



SOUTH CAROLINA GENERAL ASSEMBLY **Legislative Audit Council**

ENSURING ACCOUNTABILITY FOR SOUTH CAROLINA STATE GOVERNMENT FOR 50 YEARS

OVERVIEW

Since the inception of the South Carolina Legislative Audit Council (LAC) in 1975, we have worked continuously to improve state government agency programs and operations by identifying ways to reduce costs and improve operational efficiencies. Early news reports described our agency as a “watchdog and research arm of the General Assembly” and an “instrument of inquiry and accountability”¹ to ensure state government agencies were doing what they said they were doing, were following the law, and were fulfilling their respective missions. In creating the LAC, the General Assembly intended for the agency to function independently of partisan politics; thus, by law, no member of the General Assembly or anyone having served as a member in the preceding two years can be elected as a public member of the Council. Only the public members are authorized to vote on issues related to audits or personnel.

The LAC, which is a part of the legislative branch of government, ensures that the operations of the State and its governmental agencies follow the law and endeavor to achieve desired results. This builds an added layer of oversight to state government operations. Unlike the Office of the State Auditor (OSA) that conducts financial audits, we conduct performance audits at the request of members or committees of the General Assembly or as directed by statute. Over the past five decades, the LAC’s work has provided unbiased, fact-based information that includes recommendations designed to inform the General Assembly and the citizens of South Carolina as to what programmatic or procedural improvements can be made by an audited agency or within state government systems.

OUR COUNCIL: 1975 VERSUS 2025

In 1975, the agency was overseen by a Council consisting of three public members—one of whom had to be a practicing certified or licensed public accountant—and six ex officio members of the

¹Mauldin, Douglas. “Audit Council Taking Shape.” *The State*, 2 August 1975, p. 27.

General Assembly, including the Speaker of the House of Representatives, the Lieutenant Governor, the chairmen of the Senate and House Judiciary Committees, and the chairmen of the Senate Finance and House Ways and Means Committees. The agency's first director was the late George L. Schroeder, who served an impressive nine successive terms (roughly 33 years); later directors included Tom Bardin (2009-2011) and Perry Simpson (2012-2014).

The agency's most recent director, K. Earle Powell, has served since 2015 and is currently in his third term. Today's governing Council consists of five public members (one of whom must be a practicing certified public accountant or a licensed public accountant, and one of whom must be an attorney) and four ex officio members of the General Assembly, including the chairmen of the Senate and House Judiciary Committees and the chairmen of the Senate Finance and House Ways and Means Committees.

While the structure of the governing Council may have changed over time, the agency's adherence to Generally Accepted Government Auditing Standards (the Yellow Book) has never wavered. By adhering to these standards, the LAC ensures fairness, maintains independence and impartiality, and implements an intensive system of quality management.

OUR PROCESS

Since the agency's inception, the LAC has applied a comprehensive approach to conducting performance audits. This approach includes five basic audit areas:

- An agency's or agency program's compliance with applicable laws and regulations;
- The efficiency and appropriateness of an agency's operations and expenditures;
- The economy of a program or agency (i.e., whether services provided are worth the cost of their provision);
- The effectiveness of an agency or program (i.e., whether it adequately serves the public and fulfills the goals and expectations of those who appropriate its funds); and
- An agency's financial management and accountability systems.

Upon receipt and approval of an audit request by our Council, or as requested by a legislative oversight committee or as statutorily required, the LAC reviews both programmatic and fiscal activities of a state agency or system in order to recommend ways the agency, the system, and/or the General Assembly can bring about improvements to efficiency and effectiveness. Audits of limited scope typically take a shorter amount of time to complete, while systemwide reports require more extensive fieldwork and will take a longer amount of time. In our reports, we strive to present findings and recommendations that are impartial, objective, and useful to the legislature, the audited agency, and the citizens of South Carolina. We also may conduct follow-ups of our audits to provide the legislature with information on the status of recommendations made in our previous reports.

After an audit is approved or requested, we will assign an audit team to conduct survey work in order to develop an audit plan. The audit plan documents the research approach, the resource requirements, and the projected deadlines. This planning process determines the most cost-effective approach to satisfy the objectives of the audit. Fieldwork ensues, after which the audit team will develop a draft report that is reviewed internally to ensure compliance with Yellow Book standards. To prevent unintentional error or bias, we then share this preliminary report with the audited entity (or entities) for initial review and comment. The audit team will subsequently prepare a final report, to which the related audited entity's comments are appended.

OUR TEAM

Director Powell, a former performance auditor for the agency, leads our talented staff in the performance of our work. Most staff members have more than a decade of experience in South Carolina state government, and more than 60% have graduate-level degrees. Our staff includes persons who are certified fraud examiners, who are certified public managers, and who have backgrounds in diverse areas including, but not limited to, accounting, business, geographic information systems, human resources, information science, law, law enforcement, military, public administration, and public health.

OUR RESULTS

In total, the LAC has completed 264 audit reports of at least 70 different state government agencies, 120 sunset reviews, and 20 white papers. From those assessments, we have identified thousands of recommendations for suggested improvements in the performance of state government. And while not all improvements suggested by the LAC are financially quantifiable, they have contributed to the operational efficiencies achieved by state government agencies over the past 50 years.

Our average cost for conducting audits over the past ten fiscal years is \$93.64 per hour. For comparison, in 2015 the agency paid a private consulting firm \$106.82 per hour to perform an additional audit of a state government agency. Adjusted for inflation, that amount today would equal \$147.58 per audit hour.

HIGHLIGHTS FROM FIVE DECADES OF AUDITS

1975-1985
Program and Operational Review of the South Carolina Public Service Commission (1977)
We found that the South Carolina Public Service Commission had inadequate written procedures as to bookkeeping, property management, and travel/subsistence; had not reconciled property records to the agency inventory; and had questionable allowances for meals and for agency commissioners.
An Evaluation of Nuclear Preparedness in South Carolina (1980)
Through this multi-agency review, we found that there were deficiencies in a number of areas that could inhibit the overall effectiveness of the State’s capabilities to respond to a nuclear emergency. We recommended that the memorandum of understanding between the State and nuclear facilities located in South Carolina be modified to require immediate reporting of all non-routine incidents or occurrences at a nuclear facility which directly relate to any operation involving radioactive material.
A Review of the South Carolina State Ports Authority’s Grain Elevator at Charleston (1982)
We found that the management agreement between the State Ports Authority (SPA) and the Farm Bureau Marketing Association (FBMA) may not have been constitutional, resulting in the State subsidizing the FBMA to the extent of \$2.5 million and the SPA making a major policy decision without legislative approval. We also found that the SPA had not conducted annual inspections of both the facilities and equipment at the grain elevator in Charleston, though the management agreement required such inspection.
A Management and Performance Review of the Department of Mental Health (1983)
In this audit, we found, among other things, that the Department of Mental Health (DMH) did not report all cases of patient abuse to proper authorities, that patients were leaving DMH facilities without permission, that unauthorized use of alcohol and drugs was occurring on DMH inpatient campuses, and that the agency continued to have problems with the commitment of patients who were not mentally ill or did not require inpatient treatment.
A Management and Performance Review of Trident Technical College (1984)
We found that Trident Technical College students paid almost \$1.2 million more in tuition fees than necessary for state institution bonds used to fund the Ashley River campus construction.
1986-1995
A Review of the Relationship Between USC and Its Foundations and USC Discretionary Spending (1989)
We found that the University of South Carolina (USC) covered up records of expensive gifts and improperly channeled state funds from USC to secret foundation accounts.
A Review of the State Housing Finance and Development Authority (1991)
We found that the State Housing Authority provided mortgages to borrowers who could obtain loans from private lenders but did not do enough to help low-income citizens obtain loans.
Cost Savings for State Government: A Special Report (1992)
We identified a number of areas where the State could reduce costs (e.g., travel, education, Medicaid, and printing/postage) or could increase revenue (e.g., tax collection and state agency property sales). One thing we found was that South Carolina owned more passenger aircraft than other Southeastern states. After our audit, South Carolina’s fleet was reduced by more than two-thirds.

1986-1995

A Management Review of the Savannah Valley Authority (1993)

We found that the Savannah Valley Authority did not hold its contractors accountable for the results of state expenditures. The authority had spent more than \$2 million on its contract with the Fontaine Company with little result. Also, the agency spent 10% of its budget to lobby the General Assembly. As a result of our audit, the authority became a part of the Department of Commerce.

A Management Review of South Carolina State University (1994)

We found that South Carolina State University students had accumulated more than \$1.7 million in unpaid debts for tuition, fees, and other charges. The university allowed students to sign promissory notes to defer payment and did not monitor the notes to ensure they were paid.

1996-2005

A Management Review of Winthrop University (1997)

We found that Winthrop University was providing unauthorized fee waivers to 187 graduate students, which cost the university \$475,000. Winthrop also did not enforce tuition payments from graduate business students; in 1995, 31 students owed \$190,000.

A Limited-Scope Review of the Residential Property Tax Relief Program (1999)

We found that the State residential property tax relief program may have overpaid local governments \$35.6 million between 1995 and 1998 for historically uncollectible taxes.

A Review of Selected Medicaid Issues (2001)

In two reports issued about the State's Medicaid program, we identified potential savings of state and federal funds and recommended changes in the prescription drug program for a savings of at least \$15.6 million. We also recommended that the Department of Health and Human Services enroll more eligible children and families in managed care for a potential savings of more than \$21 million.

A Review of the Department of Corrections' Prison Industries Program (2003)

We found that the employment of inmates of the S.C. Department of Corrections (SCDC) may create a competitive advantage over private sector workers and may cause displacement of private sector workers. We also found that SCDC had not consistently made deductions from the wages of inmates in the prison industries program who worked for private organizations. Had it done so for FY 01-02, more than \$200,000 in funding for victim restitution would have been allocated from those wages.

A Review and Follow-Up Report of the South Carolina Education Lottery (2005)

We found that the South Carolina Education Lottery (SCEL) had not adequately communicated to players the odds of winning, that scratch-off lottery tickets continued to be sold after all the top prizes had been claimed (for a total of \$19.9 million in tickets for 16 games), and that SCEL did not collect data on the sale of lottery tickets to minors.

2006-2015

A Review of the Child Protective Services Program at the Department of Social Services (2006)

We found that the Department of Social Services could have done more to protect vulnerable children, in that the agency violated either state law or agency policy designed to protect those children from abuse and neglect. We also found that the agency had delayed investigating allegations of abuse and neglect for up to 24 hours afterwards, had not met time requirements for meetings between supervisors and caseworkers after the acceptance of a report of abuse and neglect, and had issues with its Central Registry of Child Abuse and Neglect.

2006-2015

A Review of the Department of Motor Vehicles (2010)

We found that the Department of Motor Vehicles could consolidate maintenance facilities that provided the same services within the same geographic area. This would allow the State to reduce the amount of equipment and staff needed to operate those facilities. We also found that though some agencies may provide duplicate services, there could be economically valid purposes for not consolidating them.

A Review of the Professional and Occupational Licensing Division at the Department of Labor, Licensing and Regulation (2011)

We found that there were issues with contract management at the Department of Labor, Licensing and Regulation, that the agency's Office of Licensure and Compliance (OLC)—established to evaluate the process of issuing licenses—was not efficient in its work, and that 60% of complaint investigations involving violations of licensing practice acts were dismissed or had no action taken. After our audit, the agency eliminated the OLC and returned its departmental responsibilities to the respective licensing boards.

A Limited-Scope Review of the Department of Probation, Parole and Pardon Services (2013)

We found that the Department of Probation, Parole and Pardon Services received \$3.8 million in General Funds for sentencing reform intended to be spent on additional staff but instead used a portion of the funds to increase the agency's cash reserve. We also found that the agency did not properly reconcile a checking account; as a result, funds were withdrawn from the account without detection for two years (a fraud loss of \$325,000). We also found that the agency violated the S.C. Consolidated Procurement Code by using sole source procurements for items that were readily available from a number of vendors.

A Management Review of the Department of Employment and Workforce (2014)

We found that the Department of Employment and Workforce did not adequately account for all wage audit notices sent to employers to confirm the accuracy of benefit payments when claimants return to work or have earned wages during the quarter in which they filed for or received unemployment insurance benefits. We estimated that approximately \$15 million in potential fraud or overpayments were not pursued as a result.

2016-2025

A Limited Review of The Citadel (2017)

We found that the Board of Visitors of The Citadel were involved with cadet disciplinary appeals, unlike other governing boards or public universities or four-year colleges in South Carolina or at the five other senior military colleges. We also found that the Citadel Foundation purchased goods and services outside the S.C. Consolidated Procurement Code, which the college is required to follow.

Review of Incentive Programs Administered by the S.C. Department of Commerce (2020)

We found that the Department of Commerce did not conduct any post-fiscal impact analyses for job development credits given to companies for certain qualifying and eligible expenditures to determine if projects undertaken by those companies were successful. Following our audit, the agency updated its cost-benefit model and added relevant information to its annual report to increase transparency.

A Limited Review of the S.C. Department of Juvenile Justice and Follow Up to Our January 2017 Audit (2021)

We found that the Department of Juvenile Justice (DJJ) had insufficient camera surveillance at secure detention facilities and that incidents at those facilities involving juveniles had more than doubled since 2017. The agency subsequently hired a new director who ensured the implementation of many of the changes suggested in our 2017 report, including revamping recruitment, hiring, and training, as well as increasing officer pay.

2016-2025

A Limited Review of the S.C. Department of Disabilities and Special Needs: Agency Structure and Commission Issues [Part 1] (2023); New and Continuing Issues at DDSN [Part 2] (2023)

We found that the Commission of the S.C. Department of Disabilities and Special Needs had likely violated the provisions of the Freedom of Information Act, and we found that there were issues with, among other things, the provision of necessary and timely services to consumers; protecting consumers from abuse, neglect, and exploitation; staffing and operations at regional centers (including inadequate hiring practices); and training for Commissioners, staff, and consumers. We also noted the lack of support by the agency for assistive technology initiatives.

A Limited Review of the Charter Institute at Erskine (2025)

We found that the Charter Institute at Erskine spent a significant amount of funds for travel for professional development and for renting office space. In addition, we found that the Institute was financially and administratively supporting a separate nonprofit, Teach Right USA, towards which it may have used intergovernmental funds. Since our review, members of the South Carolina General Assembly have proposed changes to laws related to charter schools.

QUALITY ASSESSMENTS

The LAC is a proud member of the National Association of State Auditors, Comptrollers and Treasurers (NASACT) and its secretariat, the National State Auditors Association (NSAA), as well as the National Conference of State Legislatures (NCSL) and its secretariat, the National Legislative Program Evaluation Society (NLPES). Both NASACT and NCSL support state audit organizations at the national level, and NLPES supports those state agencies responsible for conducting performance audits. Since 2013, the LAC has contracted with NCSL to assess the agency's system of quality control and overall quality of reports. These peer reviews serve as a means to "audit the auditor" and are conducted every three years. The LAC has consistently received the most favorable peer review rating of "pass." We pride ourselves on our close relationship with NCSL and welcome its input on issues of quality control and assurance.

AWARDS

NATIONAL CONFERENCE OF STATE LEGISLATURES NATIONAL LEGISLATIVE PROGRAM EVALUATION SOCIETY

CERTIFICATES OF IMPACT	
	2025
A LIMITED REVIEW OF THE S.C. DEPARTMENT OF DISABILITIES AND SPECIAL NEEDS (DDSN): AGENCY STRUCTURE AND COMMISSION ISSUES [PART 1]; NEW AND CONTINUING ISSUES AT DDSN [PART 2]	
	2023
REVIEW OF INCENTIVE PROGRAMS ADMINISTERED BY THE SOUTH CAROLINA DEPARTMENT OF COMMERCE	
	2022
A LIMITED REVIEW OF THE S.C. DEPARTMENT OF JUVENILE JUSTICE AND FOLLOW UP TO OUR JANUARY 2017 AUDIT	
	2020
A LIMITED REVIEW OF THE S.C. DEPARTMENT OF CORRECTIONS	
	2019
A LIMITED REVIEW OF THE S.C. DEPARTMENT OF JUVENILE JUSTICE	
	2018
A REVIEW OF THE SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK	
	2015
A REVIEW OF S.C. FIRST STEPS TO SCHOOL READINESS	
	2011
A MANAGEMENT REVIEW OF THE S.C. EMPLOYMENT SECURITY COMMISSION	
	2008
A MANAGEMENT REVIEW OF THE S.C. DEPARTMENT OF TRANSPORTATION	
	2005
A REVIEW OF THE PUBLIC SERVICE COMMISSION	
	2004
AN ADMINISTRATIVE REVIEW OF THE DEPARTMENT OF COMMERCE	
	2002
A REVIEW OF SELECTED MEDICAID ISSUES: FRAUD AND ABUSE, PRESCRIPTION DRUG COSTS, AND FUNDING	
	1999
A MANAGEMENT REVIEW OF THE DEPARTMENT OF NATURAL RESOURCES	
	1998
AUTO INSURANCE IN SOUTH CAROLINA	
EXCELLENCE IN EVALUATION AWARD	
	2008
S.C. LEGISLATIVE AUDIT COUNCIL	

LEGISLATIVE STAFF ACHIEVEMENT AWARD

2008

S.C. LEGISLATIVE AUDIT COUNCIL

EXCELLENCE IN RESEARCH DESIGN AND METHOD

1991

A LIMITED-SCOPE REVIEW OF THE DEPARTMENT OF SOCIAL SERVICES

OUTSTANDING CONTRIBUTIONS IN THE FIELD OF LEGISLATIVE PROGRAM EVALUATION

1990

S.C. LEGISLATIVE AUDIT COUNCIL

NATIONAL ASSOCIATION OF STATE AUDITORS, COMPTROLLERS AND TREASURERS

NATIONAL ASSOCIATION OF STATE AUDITORS

EXCELLENCE IN ACCOUNTABILITY

2016

A REVIEW OF CHILD WELFARE SERVICES AT THE DEPARTMENT OF SOCIAL SERVICES

SOUTH CAROLINA ASSOCIATION OF TAXPAYERS

STATE AGENCY OF THE YEAR

2008

S.C. LEGISLATIVE AUDIT COUNCIL

ON THE HORIZON

As far as our audit process goes, one thing that has changed over 50 years is the agency’s transition from a paper-based audit process to an electronic process. This has, in the spirit of the work we do, resulted in significant cost savings and audit process efficiencies. We are currently evaluating other innovations, such as the use of artificial intelligence programs. We are also developing rapid response procedures to provide for an expedited review of audits with very limited scopes. We look forward to our next decade of bringing accountability and transparency to state government operations.

