

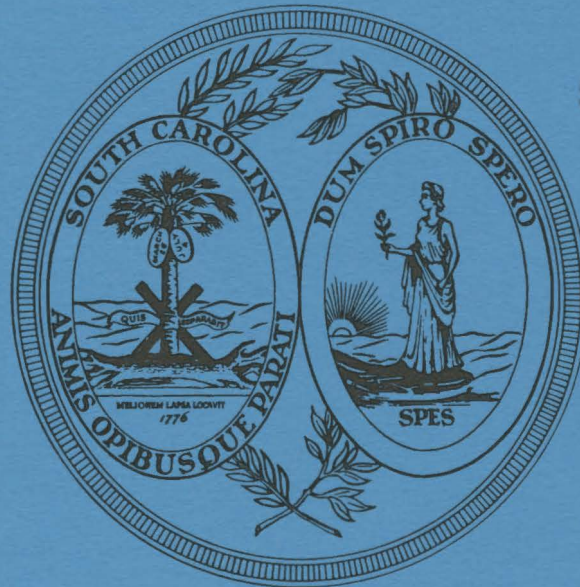
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SOUTH CAROLINA LEGISLATIVE AUDIT COUNCIL

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ANNUAL REPORT 1986-1987

Printed Under The Direction Of The
State Budget And Control Board



LEGISLATIVE AUDIT COUNCIL

STATE OF SOUTH CAROLINA

620 NCNB TOWER
COLUMBIA, SOUTH CAROLINA 29201

TELEPHONE:
803-734-1320

November 2, 1987

PUBLIC MEMBERS

JERRY D. GAMBRELL
Chairman
F. HALL YARBOROUGH
ROBERT S. SMALL, JR.

TO: His Excellency, Carroll A. Campbell, Jr., Governor
and Members of the General Assembly

EX-OFFICIO MEMBERS

SENATE

NICK A. THEODORE
Lt. Governor
Pres. - Senate
MARSHALL B. WILLIAMS
Chm. - Judiciary Comm.
REMBERT C. DENNIS
Pres. Pro Tempore
Chm. - Finance Comm.


This is the Annual Report of the South Carolina Legislative Audit Council for the fiscal year ended June 30, 1987. In addition to a general overview of the organization and activities of the Council, this report contains a summary of the 11 performance audits released during the year. Should you have any questions relating to any of these audits, please do not hesitate to contact me.

The Audit Council 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 any questions or comments you may have concerning our work.

HOUSE

ROBERT J. SHEHEEN
Speaker of House
ROBERT N. MCLELLAN
Chm. - Ways & Means Comm.
DAVID H. WILKINS
Chm. - Judiciary Comm.

Respectfully submitted,


George L. Schroeder
Director

GEORGE L. SCHROEDER
Director

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ORGANIZATION

The Legislative Audit Council is composed of three public members and six ex officio members. The public members, one of whom must be a practicing certified or licensed public accountant, are elected in a joint session of the General Assembly from a list chosen by a nominating committee. Any person who is a member of the General Assembly or has served in the preceding two years cannot be elected as a public member of the Council. Public members are elected to six-year terms and vote on all Council matters.

Ex officio members of the Council can vote on all matters except those pertaining to audit functions and personnel. The six ex officio members are the Chairmen of the Senate and House Judiciary Committees; the Chairmen of the Senate Finance and the House Ways and Means Committees; the Speaker of the House of Representatives; and the Lieutenant Governor.

Budget reductions resulted in the loss of two professional staff positions in FY 86-87 and has contributed to delays and slow down in some audit work. The total staff of 21 is headed by a Director. Seventeen professional staff of the Legislative Audit Council perform the audit work which is published in reports presented to the Legislature. This staff have varied backgrounds in areas such as business management, public administration, accounting, law, political science, education, economics, computer science, and statistics. This allows the Council to bring a broad perspective to its audit work.

Council Members

Jerry D. Gambrell, CPA, Chairman (1987)

Robert S. Small, Jr. (1989)

F. Hall Yarborough (1985)

AUDIT WORK

Under §2-15-10 et seq. of the South Carolina Code of Laws, the Audit Council is required to audit the operations of state agencies, to investigate fiscal matters as required, and to provide information to assist the General Assembly. During FY 86-87, the Audit Council issued 11 performance audits. Some of these audits are conducted at the request of individual legislators or groups of legislators who have questions about potential problems in state agencies or programs. Other audits are performed as a result of statutory mandate. For example, the

Sunset Act of 1978, the Education Finance Act of 1977, and §1-11-350 of the South Carolina Code of Laws all mandate specific audits to be performed on a regular basis. In FY 86-87, audits fell into two categories:

- Comprehensive Agency Audits
- Sunset Audits

Comprehensive Agency Audits

The nature of a comprehensive agency audit makes it the most time-consuming and lengthy audit type. Both fiscal and programmatic aspects of the operation must be investigated to fulfill audit standards. Comprehensive audits accounted for 63% of audit days for FY 86-87. A comprehensive approach covers five basic audit areas:

- (1) The agency's compliance to laws and regulations;
- (2) The efficiency of an agency's operations and expenditures;
- (3) The economy of a program or agency - assesses whether the services provided are worth the cost;
- (4) The effectiveness of an agency - assesses whether it adequately serves the public and fulfills the goals and expectations of those who appropriate its funds; and
- (5) The agency's financial management and accountability systems.

Sunset Audits

The Sunset Act of 1978 (Act 608, Title 1, Chapter 20) requires full-scope reviews of 40 state agencies and boards, carried out on a six-year cycle, to determine the impact that would occur if these agencies were terminated or reduced. The findings from sunset audits are used by the State Reorganization Commission and appropriate legislative committees as they consider whether to take action to reestablish the agencies. Public hearings are held as a part of this review process. In FY 86-87, the Council participated in the public hearings of seven boards scheduled to be terminated June 30, 1987. The Council also reviewed seven other boards scheduled for termination June 30, 1988.

Along with the two types of audits discussed, the Council performs program audits and system-wide audits.

Program Audits

At the direction of the General Assembly, the Council conducts audits of particular state programs, activities, or

special issues. These audits assess how efficiently, effectively, and economically a program is operated. They also address other questions such as whether a program is being carried out in accordance with the General Assembly's intent, or whether changes in the program would better serve the Legislature's goal of providing high-quality public services to South Carolinians at a reasonable cost.

System-Wide Audits

The Council audits state systems and activities which affect many agencies at the state and local level. System-wide audits since 1975 include studies of the state budget process, personnel operations, and the public education system. These audits examine the economy and efficiency with which services are provided and often recommend ways to reduce duplication of services.

Audit Request

In general, requests for audits are received in writing from the General Assembly as a whole, its committees, or its individual members. Other audits are performed when mandated by a specific piece of legislation or resolution. When a specific request for an audit is received, the requestor is notified that it will be placed on the Legislative Audit Council agenda.

The Council then evaluates the request using several criteria including:

- (1) the Council's enabling legislation, which states:

A request for fiscal research or related information for a standing committee, or for the Speaker of the House, or President Pro Tem of the Senate, shall take priority over such a request by an individual member of either body, except where that information has been previously requested by an individual member;

- (2) the impact of the program or agency on the citizens of South Carolina;
- (3) the amount of public funds appropriated to the agency;
- (4) the potential impact of the Council's recommendations on the efficient and effective delivery of services; and
- (5) the existing workload.

Requests for audits are assigned priorities and scheduled based on these five criteria. At this time, the requestor is notified.

The Legislative Audit Council encourages members and committees of the General Assembly to submit requests for audits. In this way, the Council is better able to discern the interests and concerns of legislators and to respond to these interests.

Audit Standards

In order to present unbiased information to the General Assembly, the Legislative Audit Council seeks to work in an objective and independent manner. To this end, all audit reports are documented according to accepted practices and standards recognized by the American Institute of Certified Public Accountants (AICPA), the U.S. General Accounting Office (GAO), and organizations concerned with legislative program evaluations.

In order to prevent unintentional error or bias, a draft copy of the audit report is discussed with the staff of the agency under review. The agency is invited to reply to the audit in writing, and its written comments become a part of the final report. An audit report must be reviewed and approved by the public members of the Legislative Audit Council. Until the report is given to the General Assembly, the information it contains is considered confidential. Upon publication, all audits become a matter of public record. Copies of the audit are sent to each member of the General Assembly, the Clerks of the House and the Senate, and the State Constitutional Officers, the Office of the Governor, the State Library, and the agency under review.

Members of the public and other interested parties are provided copies of the audit upon request. In addition, the audit manager of each audit is available to discuss any specific questions about the audit.

REVIEW OF AUDITS COMPLETED

The following section provides a brief summary of the audits completed during FY 86-87. A list of all audits performed to date follows the summaries.

A Management and Performance Review of the State Workers' Compensation Fund

The State Fund provides workers' compensation insurance for employees of state agencies and other governmental entities. Examples of poor management were found that raised questions relating to the solvency of the fund; the agency did not adequately monitor its reserves and did not reserve claims properly to ensure funding was available to cover participant losses. Additionally, the inefficient processing of claims and settlement of cases was hampered by poor management controls and the Fund had not complied with the law. A reorganization of the Fund and a plan for corrective action are recommended.

Contact Person: Cheryl Ridings

A Management and Performance Review of the South Carolina Tax Commission

The Tax Commission improperly administered the tax amnesty program and was not taking adequate steps to collect delinquent taxes from taxpayers not filing for amnesty. An audit selection system to maximize audit resources had not been developed. Tax liens were being improperly filed against taxpayers with no tax liabilities.

Contact Person: Tom Bardin

A Management and Performance Review of the College of Charleston

The College spent a substantial amount in state funds to raise funds for a private nonprofit organization. The College had not consistently followed its admissions policy in accepting students to the school. State laws and regulations had not been followed in areas of faculty sick leave, employee performance evaluations, and foreign travel. Improvements in recruiting minority students and academic and administrative computing were found.

Contact Person: Carol Routh

A Management and Performance Audit of the South Carolina Forestry Commission

The Forestry Commission did not ensure accountability of state and federal funds and could not accurately support budget requests. In addition, fire control personnel were not allocated properly across the state and fire control equipment was underused. Other problems were noted with agency personnel, affirmative action, and fee for service programs. The Commission had not taken adequate steps to encourage reforestation and little had been done to develop secondary forest industry.

Contact Person: Dr. Marilyn Edelho

Sunset Review of the Board of Examiners in Optometry

The Council concluded that regulation of optometrists and the Optometry Board should be continued. In most areas, the Board is operating efficiently and effectively. However, several laws and regulations relating to advertising and office location by optometrists limit competition while providing questionable benefits to the public. The Board's laws on licensure of out-of-state optometrists need to be clarified.

Contact Person: Andy Young

Sunset Review of the Board of Examiners in Opticianry

The Opticianry Board is needed to protect the public. The Board has operated efficiently and effectively. However, improvements are needed in the administration of the Board's practical examination and in the law for licensing out-of-state opticians. Also, two provisions in law restrict competition among opticians while providing questionable benefits to the public.

Contact Person: Andy Young

Sunset Review of the Board of Physical Therapy Examiners

The Council concluded that state regulation of physical therapy should continue. However, the Council recommended that a single board should regulate both physical therapy and occupational therapy. Also, the Board needs to adopt a policies and procedures manual and improve its system for handling complaints.

Contact Person: Carol Routh

Sunset Review of the Board of Occupational Therapy

The Council concluded that regulation of occupational therapy should be continued. However, a single board should regulate both occupational therapy and physical therapy. In addition, statutes should be amended governing requirements for Board membership and accreditation of occupational therapy educational programs.

Contact Person: Carol Routh

Sunset Review of the Board of Podiatry Examiners

The Board of Podiatry Examiners should be continued to protect the public. However, the Board needs to establish regulations to govern its operations and improve the administration of its oral examination. In addition, statutory changes are needed to give the Board clear authority to investigate complaints and to eliminate commercial practice restrictions on podiatrists. Also, a public member has not been appointed to the Board as required by law.

Contact Person: Carol Routh

Sunset Review of the Board of Examiners in Psychology

The Psychology Board should be continued to protect the public. However, the Board needs to repeal regulations which restrict advertising by psychologists and ensure that its fees are set in regulation. Also, changes in the law are recommended

to eliminate the requirement that physicians examine clients of psychologists at the start of their treatment.

Contact Person: Beth Lewis

Sunset Review of the Board of Examiners in Speech Pathology and Audiology

The Speech Pathology and Audiology Board is needed to protect the public. In most areas, the Board has operated efficiently and effectively. However, some Board regulations may unnecessarily restrict competition and advertising of speech pathologists and audiologists.

Contact Person: Carol Routh

RECEIPTS AND DISBURSEMENTS OF APPROPRIATED FUNDS

YEAR ENDING JUNE 30, 1987

Appropriations

Appropriated Funds.....	\$941,045.00	
Received from the General Fund for Base Pay Increases, etc...	20,439.00	
Other Funds - Sale of Assets...	236.89	
Reduction mandated by the Budget and Control Board.....	<u>\$ -8,854.06</u>	
Total Available Funds.....		<u><u>\$952,866.83</u></u>

Disbursements

Personal Services:		
Director.....	\$ 54,220.80	
Unclassified Positions.....	617,588.40	
Per Diem.....	<u>1,085.00</u>	
Total Personal Services.....		\$672,894.20
Other Operating:		
Contractual.....	44,356.96	
Supplies.....	8,691.82	
Fixed Charges/Contributions...	91,601.50	
Travel.....	13,144.01	
Equipment.....	274.28	
Library Books.....	<u>187.33</u>	
Total Other Operating.....		\$158,255.90
Employer Contributions.....	<u>\$121,700.73</u>	
Total Employer Contributions...		\$121,700.73
Total Disbursements.....		<u><u>\$952,850.83</u></u>
Lapsed to General Fund.....		<u>16.00</u>
		<u><u>\$952,866.83</u></u>

Note: The Legislative Audit Council's budget for FY 87-88 has been reduced by \$46,151 (4.8%), necessitating a reduction in staff.

LAC AUDIT LIST

1975 - NOVEMBER 1987

<u>A</u>	<u>Date</u>
Sunset Review of the Board of Accountancy	Sept. 6, 1985
Sunset Review of the Board of Accountancy	July 10, 1979
Analysis of Problems and Possible Abuses in Implementing Act 208 of 1975	May 8, 1979
Management and Performance Review of the S.C. Aeronautics Commission	April 8, 1986
Management and Performance Review of the S.C. Commission on Alcohol and Drug Abuse	July 10, 1980
Annual Report of the LAC	FY 85-86
Annual Report of the LAC	FY 84-85
Annual Report of the LAC	FY 83-84
Annual Report of the LAC	FY 82-83
Annual Report of the LAC	FY 81-82
Annual Report of the LAC	FY 80-81
A Study of the S.C. Architectural/Engineering Selection Law of 1974	April 16, 1980
Sunset Review of the Bd. of Architectural Examiners	Jan. 10, 1984
Sunset Review of the Bd. of Architectural Examiners	July 26, 1979
Study of the S.C. Arts Commission	June 19, 1980
<u>B</u>	
Sunset Review of the Bd. of Barber Examiners	Sept. 6, 1985
Sunset Review of the Bd. of Barrier Free Design	Aug. 31, 1983
A Review of the Legislative Oversight in the State Budget Process	Jan. 16, 1980
Sunset Review of the Building Code Council	Aug. 31, 1983

C

Review of the Capitol Complex Phase 2 Construction: Blatt Bldg., Gressette Bldg., and Underground Parking Facility	July 11, 1978
Sunset Review of the State Cemetery Bd.	Aug. 31, 1983
A Sunset Review of the Charleston Commission of Pilotage	May 3, 1985
Review of the Div. of Child Development within the Dept. of Social Services	May 28, 1981
Sunset Review of the Board of Chiropractic Examiners	June 24, 1986
Sunset Review of the Board of Chiropractic Examiners	July 23, 1980
A Management and Performance Review of the College of Charleston	Dec. 16, 1986
A Study of the Proposal for Consolidated Travel Voucher Processing for Lump Sum Agencies	Sept. 10, 1981
Sunset Review of the Licensing Bd. for Contractors/Summary	Sept. 1, 1982
Sunset Review of the Bd. of Cosmetic Art Examiners and Bd. of Barber Examiners	Aug. 31, 1979
Sunset Review of the Bd. of Cosmetology	Sept. 6, 1985
A Review of S.C. Dept. of Corrections' Prison Population Projections (Special Project)	Feb. 27, 1986
Cost Analysis of Phase I of the S.C. Dept. of Corrections' Ten Year Capital Improvements Plan	Dec. 19, 1978

D

Sunset Review of the Dairy Commission	Aug. 31, 1983
Management and Performance Review of the S.C. Dairy Commission	Feb. 26, 1980
Sunset Review of the Board of Dentistry	Sept. 2, 1987
Sunset Review of the Board of Dentistry	June 24, 1986
Sunset Review of the Board of Dentistry	July 30, 1980
Program & Operational Review of the S.C. Disaster Preparedness Agency	March 29, 1976

The Problem of Dual Funding in State Government
of South Carolina April 15, 1976

E

A Review and Assessment of the State's
Economic Development Activities April 9, 1985

Summary of the State Government Economic
Development Activities - Phase I Nov. 3, 1983

A Management and Operational Audit of the
South Carolina State Department of Education Jan. 7, 1986

Cost Analysis of Education Expenditures for
Handicapped Students in Six State Agencies July 31, 1981

A Review of the Education Finance Act of 1977/
Summary June 1, 1983

Study of the Implementation of the Education
Finance Act of 1977 Dec. 16, 1980

A Performance and Management Review of the
S.C. Educational Television Network April 30, 1981

Review of the Emergency Preparedness
Division of the Adjutant General's Office Dec. 16, 1981

A Review of the Relationship Between State
Agencies and Associated Endowments March 2, 1983

Sunset Review of the Bd. of Engineering
Examiners/Summary Sept. 1, 1982

Sunset Review of the Bd. of Certification of
Environmental Systems Operators/Summary Sept. 1, 1982

Management and Performance Review of the
Environmental Quality Control Div. of the
Dept. of Health and Environmental Control July 23, 1980

F

Possible Problems in Implementing the Judicial
Reform Act of 1976 as Related to Intake and
Probation in the Family Court System April 5, 1977

Program Review of the Family Planning Program of
the S.C. Dept. of Health and Environmental Control March 20, 1980

A Study of the Impact of Federal and Other
Funding on Legislative Oversight May 12, 1977

Sunset Review of the Registration for Foresters	Aug. 10, 1984
A Management and Performance Audit of the South Carolina Forestry Commission	June 9, 1987
Sunset Review of the Bd. of Funeral Service	Aug. 31, 1983

H

Management and Performance Review of the S.C. Dept. of Health and Environmental Control	March 18, 1986
Management Review of the S.C. Health and Human Services Finance Commission	Oct. 7, 1987
Management and Operational Review of the S.C. Commission on Higher Education	June 14, 1978
A Special Report to the Higher Education Study Committee: Overlapping and Unnecessary Duplication in Higher Education	Jan. 18, 1977
Management and Performance Audit of the S.C. Dept. of Highways and Public Transportation/ Summary	May 18, 1983
Review of the Home Energy Assistance Program	Feb. 23, 1982
A Plan for a S.C. Statewide Integrated Information System for Human Services	Jan. 17, 1978
A Review of the Human Services Demonstration Project	Aug. 7, 1984

I

Sunset Review of the Department of Insurance	Sept. 6, 1985
Sunset Review of the Insurance Commission/ Department of Insurance	June 27, 1979

J

Joint Liaison Committee on Small Business	June 24, 1986
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L

Sunset Review of the Bd. of Registration for Landscape Architecture	Jan. 10, 1984
Sunset Review of the Landscape Architects Board of Registration	July 12, 1979

Legislator's Guide to the S.C. LAC March 20, 1981

M

Sunset Review of the Manufactured Housing Board/Summary Sept. 1, 1982

Sunset Review of the Masseurs or Masseuses Program Aug. 10, 1984

Management and Performance Review of the Medicaid Program in S.C. Feb. 9, 1982

Management Audit of S.C. Dept. of Social Services Medicaid Program Jan. 3, 1977

Sunset Review of the Board of Medical Examiners June 24, 1986

Sunset Review of the Board of Medical Examiners July 30, 1980

Management and Performance Review of the Medical University of South Carolina March 22, 1979

A Management and Performance Review of the Department of Mental Health Nov. 16, 1983

Management and Performance Review of the S.C. Department of Mental Retardation May 14, 1985

Review of Compliance with the Comprehensive Statewide Motor Vehicle Management Program April 3, 1979

Program and Operational Review of the Acquisition, Use and Management of S.C. State-Owned Motor Vehicles March 30, 1978

N

An Evaluation of Nuclear Emergency Preparedness in S.C. April 29, 1980

Sunset Review of the Board of Nursing June 24, 1986

Sunset Review of the Board of Nursing July 30, 1980

Sunset Review of the Board of Examiners for Nursing Home Administrators Sept. 6, 1985

Sunset Review of the Board of Examiners for Nursing Home Administrators June 28, 1979

O

Sunset Review of the Bd. of Occupational Therapy	June 26, 1987
Sunset Review of the Bd. of Occupational Therapy	July 16, 1981
Sunset Review of the Bd. of Examiners in Opticianry	June 26, 1987
Sunset Review of the Bd. of Examiners in Opticianry	July 16, 1981
Sunset Review of the Bd. of Examiners in Optometry	June 26, 1987
Sunset Review of the Bd. of Examiners in Optometry	July 16, 1981

P

Audit of Patriots Point Dev. Authority	Dec. 23, 1980
Management and Operational Review of the State Personnel System of S.C.	May 9, 1978
Sunset Review of the Board of Pharmaceutical Examiners	July 23, 1980
Sunset Review of the Board of Pharmacy	June 24, 1986
Sunset Review of the Examination and Registration of Physical Therapists	July 16, 1981
Sunset Review of the Board of Physical Therapy Examiners	June 26, 1987
Sunset Review of the Bd. of Podiatry Examiners	June 26, 1987
Sunset Review of the Bd. of Podiatry Examiners	July 16, 1981
Sunset Review of the Polygraph Examiners Program	Aug. 10, 1984
A Review of the S.C. State Ports Authority's Grain Elevator	May 13, 1982
Review of the Economic Benefits of the Wando Terminal as Set Forth in the Report Entitled <u>Impact of the State Ports Authority Upon the Economy of South Carolina</u>	Nov. 1, 1978

Program and Operational Review of Printing, Duplicating and Photocopying Activities of S.C. State Agencies	Nov. 14, 1978
Study and Review of Prison Overcrowding In S.C./Summary	Sept. 14, 1982
Sunset Review of the Private Detectives and Private Security Agencies Program	Aug. 10, 1984
Sunset Review of the Bd. of Examiners in Psychology	June 26, 1987
Sunset Review of the Bd. of Examiners in Psychology	July 16, 1981
A Comparison of Cost Effectiveness Procedures Among Centralized and Decentralized Purchasing Systems and Public Purchasing in S.C.	March 25, 1981
Sunset Review of the Certification Program for Public Librarians	Aug. 10, 1984
Sunset Review of the Public Service Commission/Summary	June 30, 1982
Program and Operational Review of the S.C. Public Service Commission	April 18, 1977

R

Sunset Review of the Real Estate Commission/Summary	Sept. 1, 1982
Reserve Fund Activities of the State General Fund	Oct. 9, 1978
Sunset Review of the Residential Home Builders Commission/Summary	Sept. 1, 1982
A Review of Road-Paving Costs in S.C.	April 16, 1981

S

Sunset Review of the Bd. of Examiners for Registered Sanitarians	Aug. 31, 1983
Sunset Review of the Bd. of Examiners in Speech Pathology and Audiology	June 26, 1987
Sunset Review of the Bd. of Examiners in Speech Pathology and Audiology	July 16, 1981

A Management and Performance Review of the S.C. Department of Social Services	Feb. 21, 1985
Sunset Review of the Bd. of Social Worker Registration	Aug. 31, 1983
A Management and Performance Review of the State Workers' Compensation Fund	Sept. 18, 1986

T

A Management and Performance Review of the South Carolina Tax Commission	Oct. 29, 1986
A Management and Performance Review of Trident Technical College Vol. I, Vol. II, Summary	March 22, 1984

V

Sunset Review of the Board of Veterinary Medical Examiners	June 24, 1986
Sunset Review of the Board of Veterinary Medical Examiners	July 23, 1980

Y

Program and Operational Review of the SC Department of Youth Services	Feb. 1, 1978
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LEGISLATIVE AUDIT COUNCIL STAFF

FY 86-87

Professional Staff

Aaron A. Allred
Priscilla T. Anderson
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Persephone W. Barr
Harry S. Bell, Jr.
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