AGENCY NAME:	Legislative Audit Council		
AGENCY CODE:	A20	SECTION:	

Fiscal Year 2013-14 Accountability Report

SUBMISSION FORM

AGENCY MISSION	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.

Please identify your agency's preferred contacts for this year's accountability report.

	Name	***Phone***	***Email***
PRIMARY CONTACT:	Perry K. Simpson	803.253.7612	PSimpson@lac.sc.gov
SECONDARY CONTACT:	Andrew M. Young	803.253.7612	AYoung@lac.sc.gov

I have reviewed and approved the enclosed FY 2013-14 Accountability Report, which is complete and accurate to the extent of my knowledge.

AGENCY DIRECTOR *(SIGN/DATE)*:	Perry K. Simpson 9/18/14
***(TYPE/PRINT NAME)*:**	Perry K. Simpson

BOARD/CMSN CHAIR *(SIGN/DATE)*:	9/18/14
***(TYPE/PRINT NAME)*:**	Mallory Factor

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AGENCY'S DISCUSSION AND ANALYSIS

The Legislative Audit Council performs 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 provide information, analysis, and recommendations to help the General Assembly improve state agencies and to help the citizens of South Carolina oversee state government. Because the LAC is part of the legislative branch of state government, it is organizationally independent of the executive branch agencies it audits. Audits must be requested by five or more legislators or be mandated specifically by state law. Approximately two years after an audit report is published, we issue a follow-up review. This provides the Legislature with information on the status of recommendations made by our audits. We deliver the results of these audits in published reports.

During FY 13-14, the Legislative Audit Council published two performance audit reports with a total of 82 recommendations for improvement in state government.

S.C. DEPARTMENT OF DISABILITIES AND SPECIAL NEEDS' PROCESS TO PROTECT CONSUMERS FROM ABUSE, NEGLECT, AND EXPLOITATION, ADMINISTRATIVE ISSUES, AND A FOLLOW UP TO OUR 2008 AUDIT (JUNE 2014)

We made 49 recommendations in this audit — 39 to the agency and 10 to the General Assembly. We did not identify potential financial benefits to state government. However, we made non-financial recommendations to improve the performance of state government.

We found ways that the agency can improve its process for protecting DDSN consumers. We also found certain state laws that should be amended to improve its operations. We identified that there were needs for an adult abuse registry listing individuals with substantiated cases of abuse, neglect, or exploitation. Also, the General Assembly should amend state law to authorize electronic monitoring of common areas of DDSN facilities serving consumers.

Our statistically valid sample revealed that approximately 25% of all DDSN direct caregivers are hired without the agency's knowledge of their criminal histories. We reviewed procurement practices and found that DDSN boards/providers did not always have procurement policies, regularly circumvented DDSN procurement protocol, violated emergency and sole source procurement exceptions, and are not regularly audited for procurement compliance.

We found that one of DDSN's residency requirements for an applicant's eligibility for services is more narrow than statutory requirements. Also, the agency's intellectual disability eligibility criterion for age of onset, 18, conflicts with the S.C. Supreme Court's interpretation of state law regarding an intellectual disability age of onset criterion of 22, in a waiver for which consumers with intellectual disability could qualify.

We followed up on the 63 recommendations made in our 2008 audit and found that DDSN has implemented 31, partially implemented 17, but did not implement 12. The General Assembly did not implement any of the three recommendations made to amend state law.

A MANAGEMENT REVIEW OF THE DEPARTMENT OF EMPLOYMENT AND WORKFORCE (MAY 2014)

We made 33 recommendations in this audit — 28 to the agency and 5 to the General Assembly. We did not identify potential financial benefits to the state government. However, we made non-financial recommendations to improve the performance of state government.

If DEW could get more employers to return wage audit notices, there could be substantial savings to the unemployment insurance trust fund and potentially to employers in the form of reduced taxes. We estimate that there is the potential of approximately $15 million in fraud or overpayments associated with the unreturned wage audit notices.

There are potential benefit savings between $300,000 to $3,000,000 annually, if the General Assembly amends state law to be in compliance with federal law regarding seasonal employment.

We followed up on the audit issued in March 2012, addressing 36 recommendations – of which 24 were directed to DEW. We found 14 of the 24 were implemented.

During FY 13-14, the Legislative Audit Council published two follow-up reviews of audits that were published in 2011. A total of 36 (78%) of the 46 recommendations made in these audits were implemented.

A FOLLOW-UP REVIEW OF STATE AGENCIES' USE OF PROCUREMENT CARDS (SEPTEMBER 2013)

The Legislative Audit Council published an audit of the State Procurement Cards program in 2011. We submitted 33 recommendations to the Budget and Control Board's Materials Management Office, of which 27 have been implemented. One recommendation realized financial benefits of $2,375,000 over a 5-year period as a result of an increase in the state's rebate percentage from 1.33% to 1.52% for total purchases between $250 and $300 million.

A FOLLOW-UP REVIEW OF THE PROFESSIONAL AND OCCUPATIONAL LICENSING DIVISION AT THE DEPARTMENT OF LABOR, LICENSING AND REGULATION (FEBRUARY 2014)

The Legislative Audit Council published an audit of the Professional and Occupational Licensing Division at LLR in 2011. We submitted 13 recommendations to the agency of which 9 were implemented and 2 were in progress. The financial benefits realized for the state were a total of $900,000 from a vendor for a failed computer system who agreed to pay six annual installments from 2012 to 2017. Additional financial benefits could be realized to the public through the reduction of licensing fees. LLR estimates that the reduction of licensing fees will result in about $1 million in savings over a two-year renewal cycle.

Strategic Goal 1: Improve the performance of state government.

1.1.1 The LAC operates under the requirements of Government Auditing Standards established by the Comptroller General of the United States because they are recognized as a national benchmark for government performance auditing. A team of out-of-state auditors sent by the National Association of State Auditors, Comptrollers, and Treasurers reviews our compliance with the standards every three years and provides us with information that we use to compare the LAC with audit organizations in other states. We passed the most recent peer review conducted in FY 12-13. We are scheduled for another peer review in FY 15-16.

1.2.1 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. Topics such as fraud, prevention, policy analysis, general management, and accounting are offered. In FY 13-14, 100% of our audit staff met the training requirement.

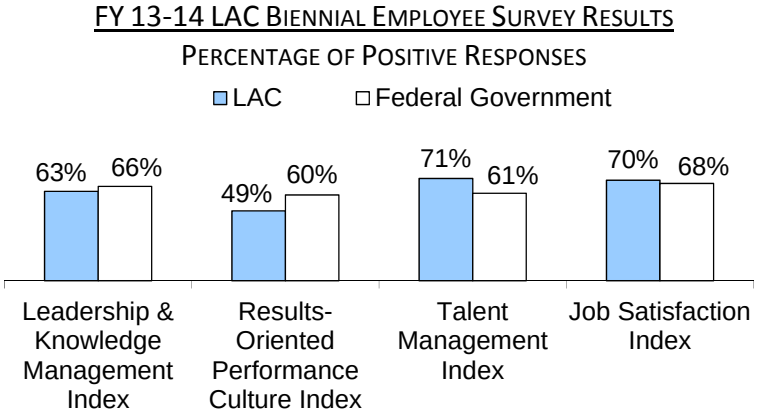
1.2.2 We administer the "Federal Employee Viewpoint Survey" developed by the United States Office of Personnel Management (OPM) to our employees every other year. This instrument is administered to more than 200,000 employees throughout the federal government. In FY 13-14, LAC staff completed the survey and met as an organization to discuss its results and areas in need of improvement. Indices are grouped by the OPM.

Leadership & Knowledge Management Index – Composite score of 12 questions indicating the extent to which employees hold agency leadership in high regard.

Results-Oriented Performance Culture 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.

Talent Management Index – Composite score of 7 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 7 questions indicating the extent to which employees are satisfied with their jobs.



Strategic Goal 2: Maintain or reduce the cost of state government.

2.1.1 The type of auditing the LAC does and the way it gets assignments make it difficult to quantify targets or benchmarks to reduce the cost and improve 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 which programs we will be auditing or the objectives of those audits.

2.1.2 Although in FY 13-14 we identified no potential financial benefits to state government, we made 82 non-financial recommendations to improve the performance of state government.

2.1.3 Approximately two years after an audit report is published, we issue a follow-up review. This provides the Legislature with information on the status of recommendations made by our audits. 78% of the 46 recommendations in the original audits were implemented. In FY 13-14,

2.1.4 through the review of compliance with our recommendations of audited agencies, we identified $4,275,000 in financial benefits realized.

Strategic Goal 3: Provide information to the General Assembly and the public.

3.1.1 During the preliminary phase of an audit, we establish a target date for publication of the report. Our goal is to publish within 60 days of that date. Frequently, we face delays beyond our control. In FY 13-14, neither of the two reports was released within that timeframe.

3.2.1 Over the last five fiscal years, the LAC's target cost per audit hour has been $65. Actual costs in each fiscal year have been less than that amount. In FY 13-14, the direct audit cost per hour was $61.

COST PER DIRECT AUDIT HOUR

	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14
Target	$65	$65	$65	$65	$65
Actual	$61.26	$62.34	$64.78	$58.25	$61

3.3.1 The LAC informally measures the satisfaction of legislators through face-to-face conversations. Staff provide briefings to legislators who request audits to ensure that the independent information we provide is useful. We also make presentations to legislative committees. During these meetings, staff will often receive feedback concerning the audits and overall agency performance. Staff also receive feedback through meetings of our organizational board from LAC's public and legislative members. In addition, staff receive and respond to inquiries from legislators, citizens, and the media. In FY 13-14, legislative requesters were briefed periodically throughout each audit, 2 LAC board meetings were conducted, and we responded to 17 inquiries.

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Strategic Planning Template

Type	Item # Goal	Strat	Object	Description
G	**1**			**Improve the performance of state government**
S		**1.1**		**Conduct audits in compliance with Government Auditing Standards**
O			*1.1.1*	*Undergo a peer review by NASACT*
S		**1.2**		**Employ qualified staff**
O			*1.2.1*	*Ensure auditors meet required minimum training*
O			*1.2.2*	*Conduct employee survey*
G	**2**			**Maintain or reduce the cost of state government**
S		**2.1**		**Determine compliance with recommendations**
O			*2.1.1*	*Calculate total number of recommendations in reports*
O			*2.1.2*	*Identify potential financial benefits*
O			*2.1.3*	*Determine percent of audit recommendations implemented*
O			*2.1.4*	*Identify financial benefits realized*
G	**3**			**Provide information to the General Assembly and the public**
S		**3.1**		**Ensure audits are published in a timely manner**
O			*3.1.1*	*Compare target publication date to actual publication date*
S		**3.2**		**Ensure audits are published in an efficient manner**
O			*3.2.1*	*Calculate cost per direct audit hour*
S		**3.3**		**Ensure audits meet the need of legislators who request them**
O			*3.3.1*	*Determine customer satisfaction*

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Performance Measurement Template

Item	Performance Measure	Last Value	Current Value	Target Value	Time Applicable	Data Source and Availability	Reporting Freq.	Calculation Method	Associated Objective(s)
1	Three-year peer review	Passed	0	Pass	Every 3 years	NASACT	Annually	Result of peer review conducted	1.1.1
2	Training requirements	94%	100%	100%	7/1/13 - 6/30/15	GAO Training Requirements	Annually	Review of internal training database	1.2.1
3	Employee survey	No	Yes	Yes	Biennial	OPM; LAC employee survey	Annually	Survey conducted, Y/N	1.2.2
4	Number of recommendations	204	82	not foreseeable	7/1/13-6/30/14	LAC reports	Annually	Count number of recommendations	2.1.1
5	Potential financial benefits	$48,000,000	$0	not foreseeable	7/1/13-6/30/14	LAC reports	Annually	Dollar value of savings	2.1.2
6	Recommendations implemented	0%	78%	not foreseeable	7/1/13-6/30/14	LAC follow-up reviews	Annually	Dollar value of savings	2.1.3
7	Financial benefits realized	$0	$4,275,000	not foreseeable	7/1/13-6/30/14	LAC follow-up reviews	Annually	Dollar value of savings	2.1.4
8	Publish reports in a timely manner	0%	0%	80%	7/1/13-6/30/14	LAC internal files	Annually	Compare target dates to publish dates	3.1.1
9	Cost-per-hour	$58.25	$61	$65	7/1/13-6/30/14	LAC internal reporting	Annually	Divide total expenditures by direct audit hours spent	3.2.1
10	Customer satisfaction	Yes	Yes	Yes	7/1/13-6/30/14	Staff briefings	Annually	Meetings & conversations conducted, Y/N	3.3.1

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Program Template

Program/Title	Purpose	FY 2012-13 Expenditures				FY 2013-14 Expenditures				Associated Objective(s)
		General	Other	Federal	TOTAL	General	Other	Federal	TOTAL	
Administration	The work of the Legislative Audit Council is authorized by S.C. Code §2-15-10 *et seq*. Our sole program is conducting performance audits to find ways to improve the performance of state agencies and programs, reduce the cost of state government, and to provide information to the General Assembly and the public.	$ 1,285,291	$ 161,393	$ -	**$ 1,446,684**	$ 1,277,294	$ 112,610	$ -	**$ 1,389,904**	
					$ -				$ -	
					$ -				$ -	
					$ -				$ -	
					$ -				$ -	
					$ -				$ -	