



NATIONAL CONFERENCE of STATE LEGISLATURES

The Forum for America's Ideas

July 2, 2013

Mr. Perry Simpson, Director
South Carolina Legislative Audit Council
1331 Elmwood Avenue, Suite 315
Columbia, South Carolina 29201

Terie T. Norelli
Speaker
New Hampshire House
President, NCSL

Patsy Spaw
Secretary of the Texas Senate
Staff Chair, NCSL

William Pound
Executive Director

Dear Mr. Simpson:

At your request, and under the terms of a 2013 contract executed with the National Conference of State Legislatures (NCSL), we reviewed the system of quality control of the South Carolina Legislative Audit Council (LAC) in effect for a three-year compliance period ending June 30, 2013.

Section 3.101 of the *Generally Accepted Government Auditing Standards, 2011 Revision* (i.e., the Yellow Book or GAGAS) by the Comptroller General of the United States establishes three peer review report ratings—pass, pass with deficiencies or fail.

In the peer review team's opinion, the South Carolina Legislative Audit Council (LAC) has a quality control system that is suitably designed and followed, providing reasonable assurance that the LAC is performing and reporting performance audit engagements in conformity with applicable generally accepted government auditing standards for the period reviewed. Based on its professional judgment, the peer review team gives a peer review rating of pass to the LAC.

The LAC, however, should address the following issues:

- 1) Update its audit manual and policies to reflect 2011 Yellow Book standards. In addition, LAC should modify its GAGAS compliance statement for all performance audits beginning on or after December 15, 2011, to state that work conducted was consistent with 2007 Yellow Book standards.
- 2) Maintain a three-year cycle for peer reviews. Reviewers acknowledge the LAC currently is using a modified GAGAS statement in reports to reflect that it has not had a timely external quality control review.
- 3) Clearly demonstrate in audit working papers that an assessment of internal control risk relevant to the audit objects is performed.

We base our assessment on observations made during an onsite visit conducted May 13-17, 2013. During our visit, we reviewed the LAC's audit-related policies and procedures, two performance audits and continuing professional education (CPE) records. We also interviewed the LAC board chair and randomly-selected LAC staff. We note that the conduct of our peer review work was not impaired in any way. We were granted full access to relevant reports, working papers, supporting documentation and staff.

We appreciate the courtesy and cooperation extended to us in conducting this review. We commend you for your willingness to contract for this peer review to independently confirm the quality of your audits.

Sincerely,

David Arner
Audit Manager
Georgia

Valerie Whitener
Audit Coordinator
Washington

Brenda Erickson
NLPES Liaison
NCSL