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South Carolina General Assembly

LAC

Legislative Audit Council

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October 16, 1998

His Excellency, David M. Beasley, Governor
and Members of the General Assembly:

This is the annual accountability report of the South Carolina Legislative Audit Council for the fiscal year ended June 30, 1998. The report contains our executive summary, mission statement, program goals, objectives, and performance measures for the last two years.

The agency's mission, goals, and performance measures are determined by managers using an ongoing process that includes obtaining input from staff, and reviewing benchmarks used by our peer organizations around the country. The LAC's enabling statutes are also a key source for our mission statement. The mission statement is reviewed annually by the public members of the council as a part of the director's performance evaluation process.

The LAC encourages legislative requests for performance audits and is committed to audit work that will be responsive to legislative needs. Our staff maintains the highest professional standards for quality, and we welcome questions or comments concerning our work. Please call me or Cheryl Ridings, Deputy Director, at (803) 253-7612 with questions or comments.

Respectfully submitted,

George L. Schroeder
Director

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Executive Summary

The Legislative Audit Council (LAC), the oversight agency of the South Carolina General Assembly, is governed by a citizen council whose five members are elected by the General Assembly. We perform independent, objective performance audits of state operations, in order to provide members of the General Assembly with management information that can lead to improved economy and effectiveness in state government. This type of evaluation is central to accountability in the management of public resources and assists the General Assembly in evaluating how state programs are serving their customers (citizens and taxpayers).

We provide a number of services to the General Assembly, including program evaluations, compliance audits, economy and efficiency reviews, limited-scope audits, special investigations, briefings, testimony, and other governmental research and assistance. Our work may include some aspects of financial audits, such as review of contracts, grants, and internal control systems. However, our work does not duplicate that of the Office of the State Auditor, which performs year-end financial and compliance audits of all state departments, agencies, and institutions.

Our reports help answer questions such as — How well is a state agency or program serving the requirements of customers? Does a program fit the mission established by the General Assembly? Are obsolete and ineffective programs being funded, or, conversely, are citizens' important needs going unserved? Legislators depend on performance measures to evaluate agencies' results and determine if agency performance results are relevant and accurate. The LAC can help ensure that state agencies are measuring the right things, have identified the relevant processes, and that their measures are accurate. Audits can also provide specific detail on how tax dollars are used by state agencies. This information, may be critical to legislators considering funding for agencies or programs. We have produced over 225 reports which have identified billions in savings since 1975 when the agency was created. For example in one report, our 1992 statewide review of cost savings, we identified potential direct savings of $514 million over five years and recommended improved revenue collections of $353 million over five years.

When an audit request is received, council members evaluate and schedule projects using criteria such as the importance of the issue to the General Assembly, the impact of the program or agency, the amount of public funds affected, and the existing workload of the staff. After a request is approved, a team of three or four auditors prepares an audit plan which documents the research approach, the resource requirements, and projected deadlines. The planning process determines the most cost-effective approach which will satisfy the objectives of the study. When the research is completed, a draft report is prepared which is reviewed internally to verify the work meets standards generally accepted government auditing standards (GAGAS) from inception to completion. Subsequently, the audited agency(s) receives a confidential draft for review and comment. A final report containing any comments the agency wishes to address is released to the General Assembly and the public.

The LAC has received three national awards for excellence in performance auditing and evaluation methodology. In 1992, we were recognized by concurrent resolution of the General Assembly for outstanding skills in conducting performance audits. The LAC's compliance with nationally accepted government auditing standards has been confirmed by three independent outside reviews. We have always published the results of our evaluations and all reports are available to the public free of charge.

Mission Statement

The Legislative Audit Council's mission is to conduct independent, objective performance audits of state agencies and programs, as requested by the General Assembly and mandated by law. The purpose of this oversight role is to provide information which will assist the General Assembly and the public in determining whether state agencies are efficiently, effectively, and lawfully managing public resources, and whether agency programs are meeting their intended objectives.

Description of Programs

Conducting legislative oversight is the LAC's single program.

Program Cost

Program costs of $1,053,005 (state general funds) comprise the agency's entire expenditures for FY 97-98.

Program Goal

To conduct independent, objective performance audits of state agencies and programs, as requested by the General Assembly and mandated by law. The purpose of this oversight role is to provide information which will assist the General Assembly and the public in determining whether state agencies are efficiently, effectively, and lawfully managing public resources and whether agency programs are meeting their intended objectives.

Program Objectives

- ❑ To provide reports that are responsive to approved audit requests from customers in the General Assembly.
- ❑ To identify fraud, waste, mismanagement, and violations of state laws and regulations in our audit work.
- ❑ To conduct reviews of state agencies as required by state law.
- ❑ To identify opportunities for cost savings and to make recommendations for continuous improvements in government operations whenever possible.
- ❑ To provide independent nonpartisan reviews and conduct our work in compliance with the benchmarks established by generally accepted government auditing standards (GAGAS).
- ❑ To respond to 100% of inquiries received from customers in the General Assembly and the public.
- ❑ To continuously assess customer satisfaction through interviews and/or surveys performed at the completion of audit projects.
- ❑ To be proactive and control our cost per audit hour by maximizing the use of our operations and personal services resources.
- ❑ To be responsive to customers by compressing the cycle time allotted for review of draft audits.

- ❑ To maintain individual auditor training hours at a minimum of 20 hours per year and 80 hours per two-year period, the benchmarks stated in GAGAS.
- ❑ To continue to maintain a qualified and diverse professional staff.
- ❑ To regularly provide additional training and information for employees on quality management concepts.
- ❑ To annually identify and review at least one area of internal processes appropriate for quality review.
- ❑ To control printing costs by maximizing the use of competitive pricing.
- ❑ To continue to promote the alignment of agency goals and work processes through use of the audit team structure and regular staff meetings.

Performance Measures

Inputs	FY 96-97	FY 97-98
Number of FTE Auditors	14	15
Number of Auditor Training Hours	715	805
Percent of Audit Staff with Graduate Degrees/Licenses	100%	100%
Various Professional Fields Represented by Audit Staff	18	18
Percent Women and Minorities on Professional Audit Staff	64%	60%
Outputs		
Number of Audit Hours	23,053	23,489
Number of Reports Published	4	5
Outcomes		
Cost Savings/Improved Resource Allocation Identified	$151.4 million	$74.45 million
Recommendations for Improved Government Performance	110	188
Efficiency/Process		
Average Audit Cost Per Hour	$31.11	$30.82
Average Number of Days From Draft Report to Publication	95	87
Average Cost Per Auditor Training Hour	$14.45	$17.49
Average Number of Training Hours Per Auditor	51	54
Average Printing Cost Per Report	$3.01	$3.36
Percent of Budget Expended Directly on Performance Audits	71%	71%
Quality		
Number of Legislative Inquiries Received and Answered	11	39
Number of Public Inquiries Received and Answered	124	103
Internal Operations Identified and Reviewed for Quality Improvement	1	1
Demonstrated Compliance With Audit Standards	100%	100%
Legislative Customers Satisfied With Overall Quality of Reports	99%	100%