

South Carolina General Assembly

LEGISLATIVE AUDIT COUNCIL



ANNUAL ACCOUNTABILITY REPORT

FY 00-01

LAC

LEGISLATIVE AUDIT COUNCIL

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August 30, 2001

His Excellency, James Hodges, Governor
and Members of the General Assembly:

We are pleased to provide the annual accountability report of the South Carolina Legislative Audit Council for the fiscal year ended June 30, 2001. The LAC encourages legislative requests for performance audits and is committed to audit work that will be responsive to legislative needs. Please call me or Jane Thesing, assistant director, at (803) 253-7612 with questions or comments.

Respectfully submitted,

A handwritten signature in cursive script, reading "George L. Schroeder".

George L. Schroeder
Director

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Section I — Executive Summary

Major Achievements

In FY 00-01, the Legislative Audit Council published eight performance audits of state government programs. We made 109 recommendations and identified potential cost savings of more than \$43 million. In addition, we identified many ways to improve the performance of state government that do not involve cost savings.

The audits published in FY 00-01, with a summary of findings and recommendations, are listed below.

Impact of the South Carolina Family Independence Act: 1998 to 2000 (August 2000)

This review examined the changes brought about as a result of the Family Independence Act from 1998 to 2000. This audit primarily addressed the following three issues: (1) The number of families and individuals no longer receiving welfare; (2) The number of individuals who have completed educational, employment, or training programs; and (3) The number of individuals employed and the duration of their employment. We found there had been a 38% reduction in Family Independence (FI) cases from January 1998 to December 1999. Moreover, the number of individuals completing education and training programs is low relative to the number enrolled per month. From January 1998 to December 1999, a monthly average of only 14% of the clients enrolled completed education and training programs. Finally, during the same time period, Family Independence recipients obtained 18,754 full-time jobs and 7,327 part-time jobs. On average, 78% of FI recipients were employed three months later, and 61% remained employed six months later.

Contact: Andrea Truitt, Senior Auditor/Staff Counsel

A Management Review of the Charleston Naval Complex Redevelopment Authority (September 2000)

The Charleston Naval Complex Redevelopment Authority (RDA) oversees the redevelopment and reuse of federal property at the former naval base in North Charleston, which was closed in 1996. The RDA is responsible for sub-leasing the buildings, piers, and other facilities to businesses and government organizations. The audit requesters asked that we review the RDA's leasing practices, its relationship with the S.C. State Ports Authority, and its compliance with the Freedom of Information Act. We found that the RDA does not market the former naval properties before they are leased, and neither does it establish written asking prices. The RDA sub-leased a large portion of the base to the S.C. State Ports Authority without first marketing the property to other interested parties. We also found that the confidential lease negotiations held by RDA were allowed by the Freedom of Information Act.

Contact: Kathy Snider, Audit Manager

A Review of the State Operations of the Adjutant General (December 2000)

We reviewed with state operations of the Adjutant General (AG) with a focus on program management and compliance. In the area of facilities management, we found that improvement was needed in determining maintenance priorities. Also, the AG has not always had appropriate controls to ensure that construction projects are adequately monitored. Some participants in the National Guard's tuition assistance program did not meet program requirements, and the AG has not adequately pursued collection of funds owed to the program. The state pension benefit for members of the National Guard has not been adequately funded, which may violate the South Carolina Constitution. Other findings related to leave reporting, hiring practices, and the placement of the emergency management function.

Contact: Jane Thesing, Assistant Director

A Review of Transportation Services Provided by State Agencies (January 2001)

This review primarily examined costs incurred by state agencies to transport their clients to and from medical appointments, work sites, and day treatment programs. We obtained data from five state agencies which indicated that these agencies did not know the full extent of their transportation costs. In these agencies, we were able to identify a minimum of \$38.7 million spent on client transportation in FY 98-99. Our review also examined the coordination of transportation services by the South Carolina Department of Transportation. We found that the agency has not coordinated transportation services on a statewide basis as required by state law. Other findings related to the administrative operations of the Department of Transportation's mass transit division. We concluded that division staff did not verify data from transit providers which was used to determine the amount of funding received by those providers.

Contact: Priscilla Anderson, Audit Manager

A Review of Selected Medicaid Issues (February 2001)

Members of the General Assembly requested an audit of the Department of Health and Human Services' (DHHS) management of the state Medicaid program after DHHS incurred a deficit in state funds for FY 99-00. Medicaid is a federal-state program to provide health care for low-income families, children, the aged, and the disabled. We found that DHHS has not aggressively pursued fraud and abuse by Medicaid providers and recipients. Questionable cases were seldom referred to fraud investigators, and the department was not effectively collecting funds from health care professionals who filed incorrect or fraudulent claims. We also found that DHHS had not developed the drug use policies that could help limit increases in prescription drug costs, which had doubled over the past five years. The state's Medicaid budget was also severely affected by increases in the number of recipients, changes in the federal portion of funding, and the use of non-recurring state funds.

Contact: Kathy Snider, Audit Manager

A Review of South Carolina School Bus Operations (April 2001)

We reviewed the Department of Education's (SDE) school bus operations and found that SDE had used unreliable data in reporting that it had ". . . the lowest transportation costs in the country." We found that national data lacks uniformity and that the methods for calculating costs and the types of costs included vary from state to state. We also found that a statistically valid comparison of school bus accident and injury rates cannot be done with existing data.

We compared school bus prices in South Carolina to those in other states and found that SDE was purchasing school buses which cost significantly more. In addition, we found that SDE had not adequately monitored its school bus inspection program. Further, we found that one school had not complied with the requirements for random drug testing. Finally, we recommended that SDE improve its performance measures that relate to quality of service by reporting average ride times, morning pick-up times, and tardiness.

Contact: Perry Simpson, Audit Manager

A Review of Higher Education Performance Funding (June 2001)

Although the law required the Commission on Higher Education (CHE) to allocate all funds based on performance beginning in FY 99-00, only a small percentage of funding has been affected by performance scores. We recommended that the law requiring appropriations for higher education to be based entirely on performance should be changed. Also, when Act 359 mandated that CHE allocate funds based on performance, the institutions did not start on a level playing field. The CHE has complied with the law in developing and implementing performance measures, but the system of performance measures does not provide a comprehensive assessment of institutional quality. Also, performance funding has had little effect on the elimination of waste and duplication in higher education.

Contact: Jane Thesing, Assistant Director

Mission and Values

The LAC's mission is to conduct performance audits of state agencies and programs to help ensure that their operations are efficient, they maximize performance, and they follow the law. In conducting audits, the LAC seeks to uphold the values of responsiveness, fairness, independence, thoroughness, and accuracy.

Key Strategic Goals

The LAC has had two strategic goals since its inception:

1. Identify specific ways to reduce the cost of state government.
2. Identify specific ways to improve the performance of state government.

Opportunities and Barriers

In FY 00-01, the General Assembly established a state lottery and authorized the LAC to conduct periodic audits of the system. This presents an opportunity for the LAC to help ensure the integrity that is necessary for the lottery to be successful.

In FY 01-02, the LAC will begin to report on the extent to which recommendations in prior audits have been implemented. As a result, the LAC will have greater opportunity to ensure that improvements take place.

Currently there is a backlog of requests for audits. Due to our limited number of staff, legislators must often wait six to nine months before we can begin work on an audit.

Section II — Business Overview

Number of Employees

The LAC had 15 employees at the end of FY 00-01 and was in the process of replacing one employee who had retired and another who had resigned.

Office Location

The LAC operates out of a single location at:

1331 Elmwood Avenue
Suite 315
Columbia, SC 29201

Expenditures and Appropriations

Major Budget Categories	99-00 Actual Expenditures		00-01 Actual Expenditures		01-02 Appropriations Act	
	Total Funds	General Funds	Total Funds	General Funds	Total Funds	General Funds
Personal Service	\$766,615		\$825,151		\$834,712	
Other Operating	236,883		168,246		110,783	
Special Items						
Permanent Improvements						
Case Services						
Distribution to Subdivisions						
Fringe Benefits	177,682		203,840		205,516	
Non-recurring						
TOTAL	\$1,181,180		\$1,197,237		\$1,151,011	

Key Customers

The LAC's primary customer is the General Assembly, which represents the citizens of South Carolina.

Key Suppliers

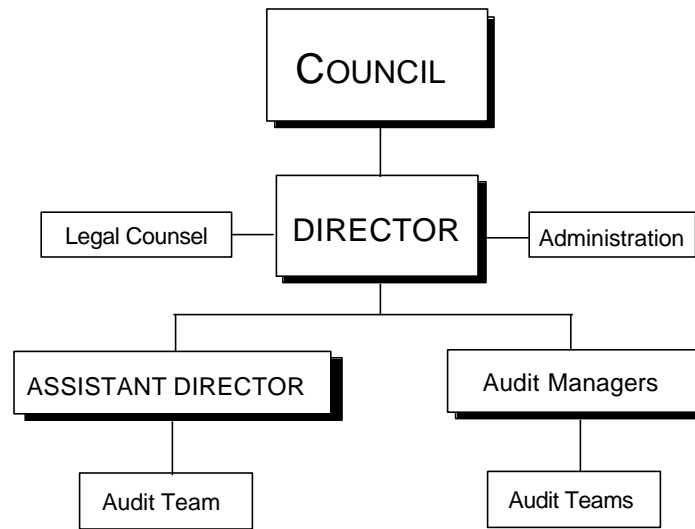
The primary inputs used by the LAC to produce audits are labor and information. Below we describe the key suppliers of these inputs:

- LAC employees do almost all of the data collection, analysis, and writing required to prepare an audit. Infrequently, we will obtain the services of an outside entity to conduct analysis. Our key suppliers of 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 Comptroller General, State Treasurer, and the Office of Human Resources), agencies in other states, and the federal government.

Major Products and Services

The LAC provides information, analysis, and recommendations to assist the General Assembly and state agencies in improving the operation of state government. A key component of these products is the independent, accurate, and thorough manner in which they are provided.

Organizational Structure



Section III — Elements of Malcolm Baldrige Award Criteria

Category 1 — Leadership

1. How do senior leaders set, deploy, and communicate:

a) Short- and long-term direction?

The LAC's senior leaders (council, director, assistant director, and three audit managers) set the long-term direction and policy of the agency using:

- Section 2-25-10 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 quality teams.
- Input, both informally and formally, from the General Assembly.

Long-term direction and policy are communicated at agency and audit team meetings and through audit and policy manuals. Short-term direction is established through the development of audit plans that are written and carried out with the assistance of staff.

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 communicated at agency and audit team meetings, 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 communicated at agency and audit team meetings, through audit and policy manuals, and through a written personnel evaluation instrument.

d) Empowerment and innovation?

The LAC's senior leaders encourage input and innovative ideas from staff throughout the year. This organizational atmosphere is evident in the agency's informal discussions, staff meetings, and ad hoc quality teams. In FY 00-01, senior leaders also initiated use of an independently developed and administered survey to more formally measure the views of staff.

e) Organizational and employee learning?

The LAC's senior leaders establish organizational and employee learning objectives to coincide with the strategic goals of the LAC, which are identifying ways to reduce the cost and improve the performance of state government. These objectives are consistent with the training required by Government Auditing Standards. Learning objectives are communicated through audit and policy manuals, and during audit planning and employee performance evaluations.

f) 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 communicated at staff meetings, audit and policy manuals, and through a written personnel evaluation instrument.

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

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

3. What key performance measures are regularly reviewed by your senior leaders?

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.

4. How do senior leaders use organizational performance review findings and employee feedback to improve their own leadership effectiveness and the effectiveness of management throughout the organization?

In response to peer reviews of LAC compliance with Government Auditing Standards, senior leaders have improved communication with audited agencies and have made the supervision of working papers a more structured process. Agency leaders use employee feedback to identify where organizational effectiveness could be improved. Management has also instituted ad hoc committees to deal with improvements in the timeliness of our work, our audit follow-up procedures, and our employee performance evaluation system.

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

In accordance with standards, the LAC considers the effects of all findings we report; these effects may involve all taxpayers or citizens. During audits, the LAC seeks the input and advice of citizen groups and business groups. The purpose of this effort is to obtain information to help ensure our recommendations result in lower costs and/or improved services without negative consequences that outweigh these benefits.

6. How does senior leadership set and communicate key organizational priorities for improvement?

Key organizational priorities for improvement are set by senior leadership in conjunction with staff. Sources of ideas for improvement come from leadership, staff, members of the General Assembly, and Government Auditing Standards. The forums for developing ideas, which are usually communicated by written policy, include staff meetings, management meetings, quality teams, and informal discussions.

7. How does senior leadership and the agency actively support and strengthen the community?

The LAC supports and strengthens South Carolina primarily by being a source of information about the workings of state government. To this end, the director speaks to community organizations throughout the year. Senior leadership answers questions from the media, which are the primary means by which most citizens learn of our audits. And, on a continual basis, we answer questions from citizens who need direction on how to obtain help from state government. Areas of emphasis usually follow the topics of recent audits, which are determined by the General Assembly.

Category 2 — Strategic Planning

1. What is your Strategic Planning process, including participants, and how does it account for:
 - a) Customer needs and expectations?
 - b) Financial, societal, and other risks?
 - c) Human resource capabilities and needs?
 - d) Operational capabilities and needs?
 - e) Supplies/contractor/partner capabilities and needs?

To date, the LAC has developed strategic goals and objectives without going through a strategic planning process, but will begin doing so in FY 01-02. We intend to involve all audit staff in the analysis of the organization and a determination of its strengths, weaknesses, opportunities, and barriers. Out of this process, we will develop a written strategic plan that will be linked to strategic goals and objectives.

2. How do you develop and track action plans that address your key strategic objectives?

At the beginning of each audit, the LAC develops a written action plan in which we identify specific ways to reduce the cost and/or improve the performance of state government. Action plans are developed using state law, written audit requests, discussions with legislators, and discussions with agency officials.

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

Strategic objectives, action plans, and performance measures are communicated internally through monthly status reports, at agency and team meetings, and through audit and policy manuals.

Category 3 — Customer Focus

1. Identify key customers and stakeholders.

The LAC's primary customer and stakeholder is the General Assembly, which represents the citizens of South Carolina.

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

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. After each audit has been published, we conduct written satisfaction surveys of legislators.
- Determining the key requirements of the public 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 provide news media from around the state copies of our reports and respond to questions they may have.

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

In recent years, the LAC has expanded the methods by which it listens to and learns the needs of legislators, including post audit surveys. We also now depend on the Internet for learning the needs of customers and, through our website, communicating with customers. We emphasize direct communication with legislators and staff to determine their needs.

4. How do you use information from customers/stakeholders to improve services or programs?

The LAC has learned that legislators want audits to be completed in a more predictable and timely manner. Beginning in FY 01-02, we are initiating a strategic objective called “product timeliness.” For each audit, we will communicate to the legislative requesters our projected date of publication. We will seek to publish 80% of audits by the date projected. To ensure better communication with our customers, all LAC reports are available on our website at www.state.sc.us/sclac. We also make available one- to four-page summaries of each report.

5. How do you measure customer/stakeholder satisfaction?

The LAC measures the satisfaction of legislators with post audit surveys.

6. How do you build positive relationships with customers and stakeholders?

The LAC maintains open lines of communication as a means of building positive relationships with legislators and the public. LAC staff regularly contact legislators and legislative staff to provide information in our audits that may be of use to them in dealing with an issue or problem. On short notice, any legislator or member of the public can meet with a senior staff member of the LAC. Also, all LAC audits are available free of charge and can be accessed on the Internet.

Category 4 — Information and Analysis

1. How do you decide which operations, processes, and systems to measure?

Audit Results

The primary process measured by the LAC is its audits and their impact on state government. To date, LAC has measured the:

- Financial benefits *identified* in LAC audits.
- Recommendations *made* in LAC audits.

In FY 01-02, the LAC will initiate two additional audit results measurements to more fully show audit impact:

- Financial benefits *realized* from LAC audits.
- Recommendations *implemented* from LAC audits.

These four measurements were selected to quantify the LAC’s strategic goals of identifying ways to reduce the cost and improve the performance of state government.

The type of auditing the LAC does and the way it gets assignments make it difficult to quantify *objectives* or *benchmarks* 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. Therefore, to date we have not established quantified objectives and benchmarks for cost reduction or performance improvement.

Quality and Efficiency

The LAC also has quantified internal management objectives that it associates with audit quality and efficiency. These were determined by LAC senior leaders, in conjunction with staff. Below is a list of current internal management objectives and new objectives established for FY 01-02:

- 90% of auditors will have graduate degrees or professional licenses.
- 100% of auditors will have a minimum of 20 training hours in the past year and 80 hours in the past two years.
- The LAC will comply with Government Auditing Standards, as determined by peer reviews conducted every three years by teams of auditors from throughout the United States.
- 80% of South Carolina legislators will be satisfied with the quality of our audits.
- In FY 01-02, we will initiate an employee satisfaction objective. As measured by the Campbell Organizational Survey, we will seek to score at the 55th percentile of organizations nationwide.
- In FY 01-02, we will initiate a timeliness objective. For each audit, we will communicate to the legislative requesters our projected date of publication. We will seek to publish 80% of audits by the date projected.
- In FY 01-02, we will initiate a cost objective. We will seek to limit the LAC's costs to \$55 per audit hour.

2. How do you ensure data quality, reliability, completeness, and availability for decision-making?

The LAC ensures the soundness of data (i.e. quality, reliability, completeness, and availability) 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 regarding LAC compliance with audit standards is ensured by peer review teams from other states assigned to review the LAC. The soundness of data provided by other organizations is ensured by LAC staff who make comparisons with other sources of data and review internal controls of the agencies being audited. In addition, during our exit process,

agencies are allowed to review and comment on our reports prior to publication to help ensure accuracy.

3. How do you use data/information analysis to provide effective support for decision-making?

As a result of peer reviews, conducted every three years by teams of auditors from throughout the United States, the LAC has improved communication with audited agencies and has made the supervision of working papers a more structured process. These changes help ensure compliance with Government Auditing Standards. In response to an employee survey, the LAC plans to initiate a study of the agency's pay levels in relation to comparable positions elsewhere.

4. How do you select and use comparative data and information?

The LAC has chosen to follow Government Auditing Standards because they are recognized as the national standard for government performance auditing. These standards are detailed in their requirements. They relate to issues including independence, objectivity, thoroughness, and accuracy. The multi-state peer review teams, who help interpret and apply these standards, provide the LAC with information that is used to assess our organization in relation to those in other states.

Category 5 — Human Resources

1. How do you and your managers/supervisors encourage and motivate employees (formally and/or informally) 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 regular informal positive recognition from senior leaders and through promotion within the organization.

2. How do you identify and address key developmental and training needs, including job skills training, performance excellence training, diversity training, management/leadership development, new employee orientation, and safety training?

As part of the planning process for each audit, managers must assess training needs of the staff who will be participating in the audit. Also, as part of employee performance evaluations, individual training needs are assessed. The LAC provides the quantity and types of training that are required by Government Auditing Standards. Courses are provided to new and experienced LAC staff relating to their specific job skill needs, performance excellence, and management/leadership development. These courses are

identified keeping in mind the LAC's two strategic goals of identifying ways to reduce the cost and improve the performance of state government.

3. How does your employee performance management system, including feedback to and from employees, support high performance?

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. The performance of employees who are not auditors is evaluated annually and is also tied to the skills needed. All performance evaluations are discussed in private meetings, during which the views of the staff and his or her supervisor are exchanged. During FY 00-01, an LAC quality team evaluated and revised our performance evaluation instrument to ensure that the evaluation process facilitates communication and promotes employee improvement. The new instrument will be used for the first time in FY 01-02.

4. What formal and/or informal assessment methods and measures do you use to determine employee well being, satisfaction, and motivation?

In FY 00-01, the LAC initiated use of the "Campbell Organizational Survey" to formally measure the views of staff. This survey enables us to measure changes in the perceptions of staff across time. Informally, we assess employee well being, satisfaction, and motivation at regular agency and audit team meetings.

5. How do you maintain a safe and healthy work environment?

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.

6. What is the extent of your involvement in the community?

The LAC is actively involved in the community of South Carolina. The director speaks to community organizations throughout the year. On a continual basis, we receive visits and telephone calls from citizens who need direction on how to obtain help from state government.

Category 6 — Process Management

1. What are your key design and delivery processes for products/services, and how do you incorporate new technology, changing customer and mission-related requirements, into these design and delivery processes and systems?

The LAC's single program is conducting performance audits of state agencies and programs. The processes and systems that are required for us to complete audits successfully include determination of the needs of legislative customers and the views of LAC staff, and adherence to Government Auditing Standards such as independence, thoroughness, and accuracy.

The LAC uses multiple methods for ensuring that these processes and systems are carried out consistently and efficiently. We utilize 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. We conduct employee satisfaction surveys of LAC staff and form ad hoc quality teams to ensure their involvement. We establish detailed policies, review the accuracy and completeness of working papers, and maintain active membership in the National Legislative Program Evaluation Society to help ensure that we comply with and remain up-to-date with Government Auditing Standards.

We have incorporated new technology into design and delivery processes and systems in several ways. We use desktop publishing technology for in-house publication of audit report summaries. In addition, all LAC publications are available on the Internet at www.state.sc.us/sclac.

2. How does your day-to-day operation of key production/delivery 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 questions from state legislators in a responsive, fair, independent, thorough, and accurate manner. In FY 00-01, for example:

- The LAC director and audit managers used monthly time sheets to ensure that audits were completed in a timely manner.
- The LAC director and audit manager reviewed working papers and carried out quality review processes for each report published to ensure that the LAC passes its peer review process.
- After each audit, the LAC administered satisfaction surveys to the legislators who requested the audit.
- The LAC director tabulated the financial benefits identified in audits as well as the number of recommendations.

- LAC audit managers used personnel records to ensure that auditors have or are working toward graduate degrees or professional licenses (e.g. law and accounting).
- The LAC 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 staff participated in ongoing communication with organizations in other states to keep abreast of developments in performance evaluation and auditing throughout the nation.

3. What are your key support processes, and how do you 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 is ongoing training in current technology. Such training is provided primarily by technical colleges and private trainers. The format of our reports is modeled after those published by the federal General Accounting Office and other states.

4. How do you manage and support your key supplier/contractor/partner interactions and processes to improve performance?

Because the LAC employs fewer than 15 auditors, we have limited influence over the education and training processes used by our key suppliers of labor — colleges and universities and other government agencies. Nonetheless, the LAC director has informal, occasional communication with colleges and universities regarding their educational programs. Also, the LAC regularly hires interns who are college and university students.

Regarding the suppliers of the information with which audits are conducted, the LAC regularly issues recommendations for improving the data reported by South Carolina state agencies. We have given particular emphasis toward the accuracy of information and its consistency across time, geography, and organizations. Outside of making recommendations, we regularly work with other state agencies to ensure that information is reliable. The director of the LAC is currently involved in a multi-agency effort to standardize and improve the quality of information maintained in the records archive maintained by the state.

Category 7 — Results

Audits published by the LAC in FY 00-01 and summaries of findings and recommendations are listed below.

Impact of the South Carolina Family Independence Act: 1998 to 2000 (August 2000)

This review examined the changes brought about as a result of the Family Independence Act from 1998 to 2000. This audit primarily addressed the following three issues: (1) The number of families and individuals no longer receiving welfare; (2) The number of individuals who have completed educational, employment, or training programs; and (3) The number of individuals employed and the duration of their employment. We found there had been a 38% reduction in Family Independence (FI) cases from January 1998 to December 1999. Moreover, the number of individuals completing education and training programs is low relative to the number enrolled per month. From January 1998 to December 1999, a monthly average of only 14% of the clients enrolled completed education and training programs. Finally, during the same time period, Family Independence recipients obtained 18,754 full-time jobs and 7,327 part-time jobs. On average, 78% of FI recipients were employed three months later, and 61% remained employed six months later.

Contact: Andrea Truitt, Senior Auditor/Legal Counsel

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Contact: Kathy Snider, Audit Manager

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Contact: Jane Thesing, Assistant Director

A Review of Transportation Services Provided by State Agencies (January 2001)

This review primarily examined costs incurred by state agencies to transport their clients to and from medical appointments, work sites, and day treatment programs. We obtained data from five state agencies which indicated that these agencies did not know the full extent of their transportation costs. In these agencies, we were able to identify a minimum of \$38.7 million spent on client transportation in FY 98-99. Our review also examined the coordination of transportation services by the South Carolina Department of Transportation. We found that the agency has not coordinated transportation services on a statewide basis as required by state law. Other findings related to the administrative operations of the Department of Transportation's mass transit division. We concluded that division staff did not verify data from transit providers which was used to determine the amount of funding received by those providers.

Contact: Priscilla Anderson, Audit Manager

A Review of Selected Medicaid Issues (February 2001)

Members of the General Assembly requested an audit of the Department of Health and Human Services' (DHHS) management of the state Medicaid program, after DHHS incurred a deficit in state funds for FY 99-00. Medicaid is a federal-state program to provide health care for low income families, children, the aged, and the disabled. We found that DHHS has not aggressively pursued fraud and abuse by Medicaid providers and recipients. Questionable cases were seldom referred to fraud investigators, and the department was not effectively collecting funds from health care professionals who filed incorrect or fraudulent claims. We also found that DHHS had not developed the drug use policies that could help limit increases in prescription drug costs, which had doubled over the past five years. The state's Medicaid budget was also severely affected by increases in the number of recipients, changes in the federal portion of funding, and the use of non-recurring state funds.

Contact: Kathy Snider, Audit Manager

A Review of South Carolina School Bus Operations (April 2001)

We reviewed the Department of Education's (SDE) school bus operations and found that SDE had used unreliable data in reporting that it had ". . . the lowest transportation costs in the country." We found that national data lacks uniformity and that the methods for calculating costs and the types of costs included vary from state to state. We also found that a statistically valid comparison of school bus accident and injury rates cannot be done with existing data.

We compared school bus prices in South Carolina to those in other states and found that SDE was purchasing school buses which cost significantly more. In addition, we found that SDE had not adequately monitored its school bus inspection program. Further, we found that one school had not complied with the requirements for random drug testing. Finally, we recommended that SDE improve its performance measures that relate to quality of service by reporting average ride times, morning pick-up times, and tardiness.

Contact: Perry Simpson, Audit Manager

A Review of Higher Education Performance Funding (June 2001)

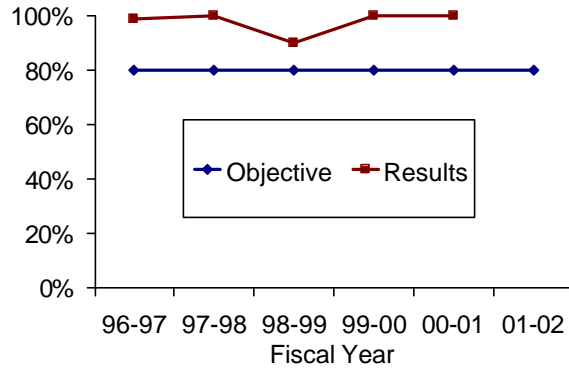
Although the law required the Commission on Higher Education (CHE) to allocate all funds based on performance beginning in FY 99-00, only a small percentage of funding has been affected by performance scores. We recommended that the law requiring appropriations for higher education to be based entirely on performance should be changed. Also, when Act 359 mandated that CHE allocate funds based on performance, the institutions did not start on a level playing field. The CHE has complied with the law in developing and implementing performance measures, but the system of performance measures does not provide a comprehensive assessment of institutional quality. Also, performance funding has had little effect on the elimination of waste and duplication in higher education.

Contact: Jane Thesing, Assistant Director

Performance Measures

1. What are your performance levels and trends for the key measures of customer satisfaction?

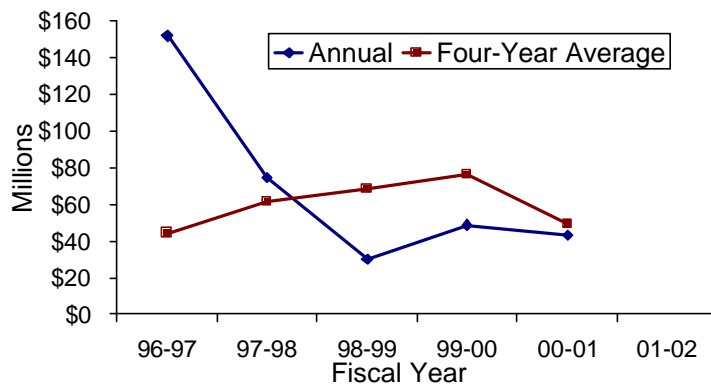
LEGISLATORS SATISFIED WITH QUALITY OF AUDITS



	FY 96-97	FY 97-98	FY 98-99	FY 99-00	FY 00-01	FY 01-02
Objective	80%	80%	80%	80%	80%	80%
Results	99%	100%	90%	100%	100%	

2. What are your performance levels and trends for the key measures of mission accomplishment?

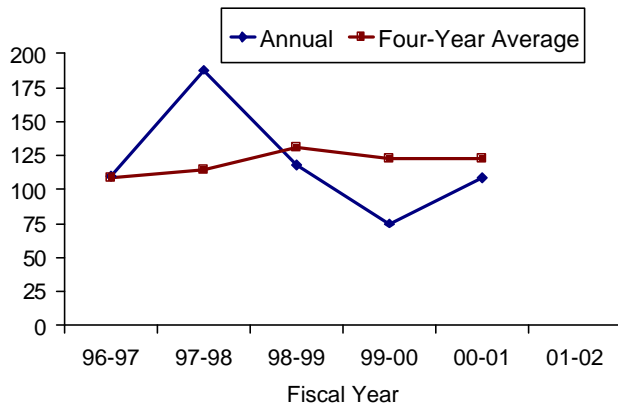
FINANCIAL BENEFITS IDENTIFIED*



	FY 96-97	FY 97-98	FY 98-99	FY 99-00	FY 00-01	FY 01-02
Annual	\$151.4 million	\$74.5 million	\$30.1 million	\$48.5 million	\$43 million	
Four-Year Average	\$44.3 million	\$61.1 million	\$68.3 million	\$76.1 million	\$49 million	

* For FINANCIAL BENEFITS IDENTIFIED, we include four-year averages to account for year-to-year volatility in the data. We do not have objectives for this item for the reasons discussed on pp. 14–15.

NUMBER OF RECOMMENDATIONS*



	FY 96-97	FY 97-98	FY 98-99	FY 99-00	FY 00-01	FY 01-02
Annual	110	188	118	75	109	
Four-Year Average	108.5	114.5	130.8	122.8	122.5	

* For NUMBER OF RECOMMENDATIONS, we include four-year averages to account for year-to-year volatility in the data. We do not have objectives for this item for the reasons discussed on pp. 14–15.

3. What are your performance levels and trends for the key measures of employee satisfaction, involvement, and development?

LAC SCORE ON EMPLOYEE ATTITUDE SURVEY COMPARED WITH ORGANIZATIONS NATIONWIDE*

	FY 96-97	FY 97-98	FY 98-99	FY 99-00	FY 00-01	FY 01-02
Objective						55 th Percentile
Results						

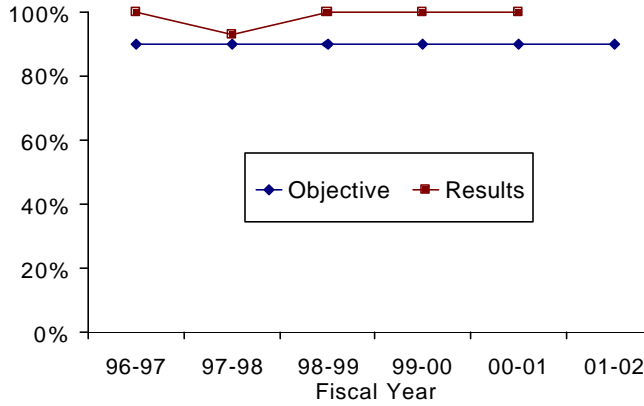
*This is a new performance measure for FY 01-02.

AUDITORS WITH MINIMUM TRAINING HOURS

	FY 96-97	FY 97-98	FY 98-99	FY 99-00	FY 00-01	FY 01-02
Objective	100%	100%	100%	100%	100%	100%
Results	100%	100%	100%	100%	100%	

4. What are your performance levels and trends for the key measures of supplier/contractor/partner performance?

AUDITORS WITH GRADUATE DEGREES OR PROFESSIONAL LICENSES



	FY 96-97	FY 97-98	FY 98-99	FY 99-00	FY 00-01	FY 01-02
Objective	90%	90%	90%	90%	90%	90%
Results	100%	93%	100%	100%	100%	

5. What are your performance levels and trends for the key measures of regulatory/legal compliance and citizenship?

THREE-YEAR PEER REVIEW

	FY 96-97	FY 97-98	FY 98-99	FY 99-00	FY 00-01	FY 01-02
Objective	Pass			Pass		
Results	Passed			Passed		

6. What are your current levels and trends of financial performance?

COST PER DIRECT AUDIT HOUR*

	FY 96-97	FY 97-98	FY 98-99	FY 99-00	FY 00-01	FY 01-02
Objective						\$55
Results						

AUDITS COMPLETED ON TIME*

	FY 96-97	FY 97-98	FY 98-99	FY 99-00	FY 00-01	FY 01-02
Objective						80%
Results						

*This is a new performance measure for FY 01-02.