Government Auditing Standards. Each auditor, therefore, receives development and learning in these areas.

- d. Core competencies, strategic challenges, and accomplishment of action plans?

The LAC's core competencies of ensuring organizational integrity and professional independence coincide with the accomplishment of our strategic challenges and action plans, and are integrated with of our structured system of conducting audits, as directed by Government Auditing Standards. Each auditor, therefore, receives development and learning in these areas.

7. How do you identify and address key developmental and training needs for your workforce, including job skills training, performance excellence training, diversity

training, management/leadership development, new employee orientation, and safety training?

The LAC provides the quantity and types of training that are required by Government Auditing Standards. Courses are provided to LAC staff based on their individual needs. These courses are identified keeping in mind the LAC's strategic goals of reducing the cost of state government, improving the performance of state government, and providing information to the General Assembly and the public.

8. How do you encourage on-the-job use of the new knowledge and skills?

The skills we obtain in training benefit the LAC in ways that are often difficult to quantify. For example, a training course may benefit an auditor on one audit but not another. Also, many of the skills we obtain in training are non-technical, such as conducting audit interviews, writing, research, and organizational behavior. For these reasons, we have not developed quantified performance measures of the effectiveness and use of our staff training.

9. How does employee training contribute to the achievement of your action plans?

One of our action plan objectives is to conduct performance audits of state agency programs in compliance with Government Auditing Standards. These standards require that our auditors undergo a minimum of 20 hours of training each year and 80 hours within a specified two-year training period. This training addresses topics such as fraud prevention, policy analysis, general management, and accounting.

10. How do you evaluate the effectiveness of your workforce and leader training and development systems?

We do not have a formal process for evaluating the effectiveness of our training and development systems.

11. How do you motivate your workforce to develop and utilize their full potential?

New LAC employees are selected carefully based on attributes that match with the technical and personal skills needed. Employees work in audit teams to promote cooperation and to provide a support framework for the sharing of ideas. High performance is rewarded through formal and informal recognition from senior leaders, promotion within the organization, and formal programs of recognition among co-workers.

12. What formal and/or informal assessment methods and measures do you use to obtain information on workforce well-being, satisfaction, and motivation? How do you use other measures such as employee retention and grievances?

Until FY 07-08, the LAC used the privately-developed “Campbell Organizational Survey” to formally measure the views of its staff. This survey enabled us to measure changes in the views of our staff across time. A significant increase in the price of Campbell survey, however, led us to discontinue its use.

In FY 07-08, we administered a new survey to LAC staff, with questions taken verbatim from the “Federal Human Capital Survey” developed by the United States Office of Personnel Management (OPM). The Federal Human Capital Survey is administered every other year to more than 200,000 employees of agencies throughout the federal government. After we administered this survey to the LAC, we compared our employees’ responses with those of federal employees using the following indices into which survey questions were grouped by the OPM (see also page 30):

*Leadership Index* - Composite score of 12 questions indicating the extent to which employees hold agency leadership in high regard.

*Results-Oriented Performance Index* – Composite score of 13 questions indicating the extent to which employees believe the organizational culture promotes improvement in processes, products and services, and organizational outcomes.

*Staff Skills Index* - Composite score of seven questions indicating the extent to which employees think the organization has the talent necessary to achieve its organizational goals.

*Job Satisfaction Index* - Composite score of seven questions indicating the extent to which employees are satisfied with their jobs.

After administering the survey, we met as an organization to discuss its results and areas in need of improvement. The survey was administered again in FY 09-10.

13. How do you manage effective career progression and effective succession planning for your entire workforce throughout the organization?

The LAC identifies potential future leaders and introduces them gradually to increasingly demanding audit and supervisory duties.

14. How do you maintain a safe, secure, and healthy work environment? (Include your workplace preparedness for emergencies and disasters.)

The LAC maintains regular communication regarding exit signs, lighting, fire extinguishers, etc. with its office space landlord. In addition, the LAC distributes literature on healthy lifestyles, including the topics of diet and exercise.

## Category 6 — Process Management

1. How do you determine and what are your organization's core competencies, and how do they relate to your mission, competitive environment, and action plans?

The LAC's senior leaders have determined the following two primary competencies by reviewing our statutorily-required mission and Government Auditing Standards:

*Organizational Integrity* - Because the LAC is part of the legislative branch of state government, it is organizationally independent of the executive branch agencies it audits. The LAC is administered by a director who is appointed to four-year terms by a board whose voting members are not state legislators. Our voting board members are elected from the public at-large by the General Assembly to six-year terms. The LAC also adheres to Government Auditing Standards established by the Comptroller General of the United States.

*Professional Independence* – LAC auditors are required to be independent, appear independent, and to sign statements of independence at the beginning of each audit engagement. As part of this independence requirement, LAC staff are prohibited from involvement in state government-related political activity.

These core competencies are integrated with our structured system of conducting audits, as directed by Government Auditing Standards.

2. How do you determine and what are your key work processes that produce, create or add value for your customers and your organization and how do they relate to your core competencies? How do you ensure that these processes are used?

The LAC's single program is conducting performance audits of state agencies and programs. The key processes that add value for our customers and our organization include: (1) learning and meeting the needs of legislative customers; and (2) adhering to Government Auditing Standards such as independence, thoroughness, and accuracy. We determined that these were our key processes by reviewing state law, communicating with legislators, and assessing performance auditing standards used throughout the United States.

To ensure that we use these key work processes:

- At the beginning of each audit, the LAC director reviews a “planning file” developed by the audit manager, to ensure that the legislators who requested the audit have been contacted regarding their concerns.
- Every three years, we contract with an external peer review team to review the LAC’s compliance with Government Auditing Standards. *In FY10-11, due to funding limitations, we were unable to contract for a peer review.*
- Before each audit is published, each statement in the audit is documented by a staff member whose work is then checked by another staff member.

3. How do you incorporate organizational knowledge, new technology, cost controls, and other efficiency and effectiveness factors, such as cycle time, into process design and delivery?

The LAC uses multiple methods for incorporating organizational knowledge, new technology, changing customer and mission-related requirements, cost controls, and other efficiency and effectiveness factors into process design and delivery. They include:

- Frequent communication with legislators, at various stages of each audit, to help ensure that we answer fully their questions and keep up with their evolving requirements as customers.
- Satisfaction surveys of LAC staff.
- Employee committees to improve LAC processes.
- Detailed written policies and procedures.
- Active membership in the National Legislative Program Evaluation Society.

We have incorporated new technology into design and delivery processes and systems in several ways. We use desktop publishing techniques for all in-house publications. In addition, all recent LAC publications and our strategic plan are available on our website at [LAC.SC.GOV](http://LAC.SC.GOV). In addition, we have incorporated cycle time into the design of our audit process.

4. How does your day-to-day operation of these processes ensure meeting key performance requirements?

The day-to-day operation of the following key production/delivery processes helps ensure that the LAC conducts audits that answer information requests from state legislators in a responsive, fair, independent, thorough, and accurate manner. In FY 10-11, for example:

- The LAC’s director and audit managers used monthly time reports to help ensure that audits were completed in a punctual manner.
- The LAC’s audit managers reviewed working papers and carried out quality review processes for each report published to ensure that the LAC passes its peer review process.

- The LAC's audit teams tabulated the potential financial benefits identified in audits, the number of recommendations made, the financial benefits realized, and the percent of recommendations implemented.
- The LAC's training coordinator used a database to ensure that auditors obtain training that has been approved by management and meets the requirements of Government Auditing Standards.
- The LAC's staff participated in ongoing communication with organizations in other states to keep current with developments in performance evaluation and auditing throughout the nation.

5. How do you systematically evaluate and improve your key product and service related work processes?

As noted above, the design and delivery processes that add value for our customers and our organization include: (1) learning and meeting the needs of legislative customers; and (2) adhering to Government Auditing Standards, such as independence, thoroughness, and accuracy.

At the beginning of each audit, we meet with the primary legislators who requested the audit to ensure that we understand their concerns and that our audit plan reflects those concerns.

Every three years, a peer review team, comprised of auditors from throughout the country, reviews the LAC's compliance with Government Auditing Standards established by the Comptroller General of the United States. After each peer review, we establish a temporary committee to implement the recommendations of the peer review team. *In FY 10-11, due to funding limitations, we were unable to contract for a peer review.*

6. What are your key support processes, and how do you evaluate, improve and update these processes to achieve better performance?

The key support processes of the LAC include data analysis, report production, personnel, and purchasing. The primary means by which the LAC improves and updates these processes are staff input and analysis, ongoing training, and up-to-date information technology. The format of our reports and our audit methods are modeled after those used by the federal Government Accountability Office. Staff training is provided primarily by South Carolina's technical colleges, professional associations, and for-profit trainers. Management evaluates outside financial audit reports and incorporates recommendations to improve processes.

7. How does your organization determine the resources needed to meet current and projected budget and financial obligations?

Our management team meets regularly throughout the year to analyze the revenues we need in order to conduct the audits that have been requested by the General Assembly.



Approximately once a month our entire staff meets to discuss our operations, our anticipated workload, and our financial obligations. Management has explored other alternative revenue resources, and legislation was enacted to allow the agency to charge certain agencies for services.

## Category 7 — Results

### *Summaries of Performance Audits Published in FY 10-11*

#### **A REVIEW OF THE SOUTH CAROLINA WORKFORCE INVESTMENT ACT PROGRAM (OCTOBER 2010)**

In this audit, we examined the Workforce Investment Act (WIA) program, which was operated by the Department of Commerce until June 2010 and since then by the Department of Employment and Workforce. Under WIA, unemployed and underemployed citizens have received job skills assessments followed by training. We found, however, that the state had not fully exercised its oversight authority regarding worker training. As a result, there was significant variation among WIA training programs. For example, in 2009, the average allocation of training funds per person ranged from \$1,361 in the Lowcountry area to \$4,619 in the Upper Savannah area. Maximum funding allocations per person in 2009 ranged from \$5,760 in the Waccamaw area to \$27,960 in the Lower Savannah area. In addition, we found that funds were sometimes allocated for training in skills that were less marketable, such as history and photography.

*Contact: Andrew M. Young, Audit Manager*

#### **A REVIEW OF THE OFFICE OF STATE FIRE MARSHAL (NOVEMBER 2010)**

In this audit we examined the manner by which the Office of State Fire Marshal (OSFM) interprets, communicates, and enforces fire codes in South Carolina. We identified several areas of concern regarding the regulation of fire extinguishing equipment used by businesses and other organizations. First, the policies and practices of the OSFM were inconsistent with the fire codes pertaining to portable fire extinguishers that are no longer manufactured and standards for commercial stoves. Second, the OSFM had not adequately informed regulated organizations on how to gain free access to the fire codes, the specific fire code sections on which citations of violations were based, or their rights to appeal. Finally, the OSFM did not have a review process to check for unnecessary upgrades of fire extinguishing equipment that were recommended by vendors who sold the equipment. As a result, organizations, such as businesses, schools, and hospitals in South Carolina are likely to have incurred unnecessary costs.

*Contact: Andrew M. Young, Audit Manager*

#### **A REVIEW OF THE DEPARTMENT OF MOTOR VEHICLES (NOVEMBER 2010)**

This audit determined how the Department of Motor Vehicles monitors contracts and evaluated the effectiveness of that process and determined the implementation status of the recommendations in the 2007 LAC audit of DMV. DMV's contract management could be improved through better management of costs and improved monitoring of performance. Because employees under one contract answer calls for another contract, the agency could be paying for the same services twice and did not determine the appropriate rate to pay for those

services. In an eight-month period, DMV paid \$53,000 for services that were not authorized by the contract. The agency does not adequately monitor the vendor's performance to ensure it is complying with the contract and does not have adequate performance measures in another contract.

*Contact: Andrea Derrick Truitt, Audit Manager*

#### **A REVIEW OF THE SOUTH CAROLINA WORKERS' COMPENSATION COMMISSION (NOVEMBER 2010)**

In this compliance audit, we reviewed the Commission's process for handling informal conferences, efforts to identify uninsured employers, efforts to refer claimants to obtain vocational rehabilitation services, and compliance with state laws regarding contested and appealed cases.

We found that improvements can be made in the informal conference process and in the Commission's efforts to refer claimants to vocational rehabilitation services. We reviewed a sample of contested case files to determine if they were complete and processed in compliance with state laws and regulations and did not identify significant noncompliance. We also noted that the Commission had not deposited, as required by state law, \$244,000 in checks collected as fines, in the event the General Assembly prohibited agencies from keeping their unexpended funds at the end of the fiscal year. Additionally, we recommended that the Commission hire an additional compliance officer to help ensure that uninsured employers are identified and brought into compliance.

*Contact: Marcia A. Lindsay, Audit Manager*

#### **STATE AGENCIES' USE OF PROCUREMENT CARDS (JANUARY 2011)**

State agencies use procurement cards (P-Cards) to make small dollar purchases which helps reduce administrative costs. We found over 10,000 P-Cards had been issued at 93 state agencies. Our review found a need for increased oversight and improved internal controls governing the use of P-Cards. We reviewed a sample of purchases and found that the system for blocking merchant category codes which helps prevent unauthorized purchases had not been implemented effectively and no system for monitoring compliance with the blocks had been established. We also found that stronger controls were needed over the purchase of gift cards.

We found a need for increased transparency in P-Card reporting. Not all state agencies' P-Card expenditures were included on the website at the Comptroller General's office (CGO). In addition, information on the number of employees found to have misused the card and a description of the type of misuse are not included on the CGO's website. Public reporting of misuse can help citizens assess the effectiveness of the P-Card program as well as serve as a deterrent against abuse.

We found non-compliance with state laws and policies governing the use of P-Cards. For example, state policy sets the single transaction limit (STL) at \$2,500. We found a number of employees with STLs above \$2,500. We found 143 employees assigned more than one P-Card in violation of state policy. We found 217 cards issued in the name of agency departments or division, rather than in individual's names. We also found 354 P-cards which had not been used in over a year.

We evaluated the state's effectiveness in using the P-Card to reduce purchasing costs. The state receives savings in the form of rebate funds received on purchases made using the P-Card and in administrative savings achieved through the reduction in workload from processing a P-Card transaction instead of a purchase order. We compared South Carolina's rebate percentage to neighboring states and found that the state may be able to increase its rebate. We also found that expanded use of the P-Card could result in additional rebate revenue and reduced administrative costs.

*Contact: Perry K. Simpson, Audit Manager*

#### **A REVIEW OF THE S.C. NATIONAL HERITAGE CORRIDOR: A PROGRAM OF THE DEPARTMENT OF PARKS, RECREATION AND TOURISM (FEBRUARY 2011)**

The S.C. National Heritage Corridor is a federally-funded program managed by the S.C. Department of Parks, Recreation and Tourism (PRT) and a private, nonprofit board, S.C. National Heritage Corridor. The primary mission of the corridor is to promote heritage tourism and economic revitalization in a 17-county region of South Carolina. We reviewed the management of the corridor and the programs of the corridor. We found that the management of the corridor by both PRT and the board had resulted in federal and state funds not being spent in accordance with law, lack of communication among PRT, the board and the regions, and issues of board membership. We recommended that alternatives to the program's current management and advisory structure be considered. We also found that the program needs specific performance measures and systems to determine its success.

*Contact: Andrea Derrick Truitt, Audit Manager*

#### **A REVIEW OF THE FAMILY INDEPENDENCE ACT 2008 – 2010 (MAY 2011)**

The Family Independence Act (FIA) requires the Legislative Audit Council (LAC) to report every two years on the success and effectiveness of the policies and programs created under the act. Specifically, we are to review: (1) the number of families and individuals no longer receiving welfare, (2) the number of individuals who have completed education and training, and (3) the number of individuals finding employment and the duration of their employment. This is our eighth report about the family independence (FI) program.

We found that the caseload increased for calendar years 2008 and 2009. However, the caseload peaked in October 2010 at 21,691, and decreased to 20,747 by January 2011. For the same time period, DSS reported that more than 21,000 jobs were obtained by FI recipients and 3,365 recipients participated in an educational or training program. Approximately 23% of FI recipients whose cases closed during our review period due to earned income returned to the FI program within one year.

As in previous audits, we recommended that S.C. Code §43-5-1285 be amended to have the LAC report on the number of FI recipients *participating* in educational, employment, and training programs since that is the data captured by DSS and reported to the federal government. We also recommended that the General Assembly amend state law to eliminate the requirements that the LAC review the FI program every two years and to require the LAC to review a DSS program every three to five years.

State law also requires the LAC to report on other data and information the council considers appropriate in reporting to the General Assembly on the effectiveness of this act. We reviewed documents concerning the agency's loss of state and federal funds and projected expenditures that resulted in the agency requesting permission to operate with a budget deficit. We also reported that the agency depleted its rainy day fund of approximately \$45 million in 2001, funds that could have been used in case of a budget crisis. In addition, we examined current nonessential service contracts DSS is funding that could have been eliminated to offset the size of the projected deficit.

*Contact: Marcia A. Lindsay, Audit Manager*

### **SC STATE UNIVERSITY: A REVIEW OF CONSTRUCTION OF THE JAMES E. CLYBURN UNIVERSITY TRANSPORTATION CENTER AND TRANSPORTATION CENTER PROGRAM EXPENDITURES (JUNE 2011)**

Members of the General Assembly requested the Legislative Audit Council to review the James E. Clyburn University Transportation Center at SC State University (SCSU). We examined how funds for the construction of the transportation center were expended, reviewed the impact of the loss of the designation as a Tier I transportation center, and examined how grant funds associated with the center were expended.

- We reviewed expenditures for construction of the James E. Clyburn University Transportation Center (JECUTC) and certain transportation programs associated with the center to address allegations of more than \$50 million in "missing funds." We did not find evidence of missing funds, but did find questionable expenditure of funds.
- SCSU has identified only \$27 million of the \$107 million needed to complete the center. Although SCSU lacks the \$80 million to complete the center, it has begun work and has exposed the University to future financial obligations.
- The University does not have a viable plan to raise more than \$80 million needed to complete the center. SCSU is also obligated to pay \$3 million in state or other funds during the next two fiscal years to match federally-appropriated funds and plans to use lottery appropriations for the match.
- Construction delays have been caused by a lack of proper oversight and inexperience, and insufficient staff; agency documents indicate that even with full funding, the center will not be completed until 2020.
- SCSU has lost its Tier I UTC designation. As a Tier I, SCSU received \$11.1 million in state and federal funds for teaching and research from 1998 to 2006. In 2006, the University lost the Tier I designation. Losing this status cost the University approximately \$3 million in federal funds and resulted in cutbacks in academic programs and services. The loss of Tier I status will increase the difficulty of obtaining future funds for the completion of the center.
- Inadequate financial controls have resulted in insufficient state matching funds for both construction and center programs, unwarranted travel reimbursements, and overbillings that needed to be repaid. SCSU has a potential liability to repay funds to cover the shortfall in state match (up to \$1.7 million), and other disallowed expenses; the federal government has not reimbursed SCSU for approximately \$900,000 in grant receivables requested five years ago.

*Contact: Perry K. Simpson, Audit Manager*

## *Summaries of Follow-Up Reviews Published in FY 10-11*

### **A FOLLOW-UP REVIEW OF THE SOUTH CAROLINA GUARDIAN AD LITEM PROGRAM (AUGUST 2010)**

In the 2007 audit, *A Review of the South Carolina Guardian ad Litem Program*, we found that the program did not provide guardians to approximately half of the children in abuse and neglect proceedings. In addition, the program had neither stable nor sufficient funding. The program also lacked adequate quality control processes over data quality and failed to emphasize volunteer recruitment.

In the 2010 follow-up we reported that a South Carolina Supreme Court ruling prohibiting family court judges from appointing attorneys as guardians would alter Guardian ad Litem program operations. The program will have to provide guardians (primarily volunteer) for all children in abuse and neglect proceedings and at the time of the follow up, program staff were placing more effort into volunteer recruitment. We also reported that the program still does not have stable or sufficient funding and that the program has better controls over its data quality.

*Contact: Carmen J. McCutcheon, Senior Auditor*

### **A FOLLOW-UP REVIEW OF WATER QUALITY PERMITS AND CERTIFICATIONS ISSUED BY DHEC (AUGUST 2010)**

In February 2007, the Legislative Audit Council published an audit of the processes used by the Department of Health and Environmental Control to issue water quality permits and certifications. We found that:

- An Internet-based permitting system could make the review of applications more efficient and less prone to error.
- Data was inconsistent regarding the time it took to issue permits and certifications
- DHEC's organizational structure was complex and included two separate chains of command. Changing the structure would require an amendment to state law.
- Staff training was inadequate.
- State regulation did not limit the time DHEC was allowed to review applications for construction in navigable waters permits or certain coastal zone consistency certifications.
- State law created a conflict of interest by allowing DHEC employees who review environmental permit applications to resign and immediately begin representing clients seeking environmental permits from DHEC.

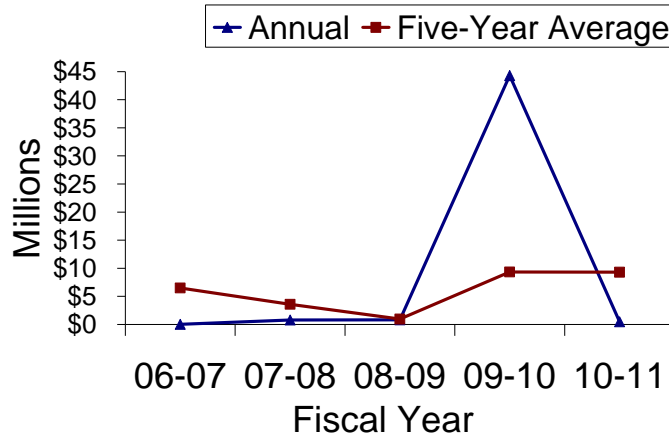
In our 2010 follow-up review, we found that 4 of 17 recommendations had been implemented, 5 had been partially implemented, and 8 had not been implemented. Recommendations not implemented include Internet-based permitting, a change in the organizational structure, the establishment of permit review timelines, and the establishment of post-employment restrictions on staff. Recommendations implemented include the implementation of formal staff training.

*Contact: Andrew M. Young, Audit Manager*

*Quantitative Measures*

7.1 What are your performance levels and trends for the key measures of mission accomplishment/product and service performance that are important to your customers? How do your results compare to those of comparable organizations?

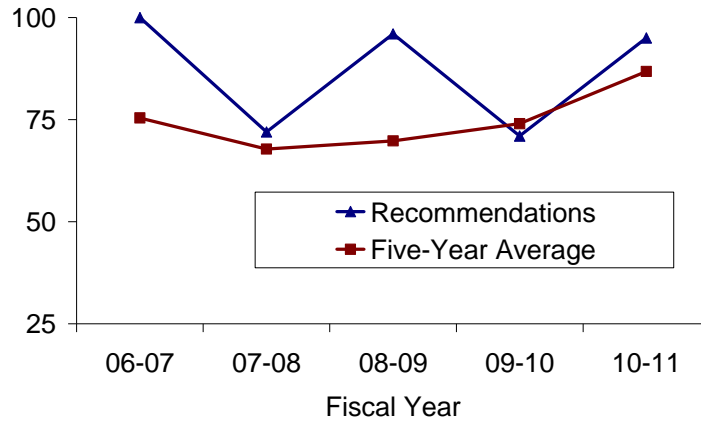
CHART 7.1.1 POTENTIAL FINANCIAL BENEFITS IDENTIFIED \*



	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11
Annual	\$25,000	\$800,000	\$850,000	\$44.3 million	\$500,000
Five-Year Average	\$6.5 million	\$3.6 million	\$950,000	\$9.4 million	\$9.3 million

\* Potential Financial Benefits Identified includes five-year averages to account for year-to-year volatility in the data. See pages 12–13.

**CHART 7.1.2 NUMBER OF RECOMMENDATIONS IDENTIFIED\***



	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11
Recommendations	100	72	96	71	95
Five-Year Average	75.4	67.8	69.8	74	86.8

\* Number of Recommendations includes five-year averages to account for year-to-year volatility in the data. See pages 12–13.

**TABLE 7.1.3 FINANCIAL BENEFITS REALIZED \***

	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11
Results	\$11.4 million	\$7.6 million	\$21,000	\$50,000	\$100,000

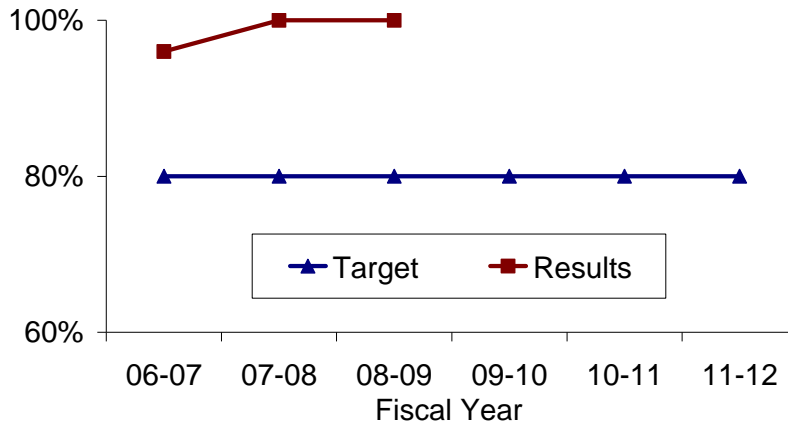
\* These are the financial benefits actually realized from the implementation of our audit recommendations. See pages 12–13.

**TABLE 7.1.4 PERCENT OF AUDIT RECOMMENDATIONS IMPLEMENTED**

	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11
Results	58%	41%	43%	78%	53%

7.2 What are your performance levels and trends for the key measures of customer satisfaction and dissatisfaction (a customer is defined as an actual or potential user of your organization’s products or services)? How do your results compare to those of comparable organizations?

CHART 7.2.1 LEGISLATORS SATISFIED WITH QUALITY OF AUDITS



	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12
Target	80%	80%	80%	80%	80%	80%
Results	96%	100%	100%	*	*	

\* Staff have been examining methods for improving customer satisfaction surveys and did not measure legislators’ satisfaction with our services in FY 09-10 or FY 10-11. However, informal feedback concerning audits conducted in FY 10-11 has been positive.

7.3 What are your performance levels for the key measures of financial performance, including measures of cost containment, as appropriate?

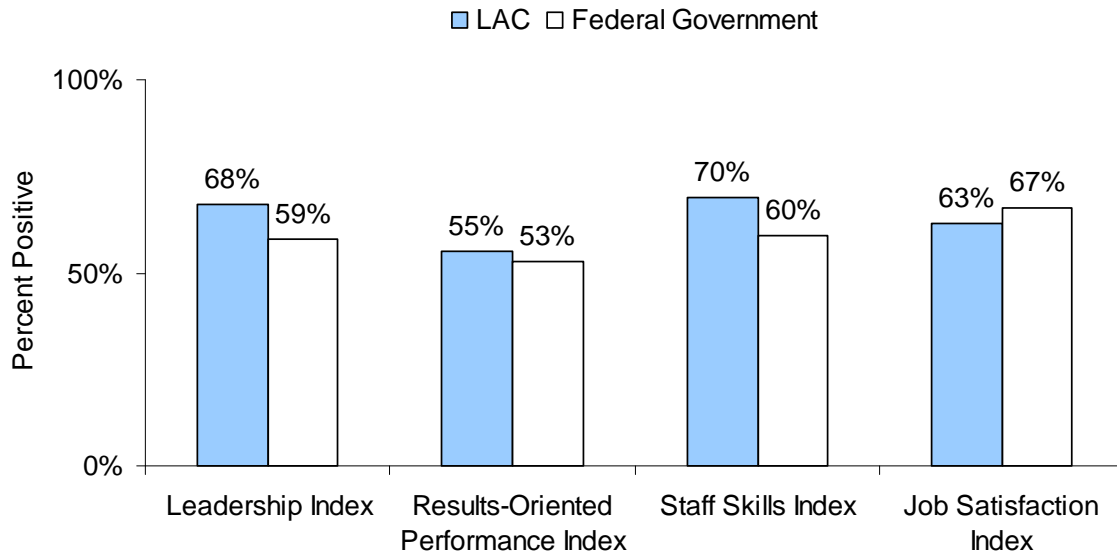
TABLE 7.3.1 COST PER DIRECT AUDIT HOUR

	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12
Target	\$65	\$65	\$65	\$65	\$65	\$65
Results	\$58.93	\$62.99	\$62.19	\$61.26	\$62.34	



7.4 What are your performance levels and trends for the key measures of workforce engagement, workforce satisfaction, the development of your workforce, including leaders, workforce retention, workforce climate including workplace health, safety, and security?

CHART 7.4.1 LAC BIENNIAL EMPLOYEE SURVEY RESULTS: FY 09-10 \*



\* For a more detailed explanation of the indexes, see page 18.

TABLE 7.4.2 AUDITORS WITH MINIMUM TRAINING HOURS

	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12
Target	100%	100%	100%	100%	100%	100%
Results	100%	100%	100%	100%	100%	

7.5 What are your performance levels and trends for your key measures of organizational effectiveness/operational efficiency, and work system performance (these could include measures related to the following: product, service, and work system innovation rates and improvement results; improvements to cycle time; supplier and partner performance; and results related to emergency drills or exercises)?

**TABLE 7.5.1 AUDITS PUBLISHED ON TIME \***

	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12
Target	80%	80%	80%	80%	80%	80%
Results	0%	0%	33%	33%	43%	

\* We define "on time" as publishing an audit within 60 days of its projected date of publication.

7.6 What are your performance levels and trends for the key measures of regulatory/legal compliance and community support?

**TABLE 7.6.1 THREE-YEAR PEER REVIEW**

	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12
Target	Pass			Pass	Pass	Pass
Results	Passed			*	*	

\* In FY 09-10 and FY 10-11, due to funding limitations, we were unable to contract for a peer review.