

Office of the State Auditor FY 27 House Ways & Means Constitutional Subcommittee Budget Hearing

JANUARY 27, 2026



Key Officials - Agency Attendees



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Agency Overview



Mission: To promote trust and confidence in South Carolina state government.

Vision: To make a positive impact by working with state agencies to ensure transparency, accountability, and enabling them to achieve meaningful impact.

The Office of the State Auditor (OSA) serves as the independent audit function for the State of South Carolina. Under the direction of the State Auditor, the OSA is organized into three service delivery divisions and is supported by an Administration division.

State Agency Division - Composed of approximately 25 permanently assigned audit professionals, this division has 4 core responsibilities:

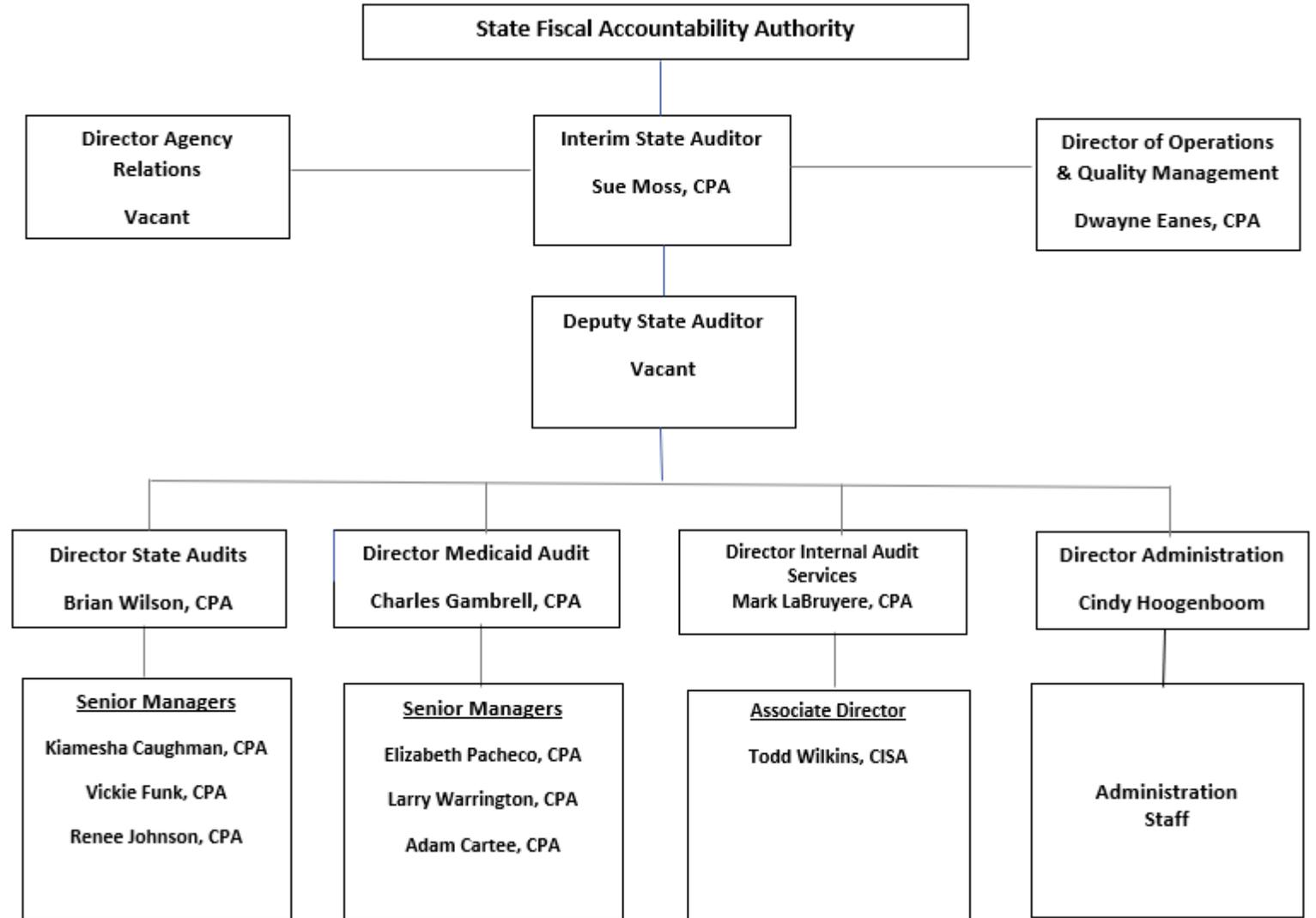
- Annual audit of the State's Annual Comprehensive Financial Report (ACFR) as prepared by the Office of the Comptroller General.
- Annual audit of the Schedule of Expenditures of Federal Awards (Single Audit).
- Attestation engagements of each state agency not separately audited, which are focused on internal controls.
- Attestation engagements of county and municipal treasurers, county clerks of court, magistrates, and municipal clerks of court to ensure that the imposition, collection, and remittance of court fines, fees, and assessments are in accordance with applicable state laws.

Medicaid Division - Composed of approximately 21 permanently assigned audit professionals, this division performs attestation engagements of financial and statistical reports filed by providers of Medicaid services, primarily nursing facilities. These engagements, performed under contract with the South Carolina Department of Health and Human Services (DHHS), determine if the reimbursement rate based on costs claimed for reimbursement by the provider are free from material misstatements based on South Carolina's State Plan for Medical Assistance, the applicable contract between DHHS and the Medicaid provider and all applicable state and federal laws and regulations. The contract agreement with DHHS requires that an engagement be performed on each provider facility at least once every 4 consecutive cost reporting periods.

Internal Audit Services Division – Composed of approximately 7 audit professionals, this division focuses on providing services to the South Carolina Department of Transportation (SCDOT) and performs independent and objective assurance and consulting activities designed to add value or improve SCDOT's operations. The division assists in accomplishing strategic objectives and mission by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes.

Administration Division – Composed of approximately 4 administrative professionals who provide accounting, budgeting, human resource, purchasing, technology, and other administrative support for the agency.

Office of the State Auditor Organizational Chart – FY26



Budget Request – Recurring Funds



Priority 1: \$235,000 - Increase in Operating Expenses

- ❑ **\$150,000** - Increase in our Lease Expenses - We are currently nearing our last year of our current lease. After 30+ years in the same space, we have been informed by the current property owner that they do not intend to renew the lease, and we have been asked to expedite finding space as they intend to use the space we currently occupy. Working with Property Services, we have initiated an RFP, received proposals, looked at various properties, and are in the midst of negotiating a new lease before presenting it for approval. We were aware that there would be an increase in costs with expected market-rate changes reflecting the current economic conditions of leases in the area. We have strived to look at properties that would prove our agency to be thoughtful stewards of taxpayer monies. Failure to secure this funding would require the agency to find savings from other vital programs, potentially impacting the work that our agency does for the state.
- ❑ **\$65,000** – Increase Costs with the Division of Technology (DTO) Shared Services - We currently use DTO in the management of our agency's network, firewall, desktop support, server hosting and storage. By using DTO for these shared services it provides our agency the opportunities to experience savings from not having to recruit and retain staff with increasingly difficult to find IT skillsets, allows for the adoption of a common statewide computing platform that drives consistency and efficiency, and offers enhanced security to rapidly identify and remediate security vulnerabilities while adhering to state standards. DTO had not substantially raised rates for approximately 20 years until July 2025 and the recurring funding requested by will allow us to pay the additional funds requested. As well, it will allow DTO to return to a net neutral financial position and continue to deliver secure, flexible and scalable shared IT services for our agency. Failure to secure this funding would require the agency to find savings from other vital programs, potentially impacting the work that our agency does for the state.
- ❑ **\$20,000** – Purchase of a Sequel Server to be maintained by the Division of Technology (DTO) -funding is requested for the procurement of a specific DTO maintained server space for the housing of statewide financial data in a SQL database. This SQL database not only allows for expeditious retrieval of financial data to assist with the OSA's two largest audits, the Annual Comprehensive Financial Report (ACFR) and the Single Audit, but will also allow for better statewide audit capabilities, and individual agency and statewide analytics, including a visualization dashboard down the road. The SQL database will substantially reduce the staff manpower needed to generate complete fiscal year populations which are essential for performing audit sampling because it enables auditors to form conclusions and opinions. For example, in the case of ACFR alone, this will lead to a time savings of up to 4 weeks of auditor time related to population creation. It will also allow the auditor to control the output of the data to ensure that the population does not exceed the row size restriction of Excel, an issue that is becoming more prevalent as the state grows. DTO maintaining the database has the added benefit of multiple users working at the same time for data retrieval, automatic backup of the database in case of emergency, and the SCEIS BOBJ team themselves being able to interface directly with the database, which reduces the time needed for upload and potential upload error. Not only would this free up auditor time, but it would also assist with the continuing mission of future-proofing the office, and allows for a holistic, statewide, review of the financial data in a way not currently available to OSA.

There are no FTEs related to this request.



Budget Request – Other Funds

Priority 2: Increase in Other Funds Budget - AUTHORIZATION ONLY

➤ **\$417,500 to Fund the Increase Cost of the Joint Auditor**

In Title 11, Chapter 7, Section 11-7-60 of the Code of Laws it states that each state agency will remit to the State Auditor an amount representing an equitable portion of the expense of contracting with a certified public accounting firm to conduct a portion of the State's Annual Comprehensive Financial Report. With the award of a new joint auditor, the fees increased by 74% in the first year with incremental increases over five years. With a new joint audit firm and with the expected market increases since the prior contract. We are billed progressively during the time of the audit by the contracted CPA firm. As well agencies are billed for its portion of the annual cost. Their portion is based on the amount of state appropriations each agency received for the current fiscal year. We then use this budget authorization to pay for the invoices received from the joint auditors. By the end of the fiscal year the authority and cash should net to zero.

➤ **\$280,500 to Fund the Increase Budget Authority for increased revenue from Single Audit of Federal Awards**

Proviso 105.1 states that each state agency receiving federal funds are subject to the audit requirements of the schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) will submit to the State Auditor an amount representing an equitable portion of the expense of conducting the Audit of the federal financial assistance. This means that each year after the audits are conducted our office invoices each state agency that received federal funds for an equitable portion of the expense. We currently base this portion on the percentage of federal financial assistance the agency receives in relation to the total amount all agencies receive for the state. The State Auditors Office then uses those funds for support services of conducting the audit such as personnel cost, travel to agencies, audit software and technology, and administrative services. By increasing the Budget Authority, it gives our office the ability to invoice for the total amount of the expenses incurred and addresses that the total amount in federal funding in the state has increased.

There are no FTEs related to this request.

Budget Request – Non-Recurring Funds



Priority 3 - \$1,000,000 One-time Funding for Legal Fees

Since January 2024, the State of SC and our agency has been involved in a complex SEC investigation. At the time it began it was recommended by the SC Attorney Generals Office that we retain outside legal counsel with experience with the SEC to represent our agency as a whole and any individuals that are/were employed with us at the time period of the investigation. Since that time, we have not had the need to ask for additional funding but only requested that we retain any carryforward the agency had from the previous year for operating expenses. This has been granted by the way of Proviso 105.8 for the last two budget years. As we have used these funds and continued to operate our agency as leanly as possible, the carryforward continues to decrease and based on last years need for counsel we are requesting one-time non-recurring funds to assist in the operational needs related to this investigation. This outside counsel for the agency regularly interacts with and coordinates the efforts of the Office of the State Auditor, various state agencies and the legal counsel for all parties involved in this complex matter. These interactions have and will include an extensive investigation, large requests for documents, review and analysis of documents produced, and interviews of staff from the agency that are related to the case. This collaboration will prepare outside counsel for effective representation of the agency. This counsel will make recommendations and provide legal advice to the agency and individuals of the agency. This counsel will collaborate with other counsel that represent other parties in state government. This outside counsel has the necessary expertise to defend our agency, the individuals related to the case, and work with other state agencies counsel as well.

Budget Request – Non-Recurring Funds



Priority 4 - \$250,000 One-time Funding for Moving Expenses

We are requesting one-time, non-recurring funds to facilitate the relocation of our main office to a new leased facility. The current office space is no longer available but also not adequate to support agency operations due to space issues and constant facility issues such as elevators being down, fire alarms that are usually false, bathrooms that do not function properly, and water being cut off regularly. This move is essential to maintain business continuity, improve operational efficiency, and provide an accessible and appropriate workspace for our employees.

We are currently nearing our last year of our lease. However, after 30+ years in the same space, we have been informed by the current property owner that they do not intend to renew the lease, and we have been asked to expedite finding space as they intend to use the space we currently occupy. Working with Property Services, we have initiated an RFP, received proposals, looked at various properties, and are in the midst of negotiating a new lease before presenting it for approval. The costs associated with the move would include the following:

- Moving Vendor Services that includes professional packing and transport of office furniture, equipment, files, and other assets. This covers labor, truck rentals, packing materials, and liability insurance. This would also include the breakdown of all workstations at the previous location and set-up of all workstations in the new space.
- Computer and IT Relocation Services that covers the specialized services required to safely disconnect, transport, and reconnect all network cabling, servers, desktop computers, printers, copiers, and phones. This also includes costs for network needs and assures that they are completed timely and securely to ensure system integrity and security throughout the move.
- Upfit of new space that is necessary for the new layout and configuration to include interior modifications like adding or changing walls, installing flooring and lighting, upgrading mechanical system needs, and integrating technology, with the goal of creating a functional and personalized workspace before we move in.
- Pre-move and Post-move expenses that includes costs for uninstalling/installing signage and other miscellaneous relocation expenses.

This request supports the statewide enterprise strategic objective of efficient and effective government as well as assuring business continuity during the move itself.



Proviso Amendment

Amend Proviso 105.8

Not Related to Other Budget Requests

We are requesting a technical change for this proviso. We are requesting that the proviso be approved for another year to encompass FY25-26 so that the agency can continue to perform operations without having to request recurring funds. by extending this proviso for another year, it would enable the agency to pay for legal expenses that are not recognized as normal expenses for our agency. As we continue to fill our vacant FTE's it will reduce the amount of funds we have to use for unexpected and/or unfunded expenses. As well, it will reduce the amount of funds we have available to use for unknown legal fees. Having the carryforward for an additional year would enable us to plan for these expenses without reducing our workforce or audit programs and would continue to keep productivity at a high level.

If the request to renew this proviso is approved, the Proviso would need to be changed to read:

105.8 (SFAA – AUD: Carry Forward) For Fiscal year ~~2025-2026~~ **2026-2027**, the office of the State Auditor is authorized to carry forward all funds from the previous fiscal year to ensure that the office can perform operations and conduct audits as needed.

Financial Overview

Budget vs Actual Current YTD* by Funded Program



FUNDED PROGRAM	GROUP	BUDGET	ACTUAL EXPENSES	AVAILABLE AMOUNT
0100.000000.000	Administration	578,207	282,384	295,823
0500.000000.000	Audits	7,095,886	3,212,908	3,882,978
1015.000000.000	Internal Audit Srvs	920,855	451,935	468,921
9500.050000.000	Employer Contributions	2,698,204	1,116,480	1,581,724
TOTAL		11,293,152	5,063,707	6,229,445

- YTD – as of January 22, 2026

Financial Overview

Budget vs Actual FY2025 by Funded Program



FUNDED PROGRAM	GROUP	BUDGET	ACTUAL EXPENSES	AVAILABLE REMAINING BUDGET (Carry Forward)
0100.000000.000	Administration	525,374	498,535	26,839
0500.000000.000	Audits	6,941,562	6,067,703	873,859
1015.000000.000	Internal Audit Srvs	731,643	719,189	12,454
9500.050000.000	Employer Contributions	1,949,379	1,790,652	158,727
TOTAL		10,147,958	9,076,079	1,071,879

Financial Overview and Efficiency



GENERAL AND SPECIAL CARRY-FORWARDS

Fund 10010000 - \$801,389

Proviso 105.8(SFAA – AUD: Carry Forward) states the for Fiscal Year 2025-2026, the Office of the State Auditor is authorized to carry forward all fund from the prior year to ensure that the office can perform operations and conduct audits as needed.

Fund 30350000 - \$65,439

Proviso 105.1(SFAA – AUD: Annual Audit of Federal Programs) – a portion of proviso states that the State Auditor shall retain and expend the funds received and shall carry forward any unexpended funds from the prior fiscal year.

Fund 37190000 - \$100,500

Proviso 105.4 (SFAA- AUD: Annual Audit of Court Fees and Fines Reports) – a portion of proviso states that any unexpended balance on June 30 of the prior fiscal year shall be carried forward and must be expended.

Fund 37K20000 - \$104,551

Proviso 105.2(SFAA-AUD: Medical Assistance Audit Carry Forward) The State Auditor’s Office shall retain and expend the funds received from the Department of Health and Human Services for the Medical Assistance Audit Program pursuant to Proviso 33.3 of this act and shall carry forward any unexpended funds from the prior fiscal year into the current fiscal year for the same purpose.

FTE Breakdown (as of January 2026)



	General Funds	Other Funds	Total
Filled	40	11	51
Vacant	4	3	7
		14	58*

*Please note we lost 2 FTE's this year in relation to Proviso 117.193 (FTE Management)