

PEER REVIEW

SOUTH CAROLINA
LEGISLATIVE AUDIT COUNCIL



NATIONAL CONFERENCE OF STATE LEGISLATURES



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The National Conference of State Legislatures is the bipartisan organization that serves the legislators and staffs of the nation’s 50 states, its commonwealths and territories.

NCSL provides research, technical assistance and opportunities for policymakers to exchange ideas on the most pressing state issues and is an effective and respected advocate for the interests of the states in the American federal system.

NCSL has three objectives:

- To improve the quality and effectiveness of state legislatures.
- To promote policy innovation and communication among state legislatures.
- To ensure state legislatures a strong, cohesive voice in the federal system.

The Conference operates from offices in Denver and Washington, D.C.

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INTRODUCTION

Peer Review Purpose

The South Carolina Legislative Audit Council (LAC) follows Government Auditing Standards (i.e., the Yellow Book or GAGAS) published by the Comptroller General of the United States for its performance audits. These standards require the office to undergo a peer review every three years.

The purpose of the peer review was to identify whether LAC's system of quality control was suitably designed and followed during the review period to provide LAC with reasonable assurance that its performance audit engagements conform with Government Auditing Standards in all material respects. In addition to applicable audit standards, the peer review team also considered various professional best practices in program evaluation and performance auditing when reviewing LAC's performance audit engagements. LAC recognizes the importance of an external peer review for ensuring the quality of its legislative audit work.

NCSL/NLPES Peer Review Methodology

The South Carolina Legislative Audit Council contracted with the National Conference of State Legislatures (NCSL) to perform its 2022 peer review to assess the office's system of quality control and overall quality of reports in a sample of performance audits completed during the period from 2019 to 2022 (see Appendix A). The NCSL staff liaison to the National Legislative Program Evaluation Society (NLPES) organized a peer review team consisting of two experienced and respected program evaluators from Georgia and Utah (see Appendix B).

As noted above, the South Carolina Legislative Audit Council follows to Government Auditing Standards. This peer review compared LAC's policies and performance to Yellow Book requirements and the knowledge base of peers from similar offices. The review provided a collective assessment of LAC's quality assurance and review processes, including how those processes were used to develop LAC's performance audits, and the qualifications and independence of LAC staff.

Specifically, the peer review team sought to determine whether the sample of reports reviewed, as well as the processes that underlie the reports, met the following criteria:

- 1) Work is professional, independent, and objectively designed and executed.
- 2) Evidence is competent and reliable.
- 3) Conclusions are supported.
- 4) Products are fair and balanced.

- 5) Stakeholders and users of LAC's products are satisfied with the quality of work performed.
- 6) Staff is competent to perform work required.

On Oct. 18, 2022, a conference call was held for the LAC director, LAC deputy director and the peer review team. During the call, the peer review team was briefed on LAC's operations, and an overview of the NCSL/NLPES peer review process was provided.

An onsite visit took place Oct. 23-28, 2022. The peer review team reviewed documentation relating to LAC's function, its audit-related policies and procedures, and four sampled performance audits. The audits were selected by members of the peer review team from a list of audits released between 2019 and 2022 (Appendix A). Each peer review team member took lead responsibility for reviewing two reports. This included assessing the performance audit through review of the final issued audit report, review of the supporting working paper documentations and interviews with current staff who worked on the performance audit.

The peer review team conducted interviews with the five public members of the Legislative Audit Council Governing Board, the LAC director and deputy director, and selected LAC staff who worked on the sampled audits. The peer review team also met with the entire LAC staff at the beginning and end of the peer review.

To evaluate staff competence, continuing professional education (CPE) records were reviewed to determine whether staff receive 80 hours of training every two years.

The team discussed its preliminary conclusions with the LAC director and deputy director. An all-staff meeting was held to inform LAC employees that LAC had passed its peer review and to answer questions.

Appendix A lists the performance audits reviewed by the peer review team. Appendix B describes the qualifications of the peer review team members. Appendix C provides a general profile of program evaluation offices.

COMPLIANCE WITH YELLOW BOOK STANDARDS AND BEST PRACTICES

Section 5.72 of “Government Auditing Standards, 2018 Revision” (i.e., the Yellow Book, or GAGAS) by the Comptroller General of the United States allows the peer-reviewed agency to receive one of three possible ratings—pass, pass with deficiencies or fail.

In the peer review team’s opinion, LAC has a quality control system that was suitably designed and followed during the period reviewed to provide LAC with reasonable assurance that its performance audit engagements conform with applicable Government Auditing Standards in all material respects. Based on its professional judgment, the peer review team gives a rating of pass to the South Carolina Legislative Audit Council.

Reliability/Quality Control and Assurance. LAC has procedures for planning audits, supervising staff, obtaining evidence and documenting and reporting that ensure its reliability.

LAC performs its audits in conformity with Government Auditing Standards, and LAC’s audit manual is referenced to the 2018 revision. The office also undergoes periodic external quality control reviews conducted by an independent organization that has experience in conducting performance audits.

LAC has designed a strong internal control system to ensure staff are informed about GAGAS standards and requirements. Control activities are abundant and require documentation for decisions and activities in planning and fieldwork. The peer review found that control activities are consistently done and well-documented.

Since its 2019 peer review, LAC implemented a system for electronic workpapers and developed E-Auditing Guide that encourages consistency in workpapers. The peer review team was impressed with the amount of work invested in the system’s development and LAC’s commitment to its continual improvement.

Independence. LAC’s authority is established in statute and provides it with considerable assurance that it can function independently. LAC also has statutory access to records and facilities of any entity being audited. The statute establishes confidentiality requirements for agency records and protection of work paper confidentiality.

The LAC Governing Board has five, voting public members and four, non-voting legislators. This structure facilitates independence from the legislature and provides a mechanism for the legislature

to be kept informed about LAC's audit work. The Legislative Audit Council Governing Board is engaged, and the members interviewed by the peer review team expressed satisfaction with the work being done by LAC staff.

The office has a process for internal disclosure of potential impairments to independence on the part of staff. When assigned to an audit, LAC staff complete and update independence statements.

Competence. The competence standard addresses technical knowledge requirements for analysts assigned to audits. Technical knowledge is defined broadly to include any specialized subject matter. LAC analysts appear to be well-qualified. They hold a variety of advanced degrees, and their diverse backgrounds and skill sets are beneficial to LAC's work.

Competence may be maintained through a commitment to continued learning and development. Continuing professional education plays an integral part in maintaining competence. Professional judgment must be exercised to select suitable educational activities and comply with CPE requirements. Every two years, staff receive a survey about training needs and wants from LAC's training coordinator, which allows more targeted training for staff and their skills development. LAC uses an electronic system to track its continuing professional education records.

Credibility/Effectiveness. LAC's work is overseen by the Legislative Audit Council Governing Board. The board is composed of public and legislative members. The five public members are elected by the South Carolina General Assembly. The legislative members are ex officio and include chairs of (or designees from) the Senate and House Judiciary Committees, the Senate Finance Committee, and the House Ways and Means Committee.

The public members of the board were interviewed and complimentary of LAC staff and their work.

Suggestions for Improvement. During its review, the peer review team provided a few technical and procedural suggestions for LAC management to consider. The suggestions were not criticisms of the office; rather, they were provided as opportunities for LAC to further refine its practice of the audit profession and do not affect the peer review team's overall judgment of the office or its compliance with Government Auditing Standards.

APPENDIX A. PERFORMANCE AUDITS REVIEWED

A Limited Review of the S.C. Department of Alcohol and Other Drug Abuse Services, Report Number, 21-3, September 2022.

A Review of the S.C. Department of Health and Environmental Control Certificate of Need Program, Report Number 21-5, February 2022.

A Review of the South Carolina Public Charter School District, Report Number 20-1, June 2021.

S.C. Department of Social Services: A Limited Review of the Supplemental Nutrition Assistance Program and Child and Adult Care Food Program, Report Number 20-2, August 2021.

APPENDIX B. PEER REVIEW TEAM

Leah Blevins

Leah Blevins is an audit manager with the Utah Office of the Legislative Auditor General (OLAG). She has worked for OLAG for 17 years and has fulfilled the roles of staff auditor, audit supervisor, and now audit manager. As a generalist, her audit subjects range from the Department of Corrections to security in higher education buildings. Her most recent project was a comprehensive review of education in Utah, which resulted in a total of eight audit reports. Her entire professional career has been with OLAG after graduating from Brigham Young University with a master's degree in public policy.

Leah Blevins, Audit Manager
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Salt Lake City, Utah 84114

Craig Timmons

Craig Timmons is a manager in the Performance Audit Division of the Georgia Department Audits and Accounts. He has worked with the department for 19 years. In his current role as professional development lead, he charged with ensuring that performance audit staff receive sufficient and appropriate continuing education to comply with GAGAS and working directly with staff to develop fundamental and advanced knowledge, skills and abilities. In this role, he develops educational content and delivers it to staff, including content to ensure compliance with GAGAS.

Prior to his current role, he served as lead researcher on performance audits for more than 15 years and was responsible for ensuring they comply with GAGAS. He has prior experience conducting GAGAS peer reviews and has worked with the department's internal quality assurance unit to evaluate performance audit overall compliance with GAGAS. Mr. Timmons served as the lead researcher on two performance audits that received 2015 and 2017 NLPES Certificates of Impact.

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Brenda Erickson

Brenda Erickson is a program principal in the Legislative Staff Services Program at NCSL. She specializes in legislative processes and serves as the NCSL liaison to NLPES. She coordinated peer reviews for the Hawaii Office of the Auditor, Montana Legislative Audit Division, Nebraska Legislative Audit Office, Office of the District of Columbia Auditor, Washington Joint Legislative Audit and Review Committee, West Virginia Post Audit Division, and West Virginia Performance Evaluation and Research Division. She also has participated in numerous assessments of legislative process and staffing, including studies in Arizona, Arkansas, Maine, Oregon, Tennessee and Virginia. She has worked at NCSL for 38 years. Before joining NCSL, she worked for the Minnesota House of Representatives for five years. She received her bachelor's degree in math from Bemidji State University.

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APPENDIX C. PROFILES OF PROGRAM EVALUATION OFFICES

Among the many roles state legislatures play—debating public policy, enacting laws and appropriating funds—is the fundamental responsibility to oversee government operations and ensure that public services are effectively and efficiently delivered to citizens.

To help meet this oversight responsibility, most state legislatures have created specialized offices that conduct research studies and evaluate state government policies and programs. These studies—variously called policy analyses, program evaluations, performance audits or sunset reviews—address whether agencies are properly managing public programs and identify ways to improve them. Similar offices in legislatures around the country serve a vital function. They significantly bolster legislatures’ ability to conduct independent oversight of the other branches of government and determine if legislative program priorities are adequately fulfilled.

Most legislative program evaluation offices have been in operation for several decades. According to a 2019 NLPES survey of legislative audit offices, about 25% of these offices have served their legislatures for more than 50 years. Approximately two-third of audit offices were created during the 1970s, 1980s and 1990s. At least six offices have been created since 2000. South Carolina has had a performance audit function in place since 1975.

To help ensure that they produce high-quality work, audit offices use professional standards to guide their activities. Approximately 65% of offices follow Government Auditing Standards, issued by the by the Comptroller General of the United States. One quarter of offices use either American Evaluation Association or internally developed standards. Only a handful of offices have not adopted formal standards. The South Carolina Legislative Audit Council conducts its performance audits in accordance with the generally accepted government auditing standards for performance audits contained in the Government Auditing Standards (2018 Revision), internal operating guidelines and professional best practices.

Legislative program evaluation offices vary substantially in size, reflecting the diversity among states and legislatures. According to a 2019 NLPES survey, 22% of legislative audit offices reported having fewer than 10 staff, 50% have 11-30 evaluation staff, 9% have 31-50 staff, and 19% of the offices have 51 or more staff. The South Carolina Legislative Audit Council currently has 18 audit staff, so its staff size aligns with most of its peer legislative audit offices.