

Agency Name	<b>Office of the State Auditor</b>
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# **Office of the State Auditor**

## **FY 2008-09 Accountability Report**

### **Section I – Executive Summary**

1. **Mission and Values:**

The mission of the Office of the State Auditor is to bolster public confidence in state government finance by serving as a deterrent to fiscal mismanagement, fraud, and misuse of assets by state agencies and providers of Medicaid services. We value professionalism in our staff and completion of our audit work in accordance with established professional standards.

2. **Major Achievements**

The Office of the State Auditor succeeded in maintaining audit coverage of State government agencies and Medicaid providers. Our major achievements are as follows:

- The audit of the State of South Carolina's basic financial statements was completed ahead of schedule on November 12, 2008, allowing the Comptroller General to submit the CAFR to the Government Finance Officers Association's Certificate of Achievement Program. The Comptroller General was awarded the Certificate of Achievement for Excellence in Financial Reporting for the State's FY 2007-08 CAFR. In addition, the engagement was completed within three percent of the 4,200 hour budget.
- The audit of the State's Schedule of Expenditures of Federal Awards (Single Audit Report) was completed 9% under budget and submitted to the Federal Clearinghouse on March 24, 2009, one week ahead of the March 31<sup>st</sup> deadline. Approximately \$5.57 billion and twenty-three major federal programs were included in the scope of the engagement.
- Forty (40) Medicaid audit reports were completed representing twenty-six (26) providers. Approximately 18% of the Medicaid providers in the State were subject to audit during the fiscal year. All reports were issued in compliance with applicable standards of the AICPA and Federal Regulations and were completed at or under budget. Audits of Medicaid providers identified net receivables due to the State and Federal government of \$3,317,879.

- Eighty-one reports were issued by the Office of the State Auditor or by independent certified public accounting firms under contract with the Office. This represents sixty-seven of the ninety-one state agencies that the Office is responsible for auditing. Sixteen engagements were in progress on June 30, 2009. The agency engagements were completed within 5.6% of the budgeted audit hours
- Contracted with a private CPA firm to conduct twenty audits of General Sessions Courts, Magistrate Courts and Municipal Courts at a cost of \$274,850.
- Let and provided oversight of fifty-one audit contracts with CPA firms totaling approximately \$1.9 million.

### 3. Key Strategic Goals

The key strategic goal to accomplishing the mission of the Office of the State Auditor is to provide adequate audit coverage of state agencies and Medicaid providers. Adequate audit coverage ensures that these organizations and their employees recognize that mismanagement, fraud, and misuse of assets will be discovered.

### 4. Strategic Challenges

The primary challenge facing the Office of the State Auditor is the shortage of qualified audit staff. Our current base budget does not provide sufficient recurring funds to fill vacant auditor positions. This lack of funding impacts the Office of the State Auditor's ability to complete all of the audits of State agencies mandated by statute and could lead to marginal audit coverage of Medicaid providers.

### 5. Use of the Accountability Report

The accountability report is used by the management team for strategic planning. We analyze the information relative to previous years as well as our objectives for the coming years and balance the assignment of available resources to the major agency objectives.

## **Section II – Organizational Profile**

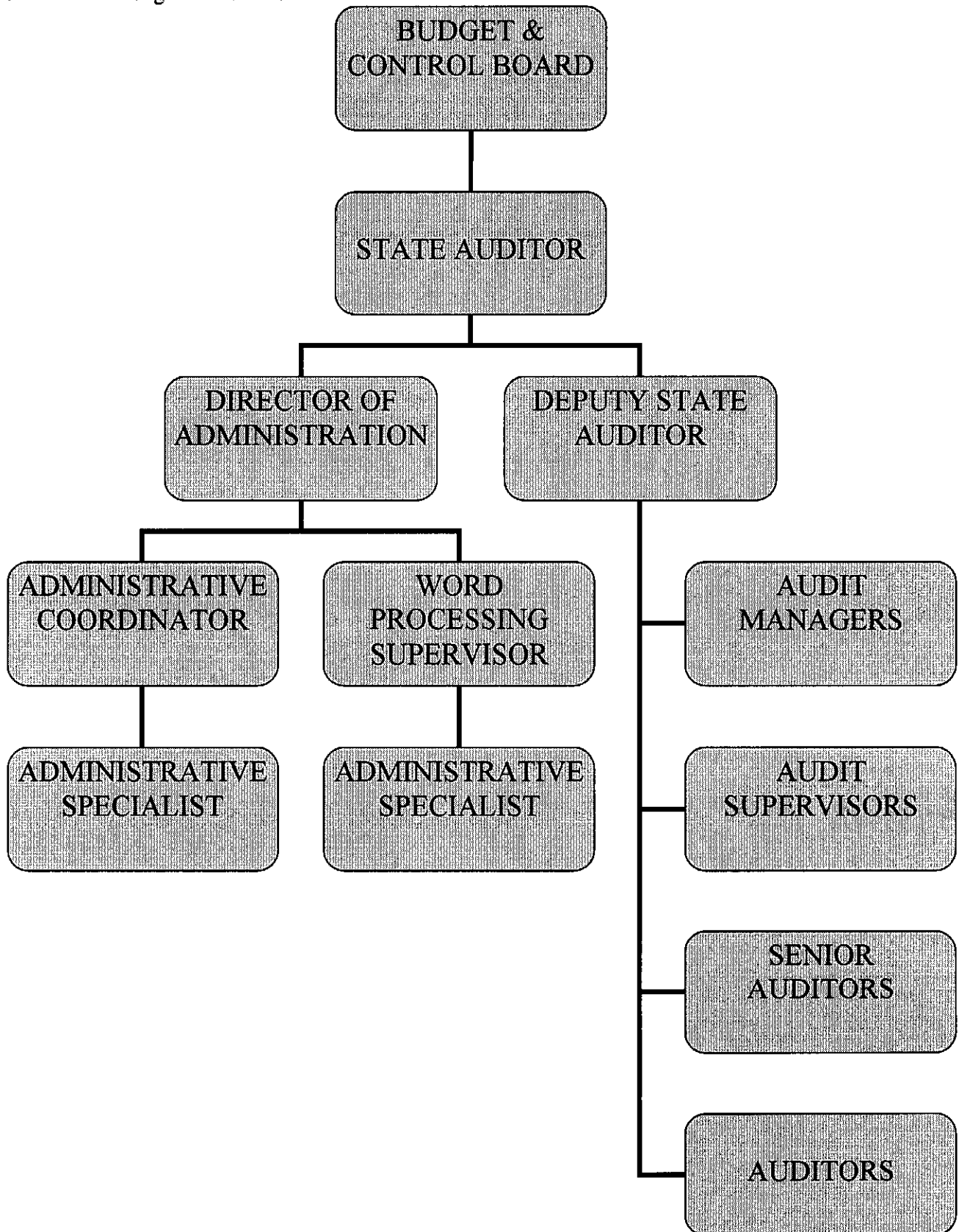
1. **Main Products and Services** - The Office of the State Auditor conducts audits of state government and providers of Medicaid services. The State Audits section performs financial audits of state agencies, the annual financial audit of the State's basic financial statements, and the annual Single Audit of the State's Schedule of Expenditures of Federal Awards. These audits cover all state agencies with total funds of over \$20 billion and general funds of over \$6.7 billion. The sizes of the agencies vary from an agency with annual appropriations of approximately \$127 thousand to an agency with appropriations of over \$5.5 billion. The Medicaid Audits section conducts audits and reviews of cost reports filed by institutional providers of Medicaid services. These cost reports are used by the Department of Health and Human Services to establish amounts to be paid to these providers for services provided to qualified Medicaid recipients. The Office of the State Auditor also examines the financial records of the general sessions, municipal and magistrate courts; and provides technical assistance to other governmental entities by either assisting with or conducting reviews of financial records and record keeping systems.

2. **Customers** - All financial and compliance audit reports and management letters are provided to the Governor's Office, Comptroller General, State Treasurer, Senate Finance Committee, House Ways and Means Committee, the Board's Budget Division, Legislative Audit Council, and State Library. They are also published on our internet website for review by the citizens of South Carolina. These reports are particularly important because they point out weaknesses in an agency's accounting system or procedures. They also highlight instances in which regulations or laws were violated. A key element in accomplishing the mission of the Office of the State Auditor is to provide sufficient audit coverage of state agencies and Medicaid providers such that these organizations and their employees recognize that mismanagement, fraud, and misuse of assets will be detected.

3. **Key Stakeholders** – The citizens of the state are ultimately the key stakeholders of the Office of the State Auditor.

4. Key Suppliers – The Office of the State Auditor contracts with private CPA firms to provide some audit services. In FY 2008-09 audit contracts totaled approximately \$1.9 million.
  
5. Location - The Office of the State Auditor is located at 1401 Main Street, Suite 1200, Columbia, South Carolina. Administrative, managerial and audit functions are carried out at this location; a significant portion of the audit work is conducted on-site at state agencies and Medicaid provider facilities.
  
6. Employees - The FY 2008-09 Appropriations Act authorized fifty-six (56) full time equivalent positions for the Office of the State Auditor. Because of funding reductions, staff size was thirty-seven (37) on June 30, 2009. All positions are classified except the agency head and one deputy position.
  
7. Regulatory Environment – The Office of the State Auditor conducts all audit work in accordance with professional auditing standards. Therefore, all of our audit work complies with applicable auditing and attestation standards of the American Institute of Certified Public Accountants and *Government Auditing Standards* issued by the Comptroller General of the United States. Audits of Medicaid providers also comply with applicable Federal Regulations.
  
8. Performance Improvement System – The Office of the State Auditor uses an interim evaluation system and an audit status information system to track our efforts on performance improvement. The auditor-in-charge of each audit completes an interim evaluation of each member of the audit team at the conclusion of the audit. These interim evaluations are later used in completing the annual Employee Performance Management System evaluation. This system provides immediate feedback to the staff auditors about their performance and opportunities for improvement. Audit managers maintain a system that tracks the status of each audit engagement and provides feedback regarding performance improvements.

9. Organizational Structure



10. Expenditures/Appropriations Chart

**Accountability Report Appropriations/Expenditures Chart**

**Base Budget Expenditures and Appropriations**

Major Budget Categories	FY 07-08 Actual Expenditures		FY 08-09 Actual Expenditures		FY 09-10 Appropriations Act	
	Total Funds	General Funds	Total Funds	General Funds	Total Funds	General Funds
Personal Service	2,275,703	2,275,703	2,386,450	2,386,450	\$ 1,646,344	\$ 1,646,344
Other Operating	1,350,598	728,446	872,111	258,428	\$ 919,784	\$ 324,784
Special Items						
Permanent Improvements						
Case Services						
Distributions to Subdivisions						
Fringe Benefits	643,176	643,176	688,414	688,414	\$ 583,564	\$ 583,564
Non-recurring						
<b>Total</b>	<b>\$ 4,269,477</b>	<b>\$ 3,647,325</b>	<b>\$ 3,946,975</b>	<b>\$ 3,333,292</b>	<b>\$ 3,149,692</b>	<b>\$ 2,554,692</b>

Expenditures/Appropriations Chart - continued

**Other Expenditures**

<b>Sources of Funds</b>	<b>FY 07-08 Actual Expenditures</b>	<b>FY 08-09 Actual Expenditures</b>
Supplemental Bills	\$ 0	\$ 0
Capital Reserve Funds	\$ 0	\$ 0
Bonds	\$ 0	\$ 0



11. Major Program Areas Chart

**Major Program Areas**

<b>Program Number and Title</b>	<b>Major Program Area Purpose (Brief)</b>	<b>FY 07-08 Budget Expenditures</b>	<b>FY 08-09 Budget Expenditures</b>
II. AUDITS	Financial audits of state agencies, providers of Medicaid services, the State's Basic Financial Statements, and the State's Schedule of Federal Financial Assistance.	<b>State:</b> 2,826,534 <b>Federal:</b> 0.00 <b>Other:</b> 604,154 <b>Total:</b> 3,430,688 <b>% of Total Budget:</b> 80%	<b>State:</b> 2,461,980 <b>Federal:</b> 0.00 <b>Other:</b> 613,684 <b>Total:</b> 3,075,664 <b>% of Total Budget:</b> 78%

**Below: List any programs not included above and show the remainder of expenditures by source of funds.**

I. ADMINISTRATION and III. EMPLOYEE BENEFITS

<b>Remainder of Expenditures:</b>	<b>State:</b> 838,788 <b>Federal:</b> <b>Other:</b> <b>Total:</b> 838,788 <b>% of Total Budget:</b> 20%	<b>State:</b> 871,312 <b>Federal:</b> <b>Other:</b> <b>Total:</b> 871,312 <b>% of Total Budget:</b> 22%
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### **Section III – Elements of Malcolm Baldrige**

#### **Category 1 – Senior Leadership, Governance, and Social Responsibility**

1. The Interim State Auditor, in conjunction with the Director of Administration and audit managers, defines and communicates the values of the organization to the staff. The Interim State Auditor meets with this management team monthly to discuss organizational priorities, problems and progress. This senior management team works collectively with the Interim State Auditor to define the organizational values, and priorities. This team is primarily responsible for communicating the direction and priorities of the agency to the staff.
2. The General Assembly, the public through its elected officials, and state agency directors are the customers of the Office of the State Auditor. The General Assembly has clearly communicated their focus by passing statutes defining our programs and audit responsibilities. The statutes and regulations require an annual audit of state government entities and Medicaid providers. Being responsive to our customers means conducting audits in a timely manner and according to professional standards.
3. The Office of the State Auditor addresses the impact of its operation on the public by adhering to professional auditing standards and encouraging professional staff to obtain their CPA certification.
4. The Office of the State Auditor relegates the primary responsibility for fiscal, legal, and regulatory accountability to the Administration Section of the agency. This assignment of responsibility is more efficient and effective since it allows program staff to focus on auditing functions without unnecessary distraction and the administrative staff to concentrate on the fiscal, legal and regulatory issues.
5. Audit managers maintain an audit status information system to track progress on each audit engagement. The managers monitor performance by comparing budgeted audit hours to actual audit hours. Interim evaluations are used to monitor staff performance and development.

6. The Office of the State Auditor uses exit interviews to obtain objective employee feedback regarding organizational performance and leadership effectiveness. When an employee leaves the agency, the Director of Administration conducts an exit interview with the individual on his/her last day. The purpose of the exit interview is to get valid, honest information about staff perceptions, morale, and suggestions for improving the employment experience at the Office of the State Auditor. The information is shared with and analyzed by the Interim State Auditor and the Director of Administration. The information is also shared in general terms with the audit managers. This process has proven to be a very effective way to identify improvements to the office policies and procedures.
7. The Office of the State Auditor has historically promoted into supervisory and management positions from within the organization. During a new auditor's orientation the Interim State Auditor explains the advancement opportunities available to the new employee and the requirements for promotion. Staff members are encouraged to become CPA certified, which is required for promotion to the audit supervisor level.
8. The auditor-in-charge of each audit completes an interim evaluation of each member of the audit team at the conclusion of the audit. These interim evaluations are later used in completing the annual Employee Performance Management System evaluation. This system provides immediate feedback to the staff auditors about their performance and opportunities for improvement.
9. Senior leaders create an environment for organizational and workforce learning by encouraging staff members to become certified public accountants. Promotion to the audit supervisor level requires certification. Tuition assistance is provided, when funds are available, to encourage staff members to continue their education. The Office of the State Auditor provides 40 hours of training each year for audit staff members (audit staff members are required to complete 40 hours of training each year).

10. Senior leaders communicate and motivate the workforce through the interim evaluation and annual EPMS systems, as well as published notes from the monthly managers' meetings, staff breakfast meetings and luncheon meetings. Reward and recognition is achieved through the annual holiday luncheon, employee recognition luncheon, and team birthday luncheons.
  
11. The Office of the State Auditor is instrumental in supporting and strengthening the financial community within state government. The standards of financial responsibility in state government are, to a large degree, defined by the audits conducted by the Office of the State Auditor. Our emphasis on professional standards and the importance placed on becoming CPA certified are examples of the efforts of the Office of the State Auditor to support and strengthen the community's perception of State government. The Office of the State Auditor also works with the Office of the Comptroller General by reviewing its Comprehensive Annual Financial Report to ensure that it meets the requirement of the Governmental Finance Officers Association Certificate of Excellence in Financial Reporting program.

### Category 2 - Strategic Planning

1. Statutes and regulations define the responsibilities of the Office of the State Auditor and drive the strategic planning process. It is a process of developing and allocating resources to accomplish each of these responsibilities. Because of deadlines for much of our audit work, the planning requires careful coordination and timing of the allocation of resources. The Interim State Auditor, in conjunction with the Director of Administration and audit managers, are involved in strategic planning on a continual basis.
  
2. The primary strategic challenge facing the Office of the State Auditor is the shortage of qualified audit staff. Our strategic objectives are to request increased funding for our vacant auditor positions and to continue to refine our recruiting program for new auditors.

3. The strategic planning process in this Office consists of several steps; each one analyzed on short and long term bases:
  - a. Identify the audit work that must be done to satisfy our statutory and regulatory mandates.
  - b. Analyze the audit time required (based on historical data).
  - c. Analyze the time frames (deadlines) for each of the audit programs.
  - d. Identify the resources available and timing of availability.
  - e. Determine the priority of the audits and the ramifications of not completing all the requirements.
  - f. Identify strategies for development of the resources needed to meet all requirements within the time frames.
  
4. The strategic objectives and action plans are communicated to the audit managers in the monthly management meeting and to the entire staff directly by the managers and through the agency intranet.
  
5. Progress on our objectives and action plans is monitored through our audit status information system that details the progress and resources used on each audit engagement.
  
6. The Interim State Auditor and Director of Administration constantly review our planning processes for improvement.

Program Number and Title	Supported Agency Strategic Planning Goal/Objective	Related FY 07-08 Key Agency Action Plan/Initiative(s)
II. AUDITS	Audit the State of South Carolina's Basic Financial Statements prepared by the Comptroller General.	Contract with a private CPA firm for one-half of the 4200 audit hours budgeted to complete the audit by the December deadline.
II. AUDITS	Audit the State of South Carolina's Schedule of Expenditures of Federal Awards as mandated by the Single Audit Act Amendments of 1996.	Reassign staff auditors from Medicaid audits as needed to supplement state agency audit staff and ensure completion of the engagement by the March 31 <sup>st</sup> deadline.
II. AUDITS	Audit cost reports filed by institutional providers of Medicaid services.	Conduct as many audits as possible with available staff toward the objective of auditing 25% of the Medicaid providers each year.
II. AUDITS	Audit the financial records of state agencies.	Conduct as many audits as possible with available staff toward the objective of auditing each state agency each year.
II. AUDITS	Audit the financial records of general sessions, municipal, and magistrate courts.	Contract with private CPA firms to audit as many randomly selected courts as the funding allows.

### Category 3 - Customer Focus

The General Assembly, the public through its elected officials, and state agency directors are the customers of the Office of the State Auditor. The General Assembly has clearly communicated their focus by passing the statutes defining our programs and audit responsibilities. The statutes and regulations require an annual audit of state government entities and Medicaid providers. Being responsive to our customers means conducting audits in a timely manner and according to professional standards.

To more effectively and efficiently communicate the results of our audits to our customers, the Office of the State Auditor now publishes audit reports on our internet website. Auditees are notified of the report by email or letter. Hard copies of reports are provided upon request or when required by law or regulation. This approach not only saves the cost of printing and postage, it also makes the reports more readily available to the public and other public officials. Audit results are communicated to our customers more effectively and at a lower cost to the State.

### Category 4 - Measurement, Analysis, and Knowledge Management

Since the statutes and regulations define the programs of the Office of the State Auditor, the performance measures are logically defined as efficiency and effectiveness. We measure efficiency by determining how well our staff completes each audit within the assigned budget of audit hours and within the required time frames. We measure effectiveness by our degree of compliance with professional auditing standards. All audit work is subject to an internal compliance (quality control review). Additionally, we undergo an external review every three years. An independent auditor, usually a private CPA firm under contract, conducts the peer review. The standards and time frames are established by the federal government and by professional entities such as the Government Finance Officers Association and the American Institute of Certified Public Accountants.

## Category 5 - Workforce Focus

A crucial element in the development and motivation of our employees is the interim evaluation that each auditor receives at the conclusion of an audit. The auditor-in-charge of each audit completes the interim evaluation of each member of the audit team. This system provides immediate feedback to the staff auditors about their performance and opportunities for improvement. The interim evaluations are also used in completing the annual Employee Performance Management System evaluation and in identifying staff training needs.

One of the important ways that the Office of the State Auditor encourages employees to develop their full potential is the emphasis on achieving certification as a CPA. The State Auditor's Office supports and encourages staff members in this effort by providing qualifying experience and the in-house training required to meet the continuing education requirements of maintaining a CPA certificate. When funds are available, tuition assistance is also offered to encourage auditors to acquire the necessary academic requirements to apply for the CPA. Upon completion of the CPA examination a bonus may be awarded if funds are available. One factor considered when evaluating a candidate for employment is his/her interest in pursuing certification as a CPA. In addition, promotion policies require staff members to achieve certification as a CPA in order to progress to Audit Supervisor or above.

The Office of the State Auditor has adopted a variable work schedule policy that has helped with employee morale and retention.



## Category 6 - Process Management

The production process used by the Office of the State Auditor is one of service delivery. It consists of conducting audits and reporting the results of the audit to our customers. The process of conducting an audit and reporting the results are well defined by professional standards. Our efforts in this area are largely directed at developing the competencies and expertise of our staff to conduct audits and report results in accordance with the professional standards. Our continuous professional training, in-house training, tuition assistance, emphasis on certification, performance review system, and audit quality control processes are all components of our focus on ensuring that our audit processes conform to established professional standards.

Developments in information technology have allowed us to improve the efficiency of our audit processes and to make our audit reports more accessible to our customers. The Office of the State Auditor now publishes audit reports on its internet website. This eliminated the printing and postage cost of our reports. Audit results are communicated to our customers more effectively and at a lower cost to the State.

## Category 7 – Results

The mission of the Office of the State Auditor is to bolster public confidence in state government finance by serving as a deterrent to fiscal mismanagement, fraud, and misuse of assets by state agencies and providers of Medicaid services. The mission is accomplished by providing adequate audit coverage of State agencies and Medicaid providers as required by statutes, regulations and contractual agreements.

### Category 7.1 - Mission Accomplishment

The Office of the State Auditor and a nationally recognized accounting firm jointly audited the State of South Carolina's basic financial statements, which were prepared by the Office of the Comptroller General. The basic financial statements are an integral part of the State's Comprehensive Annual Financial Report (CAFR). The Office of the Comptroller General submits the CAFR to the Government Finance Officers Association (GFOA) to be considered for the GFOA Certificate of Achievement for Excellence in Financial Reporting program. To participate in the program the Office of the Comptroller General must submit the State's CAFR to the GFOA by December 31. The Office of the Comptroller General requested the Office of the State Auditor complete the audit by November 12. The Office of the State Auditor met the Comptroller General's November 12 deadline. In addition, the engagement was completed within three percent of the 4,200 hour budget.

The Single Audit Act Amendments of 1996 requires an annual audit of the State of South Carolina's federal programs. State agencies submit federal financial data which is consolidated to generate the Schedule of Expenditures of Federal Awards. OMB Circular A-133 requires governments to submit its report on the schedule within nine months of the governments fiscal year end. The scope of the engagement included approximately \$5.57 billion and twenty-three major federal programs. The engagement was completed and submitted to the Federal Clearinghouse on March 24, 2009. The engagement was completed approximately nine percent under budget. The U.S. Department of Human Services performed a quality review of the 2008 single audit. A draft report of the review is expected to be received by September 30.

The General Assembly appropriated state agencies total funds in excess of \$20.8 billion and state budgeted funds of \$6.7 billion. State law requires the Office of the State Auditor to audit annually each State agency. To accomplish its legislative mandate the Office of the State Auditor conducts the engagements using its staff or by contracting with independent certified public accounting firms. During fiscal year 2008-09 eighty-one reports were issued by the Office of the State Auditor or by independent certified public accounting firms under contract with the Office. This represents sixty-seven of the ninety-one state agencies that the Office is responsible for auditing. This does not include sixteen engagements that were in progress at June 30, 2009 or include audits of nine universities that are contracted by the respective universities. Overall the agency engagements completed by the Office of the State Auditor were completed within 5.6 percent of the engagement budget. Last year the Office of the State Auditor completed an audit of each state agency within thirteen months of fiscal year end. However, due to budget cuts and staffing shortages the Office of the State Auditor was unable to conduct audits of thirty agencies for the fiscal year ended June 30, 2008.

The South Carolina Department of Health and Human Services contracts with the Office of the State Auditor to conduct audits of Medicaid providers. The contract requires that we audit each Medicaid provider once every four years. In prior years, even though we were unable to assign staff to Medicaid engagements full time, we were able to meet the contract requirements. During fiscal year 2008-09 the Office issued forty audit reports representing twenty-six Medicaid providers. This represented approximately 18% of the Medicaid providers subject to audit. All of completed engagements were completed under budget. The audits identified net receivables due to the State and Federal government of \$3,317,879.

The Office of the State Auditor uses public accounting firms to provide audit services to State agencies and departments. State regulations require the State Auditor approve all accounting and auditing contracts. The Office of the State Auditor issues the request for proposal (RFP), conducts bid conferences and awards contracts. This process ensures open and fair competition and competitive fees. In FY 2008-09 the Office of the State Auditor was responsible for letting and overseeing fifty-one audit contracts totaling approximately \$1.9 million.

The Office contracted with a private CPA firm to conduct audits of General Sessions Courts, Magistrate Courts and Municipal Courts. The Office of the State Auditor receives \$250,000 each year to conduct these engagements. During fiscal year 2008-09, twenty engagements were contracted at a cost of \$274,850.

The Office of the State Auditor also provides expert technical assistance to other State government entities in the areas of finance and accounting. During the year the Office assisted State agencies in procuring audit and accounting services and continued to serve on various State committees (e.g., American Recovery and Reinvestment Act Task Force).

The Administration Section continued with the implementation of the South Carolina Enterprise Information System (SCEIS). The Administration Section continues to learn about newly implemented features of the system and is used as a resource by other agencies as they go live. The Administration Section is also attending meetings and training classes to learn about the new HR and payroll modules.

In FY 2008-09 the Administration Section implemented numerous budget reductions which resulted in numerous financial adjustments and personnel issues. During the year the Office of the State Auditor processed eight (8) resignations, four (4) layoffs of employees in probationary status, and two (2) terminations of employees who accepted a retirement incentive offered by the agency. The Administrative Section was audited by a private CPA firm for the year ending June 30, 2008 with no exceptions reported. The Office of the State Auditor was the first agency to have a report issued after conversion to the online SC Enterprise Information System (SCEIS) for accounting and procurement. Also this year, the Employee Insurance Program (EIP) evaluated our agency's compliance with EIP's enrollment and billing policies and procedures relating to insurance benefits and no exceptions were reported.

### Category 7.2 - Customer Satisfaction

The customers of the Office of the State Auditor are the citizens of South Carolina and the elected officials representing them. These customers expect and demand compliance with professional auditing standards. To insure customer satisfaction, we conduct all of our audit work in accordance with applicable standards of the American Institute of Certified Public Accountants and Government Auditing Standards, issued by the Comptroller General of the United States.

Every three years the Office of the State Auditor is required by Government Auditing Standards to undergo a peer review by an independent external auditor. The Office will contract with an independent external audit firm during fiscal year 2009-10 to perform the peer review.

### Category 7.3 – Financial

Each year the Office of the State Auditor is audited by an independent, external audit firm. The latest audit (of the Fiscal Year 2007-08) reported no violations of State Laws, Rules, or Regulations.

At the end of fiscal year 2008-09, the Office implemented a retirement incentive program. The results of the program will provide costs savings in fiscal year 2010-11. Also, our cost containment efforts have resulted in a relatively low cost per hour of audit services as described below in Section 7.5.

### Category 7.4 - Workforce

Recruiting and retaining qualified audit staff are two of the primary workforce measures for the Office of the State Auditor. Prior to 2008-09 staff retention had improved. Our recruiting efforts continued to improve during the year as we continued to recruit at in-state colleges and universities. We also implemented a new e-recruiting program. Our recruiting efforts seemed to pay off during fiscal year 2008-09 as we were able to recruit and hire several highly qualified applicants. Unfortunately, because of the economic climate we were not able to retain most of the individuals that were hired during this period. The Office of the State Auditor also promotes professional staff development; the majority of the audit staff are either certified public accountants or are working towards obtaining their certification.

#### Category 7.5 - Organizational Effectiveness/Operational Efficiency

A key measure of organizational efficiency is the cost to produce an hour of audit service. In fiscal year 2008-09 the average cost for audit services from contracts with CPA firms was \$78 per hour and the cost of audit services performed by our Office was \$60 per hour.

For the Office of the State Auditor a key measure of organizational effectiveness is adherence to professional standards. All audit work performed by the Office of the State Auditor complies with applicable standards of the American Institute of Certified Public Accountants and Government Auditing Standards.

A second measure of effectiveness is audit coverage. For audits of Medicaid providers the objective is to audit every provider at least every your years. Due to staff reductions we were not able to meet our goal of auditing 25 percent of the Medicaid providers. In addition, we did not have sufficient staff to audit each State agency for fiscal year ending June 30, 2008.

#### Category 7.6 - Regulatory/Legal Compliance

Regulatory and legal compliance is addressed in the annual audit of the Office of the State Auditor by a private CPA firm. The latest audit (of the Fiscal Year 2007-08) reported no violations of State Laws, Rules, or Regulations.