

**State Fiscal Accountability Authority
Office of the State Auditor**



Fiscal Year 2022-2023

Budget Briefings

House Ways & Means

Constitutional Subcommittee

January 12, 2022

SFAA – Office of the State Auditor

Key Officials

Organizational Chart

Agency Overview and Budget Summary

Accountability Report Summary

Accountability Report Fiscal Year 2021

Budget Request Summary

Budget Request Fiscal Year 2022-2023

Official Budget Request – EBO Version

Proviso Request/Changes

Agency Provisos

Carry Forward

FTE Breakdown

SFAA – State Auditor

Key Officials

Attending Hearing:

George L. Kennedy, III, CPA – gkennedy@osa.sc.gov – (803) 832-8929
State Auditor

Cindy Hoogenboom – choogenboom@osa.sc.gov – (803) 832-8294
Director of Administration

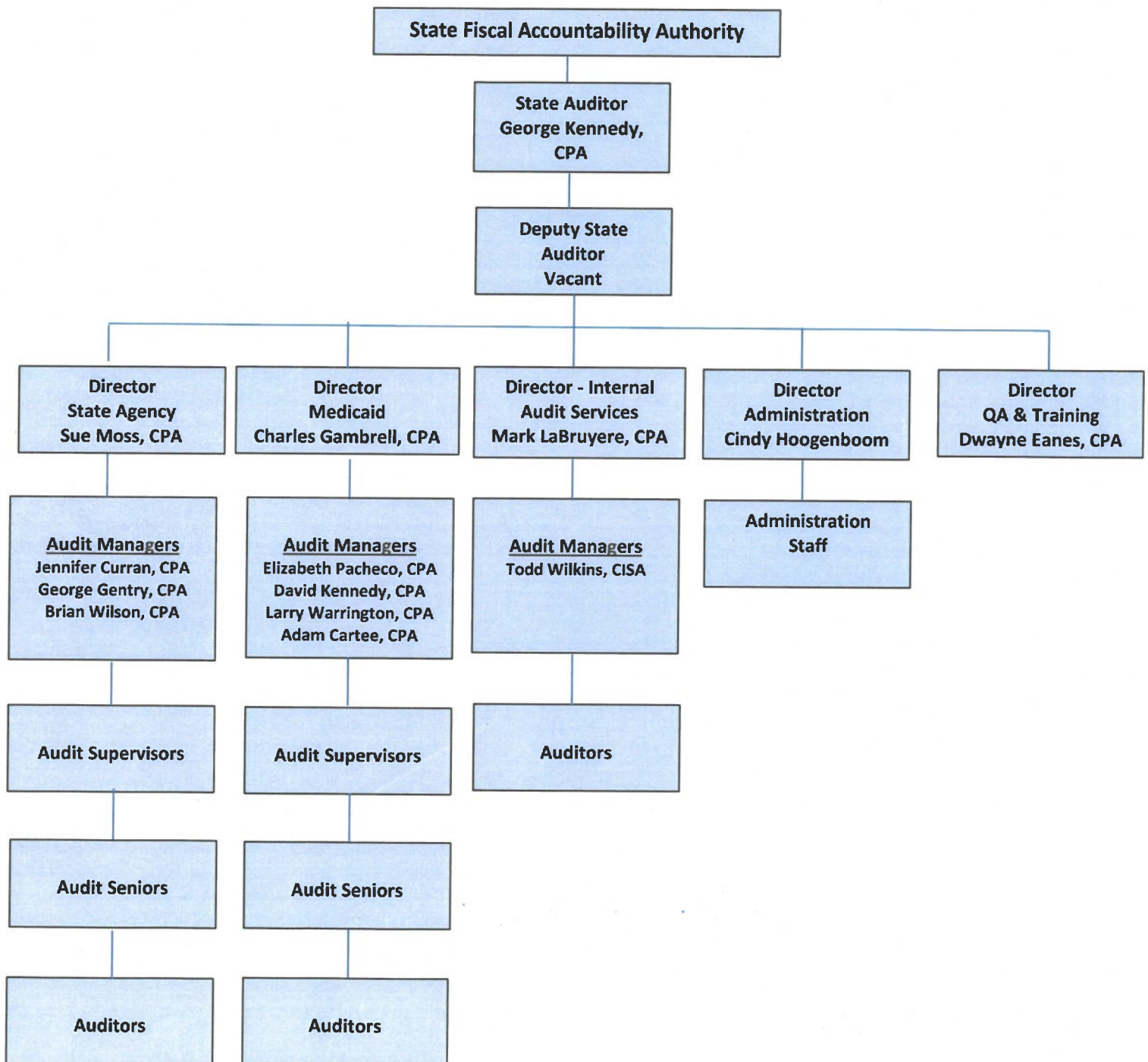
Optional:

Sue F. Moss, CPA – smoss@osa.sc.gov – (803) 832-8249
Director of State Audits

Charles Gambrell, CPA – cgambrell@osa.sc.gov – (803) 832-8241
Director of Medicaid Audits

Mark LaBruyere, CPA – labruyerema@scdot.org – (803) 737-0466
Director of Internal Audit Services

Dwayne Eanes, CPA – deanes@osa.sc.gov – (803) 832-8237
Director of Quality Assurance & Training



Office of the State Auditor

2023 Budget Request

The Office of the State Auditor is asking for the following support for FY2023:

Increase in General Funds to support Market Salary Adjustments for current employees, to address retention issues, and support future recruiting.....\$630,000

The Office of the State Auditor (OSA) is seeking legislative assistance through the budget process to strengthen our ability to retain and recruit employees and give the agency the ability to be competitive in the market. There are two specific strategies this request supports: 1) To create an environment that is recognized as a workplace of choice and 2) to manage the agency's workforce effectively. Funding will be used to re-align employee compensation across the agency with the current market for similar positions and to increase starting compensation for entry-level and experienced hires. Our primary objectives are to retain experienced staff, position the agency so that we can successfully compete for experienced talent within the market, and increase the number of certified employees. Market adjustments will be made immediately while each fiscal year our Directors will evaluate how funds were distributed and if they meet objectives. As well, we will evaluate the outlook for the market and plan for future compensation needs as we strive to stay competitive within the private sector and state agency markets. Please see attached documentation for detailed information on the current state of our agencies salaries in comparison to the market, the benchmarks used to determine competitive compensation and the detailed objectives we plan to meet if receiving this support.

2023 Proviso Requests

AMEND

Section 105.1 – SFAA – State Auditors Office (F270) – II. Audits Annual Audit of Federal Programs

This proviso currently reads that the Office of the State Auditor (OSA) would be reimbursed for an equitable portion of any expenses paid to a nation CPA firm for contracting to conduct a position of the audit for federal financial assistance. For the last two fiscal years, OSA has conducted this audit for state agencies that are receiving federal financial assistance without any assistance from a CPA firm. Because of this, we have not requested any payment from the agencies involved. This amendment would change the text so that an equitable portion of the cost of conducting the audit would be paid by the agencies audited to OSA, rather than for the cost of paying a CPA firm.

NEW

Section 105 – SFAA – State Auditors Office (F270) – II. Audits Internal Audit Services of Other State Agencies

This new proviso would give the Office of the State Auditor (OSA) the authorization from the South Carolina Legislature to offer Internal Audit Services to other state agencies under a cost reimbursement/shared services model. Any state agency that does not have an internal audit function may opt to use the services to conduct such audit. The audit plan will be agreed upon between the two parties and cost will be determined by nature, timing, and extent of the audit work.

Purpose, Organization and Major Responsibilities

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

State Agency Division - Composed of approximately 13 permanently assigned audit professionals, this division has 4 core responsibilities:

1. Annual audit of the State's Annual Comprehensive Financial Report (ACFR) as prepared by the Office of the Comptroller General.
2. Annual audit of the Schedule of Expenditures of Federal Awards (Single Audit).
3. Attestation engagements of each state agency not separately audited, which are focused on internal controls.
4. 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 13 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 6 administrative professionals who provide accounting, budgeting, human resource, purchasing, technology, word processing and other administrative support for the agency.

In addition to the permanently assigned staff in the State and Medicaid divisions, 18 staff float between divisions to provide teams with flexibility to scale team size to fit the needs of the engagement. Three positions are agencywide resources not assigned to a division.

Analysis of the Agency

OSA continues to focus on implementing initiatives designed to improve productivity and utilization, increase our value, develop and retain staff and maintain a strategic focus.

Major Accomplishments

The following accomplishments relate to the agency's core mission:

- The audit of the CAFR for fiscal year June 30, 2020, performed jointly with CliftonLarsonAllen, LLP (CLA), a national public accounting firm, was completed November 13, 2020, the date mutually agreed to with the Office of the Comptroller General. The total cost for CLA's services was \$335,500, which was reimbursed by state agencies.
- The audit of the State's Schedule of Expenditures of Federal Awards (Single Audit) for fiscal year ended June 30, 2020 was completed March 31, 2020. Covering compliance with laws and regulations for over \$8.4 billion in federal award expenditures, the single audit engagement required nearly 17,000 hours to complete in addition to the assistance provided by various state agencies and for the first time since 2011 was completed without assistance from a contracted third party.
- Completion of 48 agreed-upon procedures engagements for state agencies covering fiscal years 2019 and 2020.
- Completion of 67 reports covering 43 healthcare providers receiving Medicaid reimbursement. Medicaid receivables of \$5.4 million to date have been established based on these engagement findings.
- Through contract with three certified public accounting firms, completion of 30 agreed-upon procedures engagements of county and municipal courts.
- Completion of 6 internal audit reports related to SCDOT.

Other significant accomplishments and initiatives:

Productivity and Utilization

- Productivity and effectiveness have increased by utilizing technology, by refining our everyday processes and by filling open positions as quickly as possible. We measure utilization (productive time/total time) for approximately 42 auditors who averaged 74% of their time, or over 55,000 total hours, worked directly on audit engagements in fiscal year 2021.
- Continued effective remote work with little to no impact to production, realizing staff utilization of 75.16% for quarters 1 – 3 of fiscal year 2021 (COVID remote work period) compared to 73.72% for the same period in fiscal year 2020 (comparable period prior to COVID).
- Assured the staff time not charged to audit engagements is spent productively on training, development and other beneficial activities, including leave.
- Continue to build resources which allow us to insource work which was previously contracted.
- OSA staff performed the audit of the State's expenditures of federal awards for fiscal year 2020 without the assistance of an external CPA firm for the first time since fiscal year 2011. This eliminated \$650,000 of audit fees paid by state agencies.

Assuring Value for Those We Serve

- Continuously seek feedback from stakeholders on how we can better add value to the work we perform.
- Through planning meetings with agency staff, continue to encourage them to use OSA as a resource to help them address agency risk.

- Continue to realize value in Medicaid audit services provided to DHHS. Over the last 5 fiscal years, our Medicaid Division has identified amounts for recovery equal to over 3.3 times the cost of the attest services provided.
- Continue to build a trusted advisor role between our internal audit team and SCDOT leadership.
- Began internal discussions about the role OSA could play in facilitating enhanced internal audit activities across State agencies, particularly for smaller agencies that cannot support a full-time internal audit function.
- Exploring opportunities to recover costs of our engagements from state agencies for at least the statewide audits to provide more certainty for funding these activities.

Developing and Managing A Professional Workforce

- Continue to reinforce teamwork, accountability and feedback as core elements of our culture.
- Created a new approach to employee onboarding, including assigning a coach to ensure the new hire receives the support they need to be successful in their first year and beyond.
- Onboarded three employees remotely, and successfully delivered technical training using Zoom and Microsoft Teams.
- Continue to encourage staff to challenge legacy thinking through process improvement.
- Continue to emphasize the importance of professional certification by continuing our bonus plan. We now have 24 staff with a CPA or other relevant professional certification, 11 more than in fiscal year 2016.
- Managed turnover for fiscal year 2021 to approximately 17%, which is higher than normal, but which also included retirements of three long-term employees.
- Use volunteer service such as delivering meals for Meals on Wheels, working at Harvest Hope and serving meals at Transitions to build comradery among our teams while serving our community.

Responding to Change by Maintaining a Strategic Focus

- Received funding for fiscal year 2022 to implement phase one of our strategy to replace major agency-hosted software applications with cloud-based solutions.
- Realized significant progress in implementing basic data analytics capabilities to streamline financial analysis and testing and to provide more robust audit insights.
- Initiated an agency strategic planning process to develop major initiative for focus in the coming years.

Managing Agency Resources Effectively

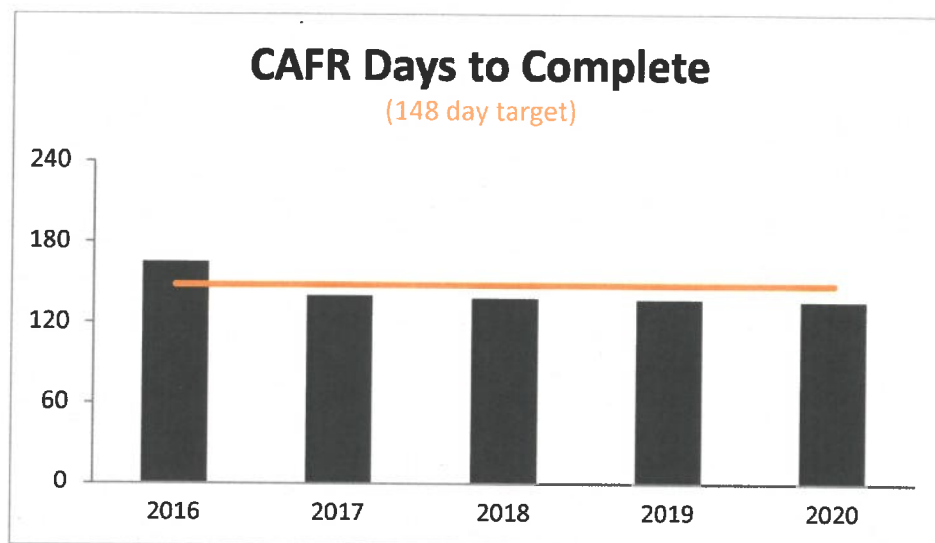
- Continuing to be a good steward of the OSA's resources by investing in the tools that assist us in working more efficiently and effectively.
- Managed OSA's budget conservatively and with accountability.
- Proactively seeking opportunities to make OSA leaner with minimal disruption to workflow.

Performance Comparison to Prior Years

Audit of the State's CAFR

The State's CAFR for fiscal year 2020 was issued 136 days after fiscal year end, meeting the goal issue date agreed to with the Office of the Comptroller General. As illustrated in Figure 1, better planning, efficiencies and closer coordination with the Comptroller General's staff have led to the report being issued within a reasonable expectation. The goal for fiscal year 2021 is to issue the CAFR within 135 days of fiscal year end.

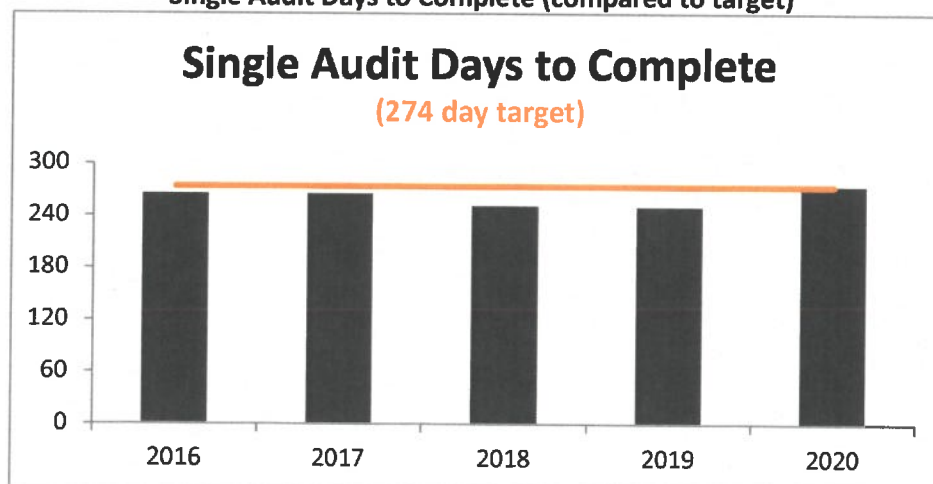
Figure 1
CAFR Days to Complete (compared to target)



Audit of Expenditures of Federal Awards (Single Audit)

The Single Audit for fiscal year 2020 was completed in 275 days, meeting the 275 day (March 31) internal goal for issuance. Due to challenges of auditing during a pandemic, the US Office of Management and Budget granted an automatic deadline extension to September 30, 2021. OSA pushed to issue by the internal date in order to minimize the impact on work already scheduled for the remainder of the year.

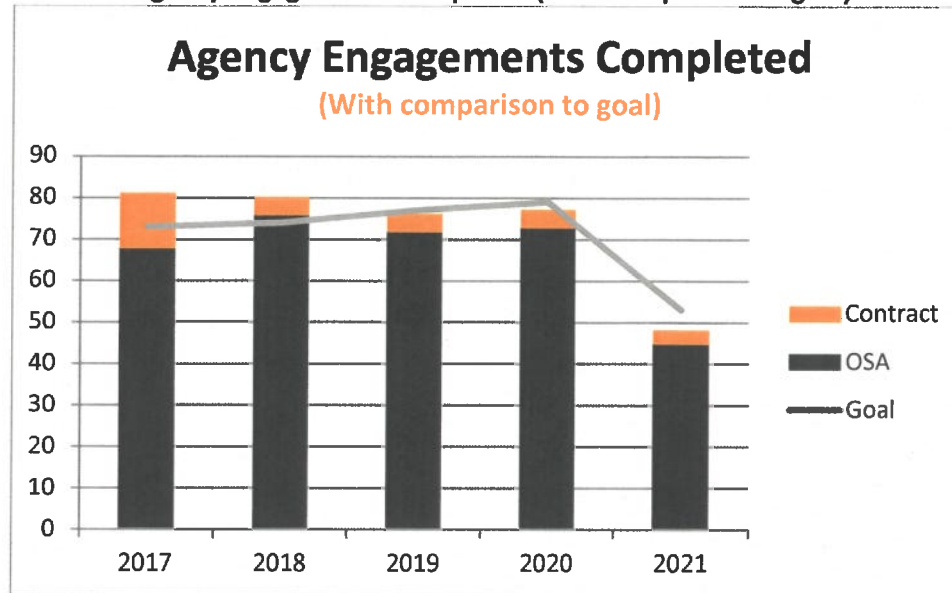
Figure 2
Single Audit Days to Complete (compared to target)



Agency Engagements Completed

An attest engagement should be completed for each agency annually. These engagements are primarily performed between March and September for the prior fiscal year (e.g. FYE 6/30/20 engagements are performed during March to September 2021). Figure 3 illustrates all engagements completed during the fiscal year. The goal was decreased from prior years because of the impact of insourcing the single audit engagement.

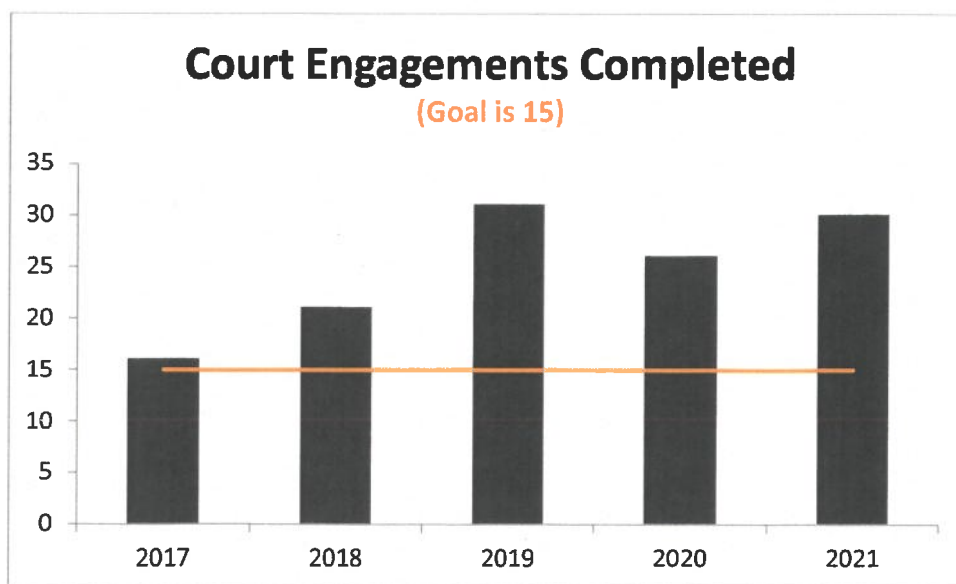
Figure 3
Agency Engagements Completed (With comparison to goal)



Court Engagements

For fiscal year 2021, 30 court engagements were issued, exceeding our goal of 15.

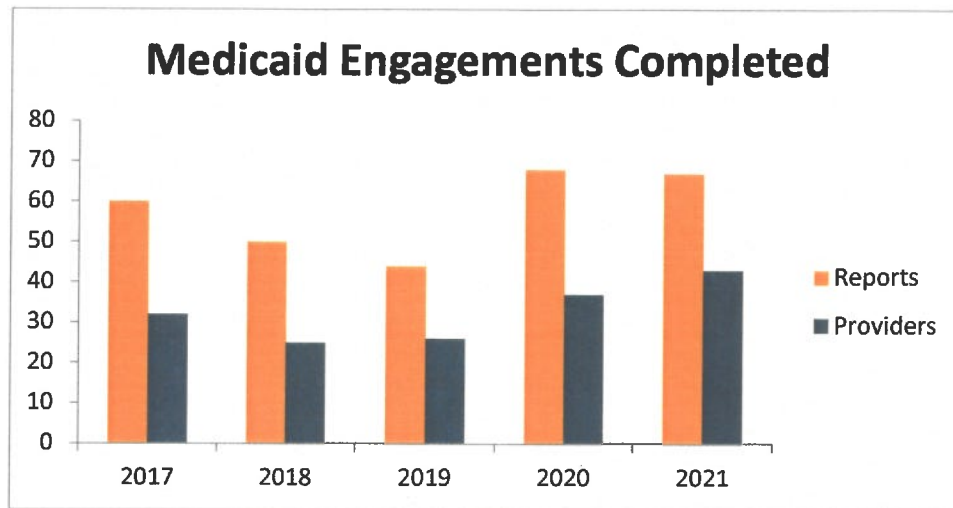
Figure 4
Court Engagements Completed (Goal = 15)



Medicaid Engagements Completed

For fiscal year 2021, reports for 67 Medicaid engagements were issued, covering 43 healthcare providers. Our contract with the DHHS requires that an engagement be conducted for each nursing home provider at least once every four consecutive reporting periods. Report issuance numbers can vary greatly between fiscal years due in large part to work related to large chain operations and length of engagements.

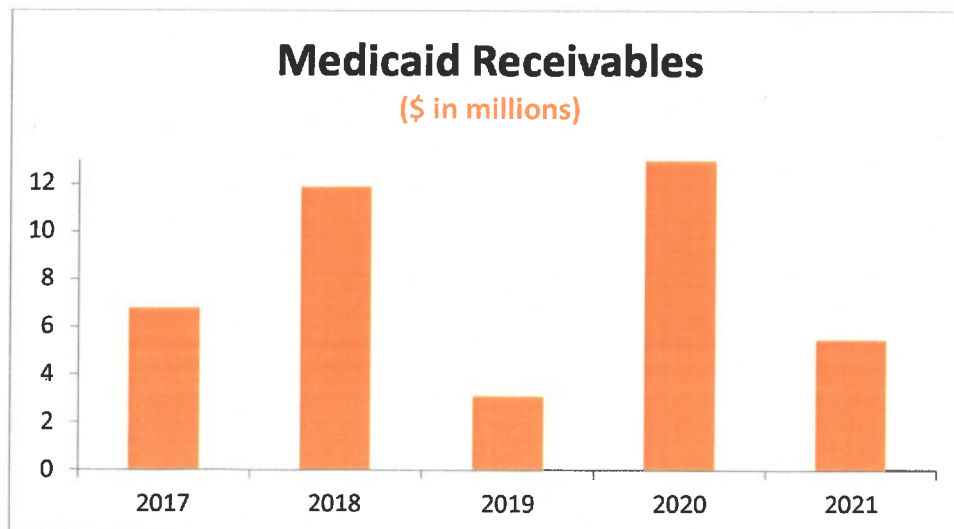
Figure 5
Medicaid Engagements Completed



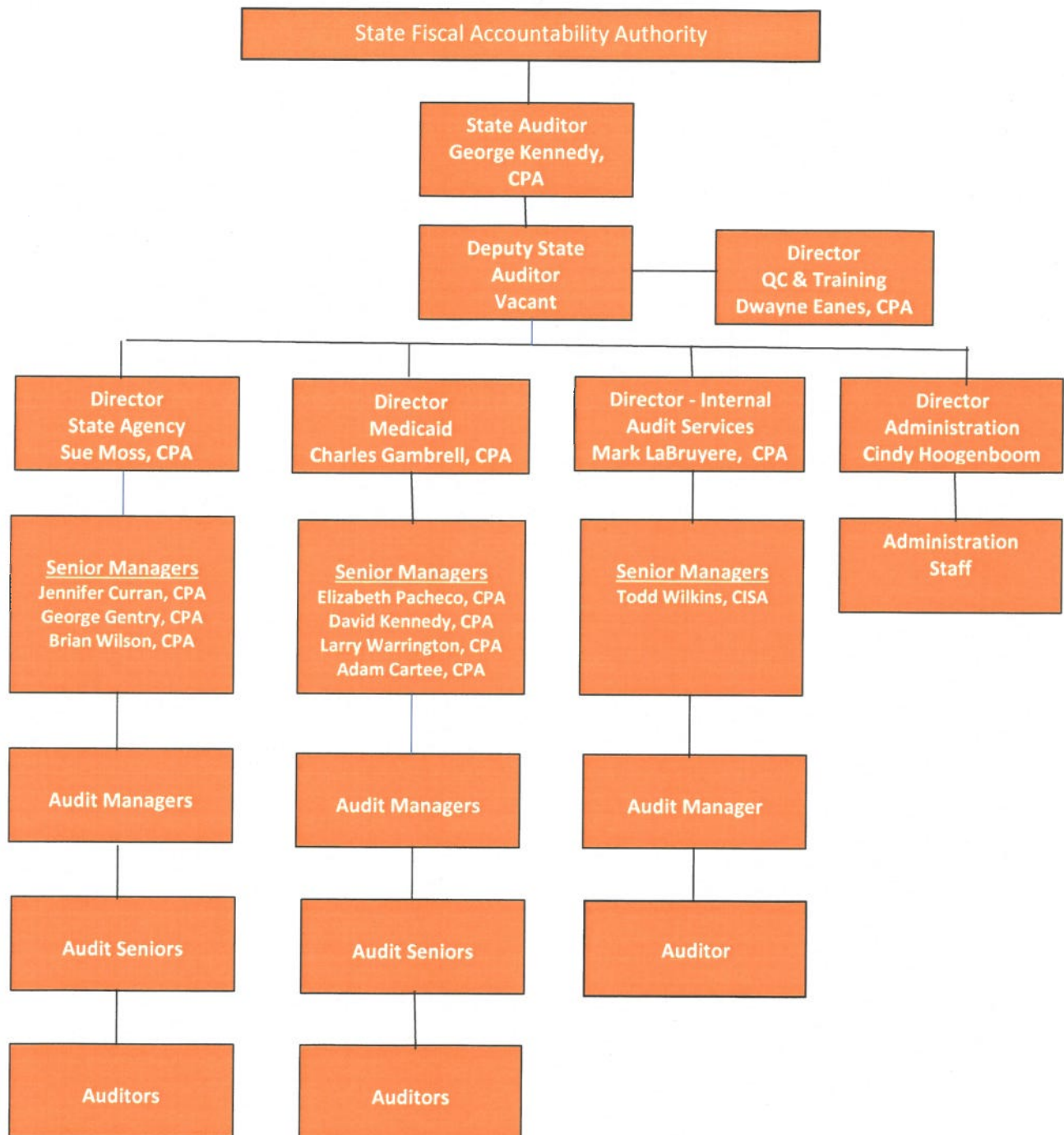
Medicaid Receivables Identified

For fiscal year 2021, Medicaid receivables in the amount of \$5.4 million to date have been established by DHHS, based on our findings in reports issued. As illustrated in Figure 6, Medicaid receivables can vary significantly from one year to the next. These receivables are not predictive and have no direct correlation to the number of reports issued. The degree of provider compliance with program rules and regulations when reporting cost claimed for reimbursement will always be the determining factor in the amounts established.

Figure 6
Medicaid Receivables Identified (\$ in 000)



Organization Chart – as of 8/15/2021



Risk and Mitigation Strategies

Our independent audit services provide stakeholders with assurance that the information reported in the State's annual financial report is accurate and reliable. These stakeholders include taxpayers, citizens, elected officials, bondholders and others in the financial community. Should OSA fail to complete the audit of the State's annual financial report, independently audited financial information would be unavailable, impeding financial transparency to the public and creating a lack of confidence in the financial community which would impact the State's credit rating and ability to issue new debt. Existing debt might also be called by bond-holders due to noncompliance with financial reporting requirements. Similarly, a failure to complete the statewide Single Audit and file the report timely with the federal government could interrupt the flow of nearly \$9 billion in federal awards received annually by various state agencies due to noncompliance with annual reporting requirements for federal awards.

If either or both scenarios occurred, the State could mitigate the consequences by hiring a Certified Public Accounting firm to perform the independent audit work normally performed by OSA. Doing so, however, would likely come with a substantial cost and a protracted lead time to issue final reports due to the substantial man-hours required to complete both audit engagements.

Restructuring Recommendations

There are no restructuring recommendations.

FY 22-23 Budget Priorities Summary												
South Carolina Office of the State Auditor												
Budget Priorities				Funding					FTEs			
Priority No.	Priority Type (recurring/ non- recurring /other funds adjustment/ federal funds adjustment)	Priority Title	Priority Description	Recurring	Non - Recurring	Other	Federal	Total	State	Other	Federal	Total
			This funding would give the agency the ability to be competitive in the market, to create an environment that is recognized as a workplace of choice and, to manage the agency's workforce effectively. Funding will be used to realign employee compensation across the agency with the current market for similar positions and to increase starting compensation for entry level and experienced hires. As well, this funding would give our agency the ability to retain and recruit new talent.	630,000	0	0	0	630,000	0	0	0	0
1	Recurring	General Fund Increase to support Market Salary Adjustments for current employees, address retention issues, and support future recruiting										

Agency Name:	SFAA - State Auditor's Office		
Agency Code:	F270	Section:	105



Fiscal Year FY 2022-2023

Agency Budget Plan

FORM A - BUDGET PLAN SUMMARY

**OPERATING
REQUESTS
(FORM B1)**

For FY 2022-2023, my agency is (mark "X"):	
<input checked="" type="checkbox"/>	Requesting General Fund Appropriations.
<input type="checkbox"/>	Requesting Federal/Other Authorization.
<input type="checkbox"/>	Not requesting any changes.

**NON-RECURRING
REQUESTS
(FORM B2)**

For FY 2022-2023, my agency is (mark "X"):	
<input type="checkbox"/>	Requesting Non-Recurring Appropriations.
<input type="checkbox"/>	Requesting Non-Recurring Federal/Other Authorization.
<input checked="" type="checkbox"/>	Not requesting any changes.

**CAPITAL
REQUESTS
(FORM C)**

For FY 2022-2023, my agency is (mark "X"):	
<input type="checkbox"/>	Requesting funding for Capital Projects.
<input checked="" type="checkbox"/>	Not requesting any changes.

**PROVISOS
(FORM D)**

For FY 2022-2023, my agency is (mark "X"):	
<input checked="" type="checkbox"/>	Requesting a new proviso and/or substantive changes to existing provisos.
<input type="checkbox"/>	Only requesting technical proviso changes (such as date references).
<input type="checkbox"/>	Not requesting any proviso changes.

Please identify your agency's preferred contacts for this year's budget process.

**PRIMARY
CONTACT:
SECONDARY
CONTACT:**

<u>Name</u>	<u>Phone</u>	<u>Email</u>
George L. Kennedy, III	(803) 832-8929	gkennedy@osa.sc.gov
Cindy Hoogenboom	(803) 832-8294	choogenboom@osa.sc.gov

I have reviewed and approved the enclosed FY 2022-2023 Agency Budget Plan, which is complete and accurate to the extent of my knowledge.

**SIGN/DATE:
TYPE/PRINT
NAME:**

<u>Agency Director</u>	<u>Board or Commission Chair</u>
<i>George L. Kennedy, III</i>	
George L. Kennedy, III	

This form must be signed by the agency head – not a delegate.

Agency Name:	SFAA - State Auditor's Office
Agency Code:	F270
Section:	105

BUDGET REQUESTS			FUNDING					FTES				
Priority	Request Type	Request Title	State	Federal	Earmarked	Restricted	Total	State	Federal	Earmarked	Restricted	Total
1	B1 - Recurring	General Funds Increase to Support Market Salary Adjustments for Current Employees, Retention Issues, and Future Recruiting	630,000	0	0	0	630,000	0.00	0.00	0.00	0.00	0.00
TOTALS			630,000	0	0	0	630,000	0.00	0.00	0.00	0.00	0.00

Agency Name:	SFAA - State Auditor's Office		
Agency Code:	F270	Section:	105

FORM B1 – RECURRING OPERATING REQUEST

AGENCY PRIORITY	1
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Provide the Agency Priority Ranking from the Executive Summary.

TITLE	General Funds Increase to Support Market Salary Adjustments for Current Employees, Retention Issues, and Future Recruiting
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Provide a brief, descriptive title for this request.

AMOUNT	General: \$630,000 Federal: \$0 Other: \$0 Total: \$630,000
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What is the net change in requested appropriations for FY 2022-2023? This amount should correspond to the total for all funding sources on the Executive Summary.

NEW POSITIONS	0.00
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Please provide the total number of new positions needed for this request.

FACTORS ASSOCIATED WITH THE REQUEST	Mark "X" for all that apply: <input type="checkbox"/> Change in cost of providing current services to existing program audience <input type="checkbox"/> Change in case load/enrollment under existing program guidelines <input type="checkbox"/> Non-mandated change in eligibility/enrollment for existing program <input type="checkbox"/> Non-mandated program change in service levels or areas <input type="checkbox"/> Proposed establishment of a new program or initiative <input type="checkbox"/> Loss of federal or other external financial support for existing program <input type="checkbox"/> Exhaustion of fund balances previously used to support program <input type="checkbox"/> IT Technology/Security related <input type="checkbox"/> Consulted DTO during development <input type="checkbox"/> Related to a Non-Recurring request – If so, Priority #
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STATEWIDE ENTERPRISE STRATEGIC OBJECTIVES	Mark "X" for primary applicable Statewide Enterprise Strategic Objective: <input checked="" type="checkbox"/> Education, Training, and Human Development <input type="checkbox"/> Healthy and Safe Families <input type="checkbox"/> Maintaining Safety, Integrity, and Security <input type="checkbox"/> Public Infrastructure and Economic Development <input type="checkbox"/> Government and Citizens
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ACCOUNTABILITY OF FUNDS	<p>There are two specific strategies this requests supports: 1) To create an environment that is recognized as a workplace of choice and 2) to manage the agency's workforce effectively. The Office of the State Auditor (OSA) is seeking legislative assistance through the budget process to strengthen our ability to retain and recruit employees. Funding will be used to re-align employee compensation across the agency with the current market for similar positions and to increase starting compensation for entry-level and experienced hires. Our primary objectives are to:</p> <ol style="list-style-type: none"> 1. Retain experienced staff 2. Position the agency so that we can successfully compete for experienced talent 3. Increase the number of certified employees <p>Market Adjustments will be made immediately while each fiscal year we will evaluate how funds were distributed to meet these objectives above. As well, we will evaluate the outlook and plan for future compensation needs as we strive to stay competitive within the private sector and state agency markets.</p>
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What specific strategy, as outlined in the most recent Strategic Planning and Performance Measurement template of agency's accountability report, does this funding request support? How would this request advance that

RECIPIENTS OF FUNDS

Recipient of the funds would include current and future employees.

Auditing Divisions

We used two salary benchmarks to determine competitive compensation for auditors at the Office of the State Auditor (OSA):

- **Accounting & Finance Salary Guide 2021** - Published annually by Robert Half, a global recruiting and staffing firm specializing in accounting and finance, this guide is considered a "go-to" source to determine appropriate salaries for the accounting and auditing industry
- **Private Industry National Pay Guidelines** - Shared with us on a confidential basis, this is a proprietary compensation guideline used by one of the largest accounting firms in the United States.

We selected the benchmarks for auditors that are most closely related to the typical years of experience for similar positions at OSA. For each benchmark we took 94% of the national average to compensate for a lower cost of living in the Columbia SC metropolitan region. We further adjusted the benchmarks to reflect that OSA compensates its employees for 1,950 hours per year rather than the 2,080 hours typical in the private sector. The adjusted benchmarks are as follows:

	Robert	Private
Position	Half	Sector
Director	NA	NA
Senior Manager	118,748	113,769
Manager	82,397	90,504
Senior	58,823	66,446
Auditor	48,028	56,048
Associate Auditor	43,181	51,553

Using the above benchmarks as a guideline, we determined a target salary by experience level. The following table compares the target average with the OSA current average (as of 08/31/2021) along with the actual percent increase and the rounded percent increase:

	OSA Target	OSA Current	%	%
Position	Average	Average	Increase	Rounded
Director	115,000	102,507	12.2%	12.0%
Senior Manager	96,000	88,393	8.6%	9.0%
Manager	76,500	68,185	12.2%	12.5%
Senior	63,500	56,287	12.8%	12.5%
Auditor	53,000	49,164	7.8%	8.0%
Associate Auditor	48,000	44,270	8.4%	8.0%

Administrative Division

We have recently planned a reorganization of the Administrative Division and taken the first step by turning one of our recently retired Administrative Assistant positions into an IT Consultant position. As part of this request for legislative support, we would continue the reorganization by reclassifying two positions. The Director of Administration would be classified from a Program Manager II to a Program Manager III - comparable to other Directors within the agency. The Administrative Coordinator would be reclassified to an Administrative Manager - comparable to other Managers with the agency. Both reclassifications would have additional duties and responsibilities. To determine salary increases for the Administrative staff, we compared OSA positions to similar positions within other state agencies to determine that OSA compensation is lower than other state agencies whose staff have equal or less education and equal or less years of experience - averaging approximately 10% lower in some cases. For our only IT position, the position is under compensated by approximately 20%. The requested increase would also be a matter of retention for the IT Consultant position as this staff member has been highly recruited by private companies and other state agencies.

Please see attached spreadsheet for requested increase by classification, as well as, documentation for justification of reclassifications or increases for positions over 15% or over.

What individuals or entities would receive these funds (contractors, vendors, grantees, individual beneficiaries, etc.)? How would these funds be allocated – using an existing formula, through a competitive process, based upon predetermined eligibility criteria?

About Us

The Office of the State Auditor (OSA) serves as the independent audit function for the State of South Carolina and is organized into three service delivery divisions, State Agency, Medicaid, and Internal Audit Services, supported by the Administrative division. OSA employs a workforce of 60 including 54 audit professionals and 6 administrative professionals. Of the audit professionals, all have at least a bachelor's degree in accounting or a related field of study, many have master's degrees, and 24 hold professional certifications including Certified Public Accountants (CPA), Certified Fraud Examiners (CFE), and Certified Information Systems Auditor (CISA).

OSA uses the following titles for auditor positions, which also indicates the typical years of experience of the staff in those positions:

- Associate Auditor - 0 to 2 years
- Auditor - 1 to 3 years
- Senior Auditor - 3 to 6 years
- Manager - 6 to 10 years
- Senior manager - 10 or more years
- Director - 12 or more years

Current State

Over the last three fiscal years, OSA lost 21 staff to jobs in the private sector, other state agencies, or retirement. Open positions for auditors are filled with entry-level hires because hiring experienced auditors has been challenging in part due to compensation - which is not competitive with the private sector. "Growing our own" staff to be ready to accept more responsibility when experienced staff leaves is a key retention strategy and attractive benefit for our younger staff. However, we also recognize the benefits of having the experience and perspective of auditors who have worked outside of OSA. This experience and perspective is critical to continued success for several of our agency initiatives. These include increasing efficiencies, increasing the value of the work we perform, and in-sourcing work that was previously out-sourced, including work that was out-sourced due to complexity. The results of these initiatives has allowed us, since 2016, to in-source over 10,000 hours of work that we previously contracted out - without an increase in full-time equivalent positions. OSA's hiring philosophy has been to replace open positions as soon as practical, and as a result, our rate of open positions averages around 3%.

Objectives

As mentioned above, OSA is seeking legislative assistance through the budget process to strengthen our ability to retain and recruit employees. This funding will be used to re-align employee compensation across the agency with the current market for similar positions and to increase starting compensation for entry level hires. Our primary objectives are to:

1. Retain experienced staff
2. Position the agency to successfully compete for experienced talent
3. Increase the number of certified employees

Retaining Experienced Staff

Every employer faces the risk that their top talent may leave to take another job. With that in mind, we have created retention strategies that include providing continued growth opportunities, creating an attractive culture, and offering compensation that is competitive with the market for similar positions. And while we feel comfortable we are on the right track with our strategies, maintaining competitive compensation has been the most challenging area to address.

While we expect turnover, we have lost some of our brightest talent in recent years to jobs offering substantial increases in compensation. Our turnover rate jumped to 17% for fiscal year 2021 after two fiscal years which averaged around 10%. Historically, OSA staff left most often for opportunities at other state agencies. However, in the last three years, 38% left for positions in the private sector while only 29% left for positions in other state agencies. We see this trend continuing unless we re-align our compensation with the market.

Successfully Compete for Experienced Talent

The recruiting model at OSA has long been to replace open positions with entry-level hires, typically recent accounting graduates from South Carolina colleges and Universities. This model was built somewhat out of necessity because OSA's compensation has historically been more competitive at the entry-level than at experienced levels. While we recruit many bright and talented individuals from college campuses, we also must invest considerable resources into training them over

REQUEST

one to two years before they can contribute a level of productivity that would equal the experienced staff they replaced.

By hiring experienced candidates, we can not only reduce our training costs, but we can also maintain productivity because experienced hires will contribute at a high level soon after their first day. Acquiring experienced talent is also an opportunity to gain different perspectives and innovative ideas and strategies from outside our organization that could make us stronger. Additionally, 7 (12%) of OSA employees are eligible to retire now and another 5 (8%) can retire in less than seven years. These upcoming retirements provide an important opportunity to strategically recruit talent from outside the agency into high-level positions vacated by retiring employees.

We began testing our ability to recruit experienced talent in late 2019 when we posted a Senior Auditor opportunity targeting a CPA or CPA candidate with 2-4 years of public accounting or other relevant auditing experience. The position remains open today because all qualified candidates who applied either declined our offer or withdrew from consideration to focus on other opportunities. While our hiring range for this position is \$60,000 to \$65,000, compared to the \$56,287 average compensation for our staff currently at this level, the compensation is not attractive enough to lure qualified applicants.

Additionally, we have actively recruited to fill a Manager and Senior Manager position for our Internal Audit Services division, with hiring ranges of \$65,000 to \$75,000 and \$75,000 to \$90,000 respectively, but have attracted interest from only a handful of qualified applicants. We have successfully filled the manager position at \$76,000 but because qualified applicants for the Senior Manager position were asking compensation of \$100,000 or more, we have downgraded that position to a Manager, which allows us to offer stronger compensation and attract a larger pool of qualified applicants.

Increase the Number of Certified Employees

We encourage all staff to pursue certification, however it is a requirement for promotion to Manager, usually around six years of experience. Non-certified staff often decide by their fifth year if they will stay with OSA, knowing they have hit a ceiling, or if they will look for opportunities elsewhere.

To be eligible for certification, a CPA candidate must have a bachelor's degree with 150 or more credit hours. Because most undergraduate accounting degrees are only 120 credit hours, many accounting graduates obtain their master's degree or complete additional undergraduate courses to obtain 150 credit hours.

In the last two years, we have seen decidedly less interest in pursuing certification among our non-certified staff. Many of these individuals lack the additional credit hours above their bachelor's degree to become eligible to sit for the exam. When asked why they are not actively pursuing certification, they respond that the process is too expensive or too time-consuming despite offering tuition assistance, flexible work hours, and a \$4,000 bonus for completing the exam. We also understand from a few of our non-certified staff that the additional compensation they would earn at a Manager level or above is not enough to justify the effort and cost to become certified. Similarly, entry-level candidates with a master's degree are difficult for us to attract because they do not view our \$45,000 starting salary as attractive given the options they have for private-sector jobs.

The trend of having fewer certified staff could be detrimental to our ability to grow our staff to the Manager level and above, when certification is required, which would decrease our ability to promote from within as retirements occur in the coming years. This is especially critical due to the retirements we expect over the next five years, many of which will be from our highest experience levels.

To address these issues, we are proposing a more appropriate premium for entry-level hires with a master's degree and/or certification.

2017 Special Adjustment

Recognizing that current salaries had not kept pace with the market, OSA adjusted salaries by pay band using agency funds. The adjustments, which took effect in March 2017, ranged from approximately 5% to 11%. Concurrently our entry-level salary was adjusted by approximately 8% to \$43,500, and \$45,000 for new hires with a Master's degree, placing a \$1,500 premium on the graduate degree. Since the 2017 Special Adjustment, we have awarded compensation adjustments for promotions and merit, but have lacked the resources to award significant non-merit general pay increases. OSA employees have also received two State-funded general pay increases of 2.0% effective June 2019, and 2.50% effective June 2021.

Please thoroughly explain the request to include the justification for funds, potential offsets, matching funds, and method of calculation. Please include any explanation of impact if funds are not received. If new positions have been requested, explain why existing vacancies are not sufficient.

Agency Name:	SFAA - State Auditor's Office		
Agency Code:	F270	Section:	105

FORM D – PROVISO REVISION REQUEST

NUMBER	105.1
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Cite the proviso according to the renumbered list (or mark "NEW").

TITLE	SFAA-AUD: Annual Audit of Federal Programs
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Provide the title from the renumbered list or suggest a short title for any new request.

BUDGET PROGRAM	Section 105 - SFAA - State Auditors Office (F270) - II. Audits
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Identify the associated budget program(s) by name and budget section.

RELATED BUDGET REQUEST	No
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Is this request associated with a budget request you have submitted for FY 2022-2023? If so, cite it here.

REQUESTED ACTION	Amend
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Choose from: Add, Delete, Amend, or Codify.

OTHER AGENCIES AFFECTED	State agencies receiving Federal Funds would continue to be responsible for a portion of the cost to conduct the audit.
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Which other agencies would be affected by the recommended action? How?

SUMMARY & EXPLANATION	<p>The proviso currently reads that the Office of the State Auditor would be reimbursed for an equitable portion of any expenses paid to a national CPA firm for contracting to conduct a portion of the audit for federal financial assistance. For the last two fiscal years OSA has conducted this audit for state agencies that are receiving federal financial assistance without any assistance from a CPA firm. Because of this, we have not requested any payment from the agencies involved. This amendment would change the text so that an equitable portion of the cost of conducting the audit would be paid by the agencies audited to OSA, rather than for the cost of paying a CPA firm.</p>
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Summarize the existing proviso. If requesting a new proviso, describe the current state of affairs without it. Explain the need for your requested action. For deletion requests due to recent codification, please identify SC Code section where language now appears.

FISCAL IMPACT

None

Provide estimates of any fiscal impacts associated with this proviso, whether for state, federal, or other funds. Explain the method of calculation.

PROPOSED PROVISO TEXT

This change would amend the text as indicated in *italics* below as well as remove the sentence that is struck through:

105.1. (SFAA-AUD: Annual Audit of Federal Programs) Each state agency receiving federal funds subject to the audit requirements of the Single Audit Act Amendments of 1996 and Title 2 U.S. Code of Federal Regulations (C.F.R) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) shall remit to the State Auditor an amount representing an equitable portion of the expense of *conducting the audit of the State's Federal Financial Assistance*.

Each state agency's equitable portion of the expense will be determined by a schedule developed by the State Auditor. Such remittance will be based upon invoices provided by the State Auditor. ~~The audit shall be re-bid every five years.~~ The State Auditor shall retain and expend the funds received and shall carry forward any unexpended funds from the prior fiscal year into the current fiscal year for the same purpose.

Paste existing text above, then bold and underline insertions and strikethrough deletions. For new proviso requests, enter requested text above.

Agency Name:	SFAA - State Auditor's Office		
Agency Code:	F270	Section:	105

FORM D – PROVISIO REVISION REQUEST

NUMBER

NEW

Cite the proviso according to the renumbered list (or mark "NEW").

TITLE

SFAA - AUD: Internal Audit Services offered by the Office of the State Auditor

Provide the title from the renumbered list or suggest a short title for any new request.

**BUDGET
PROGRAM**

Section 105 - SFAA - State Auditors Office (F270) - II.Audits

Identify the associated budget program(s) by name and budget section.

**RELATED
BUDGET
REQUEST**

No

Is this request associated with a budget request you have submitted for FY 2022-2023? If so, cite it here.

**REQUESTED
ACTION**

Add

Choose from: Add, Delete, Amend, or Codify.

**OTHER AGENCIES
AFFECTED**

Any state agency that would like to opt into the services offered by the Office of the State Auditor

Which other agencies would be affected by the recommended action? How?

**SUMMARY &
EXPLANATION**

This new proviso would give the Office of the State Auditor the authorization from the SC Legislature to offer internal audit Services to other state agencies under a cost reimbursement, shared services model.

Summarize the existing proviso. If requesting a new proviso, describe the current state of affairs without it. Explain the need for your requested action. For deletion requests due to recent codification, please identify SC Code section where language now appears.

FISCAL IMPACT

If a state agency opts to use the services of the Office of the State Auditor (OSA) there will be an agreed upon cost reimbursement where that agency would remit the cost to OSA.

Provide estimates of any fiscal impacts associated with this proviso, whether for state, federal, or other funds. Explain the method of calculation.

**PROPOSED
PROVISO TEXT**

The Office of the State Auditor is authorized to offer internal audit services to state agencies under a cost reimbursement, shared services model. Any state agency that does not have an internal audit function may opt to use the services to conduct such audit. The audit plan [REDACTED] will be agreed upon between the two parties and cost will be determined by nature, timing, and extent of the audit work.

Paste existing text above, then bold and underline insertions and strikethrough deletions. For new proviso requests, enter requested text above.

Agency Name:	SFAA - State Auditor's Office		
Agency Code:	F270	Section:	105

FORM E – AGENCY COST SAVINGS AND GENERAL FUND REDUCTION CONTINGENCY PLAN

TITLE	Agency Cost Savings and General Fund Reduction Contingency Plan
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AMOUNT	\$143,568
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What is the General Fund 3% reduction amount? This amount should correspond to the reduction spreadsheet prepared by EBO.

ASSOCIATED FTE REDUCTIONS	None
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How many FTEs would be reduced in association with this General Fund reduction?

PROGRAM / ACTIVITY IMPACT	<p>The Contingency Plan would impact the following program:</p> <p>Audit Program - 10010000 - 0500.000.000</p> <p>This includes all audit divisions for the agency.</p>
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What programs or activities are supported by the General Funds identified?

SUMMARY	<p>The Office of the State Auditor is mostly funded by General Fund Appropriations. 88% of our budget consists of personal services and fringe. A 3% reduction in General funds represents 26% of the agency's Operating budget. Because of this, the agency would need to take the reduction from personal services and associated employer contributions in order to preserve training, technology needs and technology support, and other operating expenses that are critical to the agency.</p> <p>To support a 3% general funds reduction, OSA would reclassify the current Deputy State Auditor position to a Senior Auditor position and an open position would not be filled. The elimination of the executive management position would require the redistribution of duties to other members of Senior management, potentially creating work constraints that would need to be addressed through a reprioritization of overall duties. While service delivery timeliness and quality of service would be maintained, strategic initiatives important to the health and sustainability of the agency would receive little to no focus.</p>
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Please provide a detailed summary of service delivery impact caused by a reduction in General Fund Appropriations and provide the method of calculation for anticipated reductions. Agencies should prioritize reduction in expenditures that have the least significant impact on service delivery.

**AGENCY COST
SAVINGS PLANS**

No cost savings plans currently in place.

What measures does the agency plan to implement to reduce its costs and operating expenses by more than \$50,000? Provide a summary of the measures taken and the estimated amount of savings. How does the agency plan to repurpose the savings?

Constitutional Subcommittee Proviso Request Summary FY 2022-23

Proviso # in FY 21-22 Act	Renumbered FY 22-23 Proviso #	Proviso Title	Short Summary	Agency Recommended Action (keep, change, delete, add)
105.1	105.1	SFAA-AUD Annual Audit of Federal Programs	<p>This proviso currently reads that the Office of the State Auditor (OSA) would be reimbursed for an equitable portion of any expenses paid to a nation CPA firm for contracting to conduct a position of the audit for federal financial assistance. For the last two fiscal years, OSA has conducted this audit for state agencies that are receiving federal financial assistance without any assistance from a CPA firm. Because of this, we have not requested any payment from the agencies involved. This amendment would change the text so that an equitable portion of the cost of conducting the audit would be paid by the agencies audited to OSA, rather than for the cost of paying a CPA firm.</p>	CHANGE
N/A	105.7	SFAA _ AUD Internal Audit Services of Other State Agencies	<p>This new proviso would give the Office of the State Auditor (OSA) the authorization from the South Carolina Legislature to offer Internal Audit Services to other state agencies under a cost reimbursement/shared services model. Any state agency that does not have an internal audit function may opt to use the services to conduct such audit. The audit plan will be agreed upon between the two parties and cost will be determined by nature, timing, and extent of the audit work.</p>	ADD

FY21-22 PROVISOS
SECTION 105 - F270 - SFAA, OFFICE OF STATE AUDITOR

105.1. *AMEND* (SFAA-AUD: Annual Audit of Federal Programs) Each state agency receiving federal funds subject to the audit requirements of the Single Audit Act Amendments of 1996 and Title 2 U.S. Code of Federal Regulations (C.F.R) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) shall remit to the State Auditor an amount representing an equitable portion of the expense of contracting with a nationally recognized CPA firm to conduct a portion of the audit of the State's federal financial assistance.

Each state agency's equitable portion of the expense will be determined by a schedule developed by the State Auditor. Such remittance will be based upon invoices provided by the State Auditor. The audit shall be re-bid every five years. The State Auditor shall retain and expend the funds received and shall carry forward any unexpended funds from the prior fiscal year into the current fiscal year for the same purpose.

105.2. *KEEP* (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.

105.3. *KEEP* (SFAA-AUD: Coordination with Inspector General) In the event the State Auditor's Office identifies instances of fraud, waste, and abuse during any state agency audit, the State Auditor shall refer such instances to the State Inspector General for examination. The State Auditor shall prepare and submit an annual report to the Chairmen of the House Ways and Means Committee and the Senate Finance Committee and the Governor detailing all written referrals of fraud, waste, and abuse submitted to the State Inspector General.

105.4. *KEEP* (SFAA-AUD: Annual Audit of Court Fees and Fines Reports) The State Auditor shall conduct a minimum of fifteen audits annually of county treasurers, municipal treasurers, county clerks of court, magistrates and/or municipal courts as required by Section 14-1-210 of the 1976 Code and allowed by Section 14-1-240; however, the State Auditor shall not be required to spend more than the annual amount of \$250,000, received from the State Treasurer to conduct the said audits pursuant to Section 14-1-210 of the 1976 Code. The State Auditor may contract with one or more CPA/accounting firms to conduct the required audits. The State Auditor shall consult with the State Treasurer to determine the jurisdictions to be audited in the current fiscal year. Jurisdictions may be selected randomly or based on an instance in the current or previous fiscal year of failing to report, incorrectly reporting or under remitting amounts owed. The funds transferred to the State

Auditor by the State Treasurer shall not be used for any purpose other than to conduct the described audits and report whether or not the assessments, surcharges, fees, fines, forfeitures, escheatments, or other monetary penalties imposed and/or mandated are properly collected and remitted to the State. Any unexpended balance on June thirtieth of the prior fiscal year shall be carried forward and must be expended for the same purpose during the current fiscal year. The State Auditor shall annually report by October first, its findings of the jurisdictions audited to the Senate Finance Committee and the House Ways and Means Committee.

105.5. WAITING ON FUTURE STATUS (SFAA-AUD: Special Study of Long-Term Obligations) (A) The State Auditor shall identify certain long-term obligations by state institutions of higher learning, as defined by Section 59-107-10 of the 1976 Code, and report his findings to the General Assembly. The intent is to identify those obligations which are long-term debt or tantamount to long-term debt, or those which, if not honored, might result in a negative rating action on the institution's or the State's credit rating. Such obligations would not include either general obligation debt or bonded indebtedness issued directly by an institution.

(B) "Long-term obligation" means:

(1) an arrangement to acquire an interest in or a right to use, or have others use, any type of property if all or a portion of the money required to pay for the acquisition is secured through fare, toll, or user charges;

(2) an arrangement to acquire an interest in or a right to use, or have others use, any type of property if (a) the arrangement is financed, directly or indirectly, with indebtedness undertaken by another for that purpose; (b) the state institution knows or should know the acquisition is financed by indebtedness; and, (c) the state institution is obligated to make, or undertakes to have others make, recurring payments on, or that another will use to make payments on, the indebtedness; or,

(3) any of the following arrangements: (a) lease-purchase agreement; (b) leaseback agreement; (c) installment purchase agreement; (d) lease with an option to purchase for other than the then-current fair market value; (e) lease with option to renew for nominal or no additional consideration; (f) an agreement involving collateral, such as a mortgage or security interest; (g) a public private partnership; (h) an agreement structured as either design-build-operate-maintain or design-build-finance-operate-maintain, as defined in Section 11-35-2910; (i) a finance lease, as defined in Section 36-2A-103(1)(g); (j) a transaction in the form of a lease that creates a security interest, as addressed in Section 36-1-203(b); or (k) a guaranteed energy, water, or wastewater savings contract, as authorized by Section 48-52-670(A).

(C) The report should include long-term obligations irrespective of the source of funds involved, if any, and whether or not the obligation is subject to the availability or appropriation of funds. The report should exclude the following: (1) general obligation debt authorized under Section 13, Article X of the Constitution of South Carolina, 1895, and debt issued by the state institution under Section 13, Article

X of the Constitution of South Carolina, 1895, but not debt issued under Section 13 or 14 of Article X on its behalf or for its benefit; and (2) an institution's obligation to make payments when the total amount of money needed for the obligation is committed for that purpose, authorized for expenditure, and in hand.

(D) The report should be adequate to catalog the type, extent, and prevalence of long-term obligations by state institutions. Without limitation, the report should include the following information for each obligation identified, if applicable: (1) the interest or right acquired; (2) the initial, maximum, and then outstanding amount of indebtedness involved; (3) whether a credit rating was obtained for such indebtedness; (4) the amount and frequency of payments involved, and who makes the payments; (5) the total amount of payments remaining to be made; (6) the initial and remaining duration of the obligation; (7) the source of funds used to make payments; (8) the parties to the arrangement and any associated borrowing, including without limitation, the entity lending the funds or assets associated with the financed acquisition; and (9) any counterparty or intermediary involved.

(E) The State Auditor shall conduct the study and issue a final report no later than one hundred and twenty days after the beginning of the current fiscal year. State institutions must fully respond within forty-five days to any formal request for information from the State Auditor. If, in the State Auditor's judgment, a state institution does not timely submit a complete and accurate report, he may obtain the service of independent professionals to audit the institution's records and charge the institution for the associated cost. Sections 11-7-30, 11-7-35, and 11-7-45 of the 1976 Code shall apply to this special study as though it were an audit.

105.6. COMPLETED; (SFAA-AUD: Audited Financial Statements) The Office of the State Auditor is directed to work with the State Fiscal Accountability Authority to issue a statewide contract for Fiscal Year 2021-22 for the performance of audited financial statements which municipalities could use for audits required by Section 5-7-240 of the 1976 Code.

The State Auditor is directed to convene a working group of stakeholders to develop appropriate auditing requirements for municipalities and to make recommendations for the General's consideration.

Status of Data 1/8/2022 03:12:08

Author

Chart Filter Information

Business area		Fund	YTD Beginning Cash	Cash Receipts	Net Transfers	Cash Disbursements	YTD Ending Cash Balance	Underpost ed Cash	Accts Payable	Calculated Ending Balance
F270	SFAA - AUDITOR'S OFFICE	GENERAL FUND		\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
F270	SFAA - AUDITOR'S OFFICE	GENERAL FUND	10010000	\$ 0.00			\$ 0.00			\$ 0.00
F270	SFAA - AUDITOR'S OFFICE	GENERAL FUND	10020000	\$ 0.00			\$ 0.00			\$ 0.00
F270	SFAA - AUDITOR'S OFFICE	GENERAL FUND	Result	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
F270	SFAA - AUDITOR'S OFFICE	SPECIAL REVENUE FD	30335000	\$ 1,174.77	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 1,174.77
F270	SFAA - AUDITOR'S OFFICE	SPECIAL REVENUE FD	30350000				\$ 1,174.77			\$ 0.00
F270	SFAA - AUDITOR'S OFFICE	SPECIAL REVENUE FD	37180000	\$ 151,072.39	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 151,072.39
F270	SFAA - AUDITOR'S OFFICE	SPECIAL REVENUE FD	37K20000	\$ 284,725.59	\$ 0.00	\$ 0.00	\$ 284,725.59	\$ 0.00	\$ 0.00	\$ 284,725.59
F270	SFAA - AUDITOR'S OFFICE	SPECIAL REVENUE FD	38590000	\$ 385.38	\$ 0.00	\$ 0.00	\$ 385.38	\$ 0.00	\$ 0.00	\$ 385.38
F270	SFAA - AUDITOR'S OFFICE	SPECIAL REVENUE FD	51C10000		\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
F270	SFAA - AUDITOR'S OFFICE	SPECIAL REVENUE FD	Result	\$ 437,358.13	\$ 0.00	\$ 0.00	\$ 437,358.13	\$ 0.00	\$ 0.00	\$ 437,358.13
F270	SFAA - AUDITOR'S OFFICE	TRUST & AGENCY FDS	30240000	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
F270	SFAA - AUDITOR'S OFFICE	TRUST & AGENCY FDS	30267000	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
F270	SFAA - AUDITOR'S OFFICE	TRUST & AGENCY FDS	35997000	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
F270	SFAA - AUDITOR'S OFFICE	TRUST & AGENCY FDS	38530000	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
F270	SFAA - AUDITOR'S OFFICE	TRUST & AGENCY FDS	Result	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
F270	SFAA - AUDITOR'S OFFICE	TRUST & AGENCY FDS		\$ 437,358.13	\$ 0.00	\$ 0.00	\$ 437,358.13	\$ 0.00	\$ 0.00	\$ 437,358.13
Overall Result				\$ 437,358.13	\$ 0.00	\$ 0.00	\$ 437,358.13	\$ 0.00	\$ 0.00	\$ 437,358.13

**SFAA - State Auditor
FTE Positions**

	General Fund	Other Fund	Total
Filled	36	16	52
Vacant	5	3	8
	41	19	60

As of 1.6.2022

About Us

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

OSA employs a workforce of 60 including 54 audit professionals and 6 administrative professionals. Of the audit professionals, all have at least a bachelor's degree in accounting or a related field of study, many have master's degrees, and 24 hold professional certifications, including Certified Public Accountants (CPA), Certified Fraud Examiner (CFE), or Certified Information Systems Auditor (CISA).

OSA uses the following titles used for auditor positions, which also indicate the typical years of experience of the staff in those positions:

- Associate Auditor - 0 to 2 years
- Auditor - 1 to 3 years
- Senior Auditor - 3 to 6 years
- Manager - 6 to 10 years
- Senior Manager - 10 or more years
- Director - 12 or more years

Current State

Over the last three fiscal years, OSA has lost 21 staff to jobs in the private sector, other State agencies, or retirement. Open positions for auditors are filled with entry-level hires because hiring experienced auditors has been challenging in part due to compensation which is not competitive with the private sector.

"Growing our own" staff to be ready to accept more responsibility when experienced staff leave is a key retention strategy and an attractive benefit for our younger staff. However, we also recognize the benefits of having the experience and perspective of auditors who have worked outside of OSA. This experience and perspective is critical to the continued success of several agency initiatives. These include increasing efficiencies, increasing the value of the work we perform, and in-sourcing work previously outsourced, including work outsourced due to complexity. The result of these initiatives has allowed us, since 2016, to in-source over 10,000 hours of work previously contracted without an increase in full-time equivalent positions.

OSA's hiring philosophy has been to replace open positions as soon as practical and as a result, our rate of open positions averages around 3%.

Objectives

OSA is seeking legislative assistance through the budget process to strengthen its ability to recruit and retain employees. Funding will be used to re-align employee compensation across the agency with the

current market for similar positions and to increase starting compensation for entry-level hires. Our primary objectives are to:

1. Retain experienced staff
2. Position the agency to compete for experienced talent
3. Increase the number of certified employees

Retain Experienced Staff

Every employer faces the risk that their top talent may leave to take another job. With that in mind, we have created retention strategies that include providing continued growth opportunities, creating an attractive culture, and offering compensation that is competitive with the market for similar positions. And while we feel comfortable we are on the right track with our strategies, maintaining competitive compensation has been the most challenging area to address.

While we expect turnover, we have lost some of our brightest talent in recent years to jobs offering substantial increases in compensation. Our turnover rate jumped to 17% for fiscal year 2021 after two fiscal years which averaged around 10%. Historically, OSA staff left most often for opportunities at other State agencies. However, in the last three years, 38% left for positions in the private sector while only 29% left for positions in other State agencies. We see this trend continuing unless we re-align our compensation with the market.

Compete for Experienced Talent

The recruiting model at OSA has long been to replace open positions with entry-level hires, typically recent accounting graduates from South Carolina colleges and universities. This model was built somewhat out of necessity because OSA's compensation has historically been more competitive at the entry-level than at experienced levels. While we recruit many bright and talented individuals from college campuses, we also must invest considerable resources into training them over one to two years before they can contribute a level of productivity that would equal the experienced staff they replaced.

By hiring experienced candidates, we can not only reduce our training costs, but we can also maintain productivity because experienced hires will contribute at a high level soon after their first day. Acquiring experienced talent is also an opportunity to gain different perspectives and innovative ideas and strategies from outside our organization that could make us stronger. Additionally, 7 (12%) of OSA employees are eligible to retire now and another 5 (8%) can retire in less than seven years. These upcoming retirements provide an important opportunity to strategically recruit talent from outside the agency into high-level positions vacated by retiring employees.

We began testing our ability to recruit experienced talent in late 2019 when we posted a Senior Auditor opportunity targeting a CPA or CPA candidate with 2 to 4 years of public accounting or other relevant auditing experience. The position remains open today because all qualified candidates who applied either declined our offer or withdrew from consideration to focus on other opportunities. While our

hiring range for this position is \$60,000 to \$65,000, compared to the \$56,287 average compensation for our staff currently at this level, the compensation is not attractive enough to lure qualified candidates.

Additionally, we have actively recruited to fill a Manager and a Senior Manager position for our Internal Audit Services division, with hiring ranges of \$65,000 to \$75,000 and \$75,000 to 90,000 respectively, but have attracted interest from only a handful of qualified applicants. We have successfully filled the manager position at \$76,000, but because qualified applicants for the Senior Manager position were asking for compensation of \$100,000 or more, we have downgraded that position to a Manager, which allows us to offer stronger starting compensation and attract a larger pool of qualified applicants.

Increase the Number of Certified Employees

We encourage all staff to pursue certification, however it is a requirement for promotion to Manager, usually around six years of experience. Non-certified staff often decide by their fifth year if they will stay with OSA, knowing they have hit a ceiling, or if they will look for opportunities elsewhere.

To be eligible for certification, a CPA candidate must have a bachelor's degree with 150 or more credit hours. Because most undergraduate accounting degrees are only 120 credit hours, many accounting graduates obtain their master's degree or complete additional undergraduate courses to obtain 150 credit hours.

In the last two years, we have seen decidedly less interest in pursuing certification among our non-certified staff. Many of these individuals lack the additional credit hours above their bachelor's degree to become eligible to sit for the exam. When asked why they are not actively pursuing certification, they respond that the process is too expensive or too time-consuming despite offering tuition assistance, flexible work hours, and a \$4,000 bonus for completing the exam. We also understand from a few of our non-certified staff that the additional compensation they would earn at a Manager level or above is not enough to justify the effort and cost to become certified. Similarly, entry-level candidates with a master's degree are difficult for us to attract because they do not view our \$45,000 starting salary as attractive given the options they have for private-sector jobs.

The trend of having fewer certified staff could be detrimental to our ability to grow our staff to the Manager level and above, when certification is required, which would decrease our ability to promote from within as retirements occur in the coming years. This is especially critical due to the retirements we expect over the next five years, many of which will be from our highest experience levels.

To address these issues, we are proposing a more appropriate premium for entry-level hires with a master's degree and/or certification.

2017 Special Adjustment

Recognizing that current salaries had not kept pace with the market, OSA adjusted salaries by pay band using agency funds. The adjustments, which took effect in March 2017, ranged from approximately 5% to 11%. Concurrently our entry-level salary was adjusted by approximately 8% to \$43,500, and \$45,000 for new hires with a Master's degree, placing a \$1,500 premium on the graduate degree.

Since the 2017 Special Adjustment, we have awarded compensation adjustments for promotions and merit, but have lacked the resources to award significant non-merit general pay increases. OSA employees have also received two State-funded general pay Increases of 2.0% effective June 2019, and 2.50% effective June 2021.

Salary Benchmarks

We used two benchmarks to determine competitive compensation for OSA:

Accounting & Finance Salary Guide 2021 - Published annually by Robert Half, a global recruiting and staffing firm specializing in accounting and finance, this guide is considered a “go-to” source to determine appropriate salaries for the accounting and auditing industry.

Private industry national pay guidelines – Shared with us on a confidential basis, this is a proprietary compensation guideline used by one of the 50 largest accounting firms in the United States.

We selected the benchmarks for auditor positions that are most closely related to the typical years of experience for similar positions at OSA.

For each benchmark, we took 94% of the national average to compensate for a lower cost of living in the Columbia, SC metropolitan region. We further adjusted the benchmarks to reflect that OSA compensates its employees for 1,950 hours per year rather than the 2,080 hours typical in the private sector. The adjusted benchmarks are as follows:

	Robert	Private
Position	Half	Sector
Director	NA	NA
Senior Manager	118,748	113,769
Manager	82,397	90,504
Senior	58,823	66,446
Auditor	48,028	56,048
Associate Auditor	43,181	51,553

Using the above benchmarks as a guideline, we determined a target average salary by experience level. The following table compares the target average with the current average (as of 8/31/2021) along with the actual percent increase and rounded percent increase:

	OSA Target	OSA Current	%	%
Position	Average	Average	Increase	Rounded
Director	115,000	102,507	12.2%	12.0%
Senior Manager	96,000	88,393	8.6%	9.0%
Manager	76,500	68,185	12.2%	12.5%
Senior	63,500	56,287	12.8%	12.5%
Auditor	53,000	49,164	7.8%	8.0%
Associate Auditor	48,000	44,270	8.4%	8.0%

JUSTIFICATIONS FOR INCREASES 15% + or RECLASSIFICATIONS

IT CONSULTANT I

Justification for Salary Increase of 20%. This position was created for OSA in January 2021 with the intention of hiring this staff to serve as end user support for agency specific software applications and as liaison to the agency's third-party network provider and other vendors in the design, implementation and modification of computer or network systems. In the time period since we have hired the position, the staff member has proven to be an integral part of our team. They have excelled in their job duties and taken on responsibilities that were once done by DTO – resulting in efficiencies for the agency that can be used for other technology needs. We initially hired this staff member at the bottom of our hiring range as we expected it to be an entry level position. However, the position has evolved to need a much more advanced level of proficiency and skill. The current salary has been determined to be lower than that of other state employees performing the same or similar duties at the same level of expertise. As well, there is established labor market data that identifies a need to award market adjustments in order to achieve equity with external public/private employers that could potentially be attracted to their unique skills. Therefore, this increase would also handle any potential retention issues with this position.

RECLASS - ADMIN COORDINATOR II to ADMIN MANAGER I

Justification of Reclassification for Administrative Coordinator II (AH15 - Band 6) to an Administrative Manager I (AH20 - Band 7). This change would be due to a reorganization of the Administrative Division of the Agency and would hold the internal title of Senior Manager – Administrative Division. The staff member currently in this position is an essential part of the Administrative team. Currently, they manage one other staff member. This reclass would increase the duties of their position to include the management of two additional staff members from our Word Processing Department. Although this position would retain many of the same job duties as it had as an Admin Coordinator it would, however, take on those roles in more of a managerial role, assist in projects that are managed by the Administrative Director, and they would be responsible for delegating responsibilities as needed. This position will also be responsible in formulating and implementing administrative policies and procedures for the agency. This position would also act on behalf of the Director of Administration in their absence. By approving this reclassification and increase in salary, it would bring equity in this position that is comparable to the other Managers within the agency, as well as handle any potential retention issues with this position.

RECLASS – PROGRAM MANAGER II to PROGRAM MANAGER III

Justification of reclassification for Program Manager II (AH50 – Band 8) to a Program Manager III (AH55 – Band 9). This position is the Director of Administration for the agency. This change is requested to make the position equitable with other Division Director classifications in the agency. The staff member currently in this position is an essential part of the Executive leadership team. With this position they manage Finance and Budget, Payroll, Human Resources, Word Processing, and Information Technology. As a part of the reorganization for the Administrative division, they would take on additional duties in managing special projects and programs that are being initiated for the agency. They have also managed and implemented agency procedures throughout the pandemic that are considered additional job duties for this position. The current salary has been determined to be lower than that of other state employees performing the same or similar duties at the same level of expertise and this reclassification and salary increase would make the position comparable to other Program Manager III positions within the agency and within state government.

PROGRAM MANAGER III

Justification for Salary increase of 15% (3% above the market study increase of 12%). This position is part of the OSA executive team. This staff member was promoted to Director of Internal Audits – DOT in July 2021. During this market study, this salary has been determined to be lower than that of other state employees performing the same or similar duties at the same level of expertise. This salary is also lower than other Division Directors position within our agency. In an effort to maintain consistency for Directors within this agency and parallel to other state agencies, this increase is justified to meet parity within the agency. As well, this salary increase is also comparable to positions equal to this position within state government that have the same education, certifications, skills, related work experience, and similar job duties. Given these items are equivalent among division directors in state government, this salary increase is reasonable in an effort to retain this staff member in the Directors position and as a valuable member of the executive Team.

PROGRAM MANAGER III

Justification for Salary increase of 15% (3% above the market study increase of 12%). This position is part of the OSA executive team. This staff member was promoted to Director Medicaid Audits in March 2021. During this market study, this salary has been determined to be lower than that of other state employees performing the same or similar duties at the same level of expertise. This salary is also lower than other Division Directors position within our agency. In an effort to maintain consistency for Directors within this agency and parallel to other state agencies, this increase is justified to meet parity within the agency. As well, this salary increase is also comparable to positions equal to this position within state government that have the same education, certifications, skills, related work experience, and similar job duties. Given these items are equivalent among division directors in state government, this salary increase is reasonable in an effort to retain this staff member in the Directors position and as a valuable member of the executive Team.

SC OFFICE OF THE STATE AUDITOR - ADMINISTRATION DIVISION RESTRUCTURING

Name	Class	Position	Current Salary	Target Increase	Adjusted Salary	Increase	Midpoint	Max	Comments
CALEB DOYON	AM65	Administrative	46,125.00	20%	55,350.00	9,325.00	59,537.00	77,298.00	SEE JUSTIFICATION - SALARY EQUITY TO COMPS AND RETENTION
ANGELA MORGAN	AH15	Administrative	59,450.00	12%	66,584.00	7,234.00	59,537.00	77,298.00	SEE JUSTIFICATION - RECLASS TO Band 07/AH20/MID 72,440/MAX 94,048
JANAI RAMIREZ	AA75	Administrative	32,787.00	8%	35,409.96	2,722.96	40,209.00	52,203.00	DUTIES WILL BE ADJUSTED WITH ADMIN DIVISION RESTRUCTURE - ADDITIONAL DUTIES ASSIGNED
TRACY R BRICE	AH15	Administrative	62,510.00	8%	67,510.80	5,100.80	59,537.00	77,298.00	DUTIES WILL BE ADJUSTED WITH ADMIN DIVISION RESTRUCTURE - ADDITIONAL DUTIES ASSIGNED
SALLY A GAINES	AA75	Administrative	37,979.00	8%	41,017.32	3,138.32	40,209.00	52,203.00	DUTIES WILL BE ADJUSTED WITH ADMIN DIVISION RESTRUCTURE - ADDITIONAL DUTIES ASSIGNED
CYNTHIA JEAN HOOGENBOOM	AH50	Director	94,320.00	12.0%	105,638.40	11,418.40	88,144.00	114,437	SEE JUSTIFICATION - RECLASS TO Band 09/AH55/ MID 107,247 /MAX 139,238 - 22 YRS OF SERVICE/PARITY