



SOUTH CAROLINA GENERAL ASSEMBLY

Legislative Audit Council

Independence, Reliability, Integrity

HOUSE WAYS AND MEANS

Legislative, Executive, and Local Government Subcommittee

FY 19-20

Budget Presentation

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January 2019



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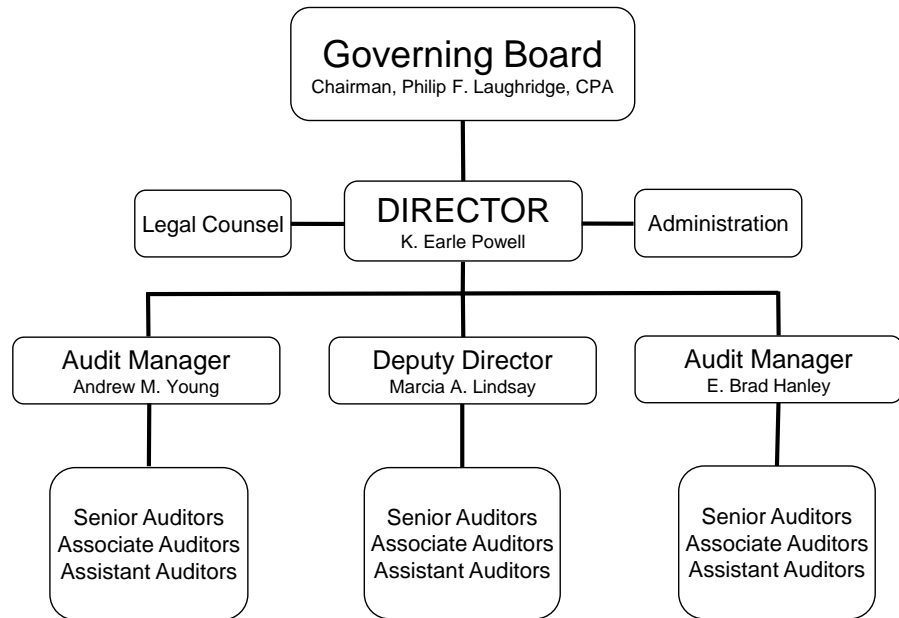
K. Earle Powell
Director

PUBLIC MEMBERS

- Philip F. Laughridge, CPA
Chairman
- Jane P. Miller
Vice Chairman
- John B. Dangler, JSC (ret)
- Thomas F. Hartnett
- Charles L. A. Terreni, Esq.

ORGANIZATIONAL CHART

January 2019



LEGISLATIVE MEMBERS

Senate

- JUDICIARY COMMITTEE
- Luke A. Rankin, Chairman
- Wes Climer, Designee

FINANCE COMMITTEE

- Hugh K. Leatherman, Sr., Chairman

House of Representatives

- JUDICIARY COMMITTEE
- Peter M. McCoy, Jr., Chairman

WAYS AND MEANS COMMITTEE

- G. Murrell Smith, Jr., Chairman



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MISSION

Our mission is to perform independent, objective performance audits to help ensure that state agencies and programs are efficient, achieve desired outcomes, and comply with applicable laws. Our audits are conducted in accordance with generally accepted government auditing standards as set forth by the Comptroller General of the United States.

LEGISLATIVE MEMBERS

Senate

JUDICIARY COMMITTEE

Luke A. Rankin, Chairman

Wes Climer, Designee

ORG CHART & FTEs

We have 20 funded FTE positions of the 26 authorized positions. Currently, we have 2 auditor positions vacant.

FINANCE COMMITTEE

Hugh K. Leatherman, Sr., Chairman

REQUESTS

Our audits are generated from three sources — legislative, mandated, and two oversight committees.

House of Representatives

JUDICIARY COMMITTEE

Peter M. McCoy, Jr., Chairman

COUNCIL

We are governed by a Council of five public members elected by the General Assembly in a Joint Session for six-year terms. Council also includes four ex officio members or their designees.

WAYS AND MEANS COMMITTEE

G. Murrell Smith, Jr., Chairman

BUDGET REQUEST

We are not requesting any additional recurring General Funds.

\$2,040,507 General Fund appropriation

\$400,000 Other Funds authorization

LAC.SC.GOV

BUDGET REQUEST SUMMARY

FY 19-20

| Legislative Audit Council | | | | | | | | | | | | |
|---------------------------|--|----------------|----------------------|-----------------|-----------|-------|---------|-------|-------|-------|---------|-------|
| Budget Priorities | | | | Funding | | | | | FTEs | | | |
| Priority No. | Priority Type (non-recurring/ recurring/other) | Priority Title | Priority Description | Non - Recurring | Recurring | Other | Federal | Total | State | Other | Federal | Total |
| | | | | | | | | | | | | |

PROVISO REQUEST SUMMARY

FY 19-20

| Legislative Audit Council | | | | |
|---------------------------------|-------------------------------------|------------------------------------|--|--|
| Proviso # in FY 18-19 Act | Renumbered FY 19-20 Proviso # | Proviso Title | Short Summary | Agency Recommended Action (keep, change, delete, add) |
| 91.11 | tbd | LEG: Legislative Carry Forward | Funds appropriated and not expended during the fiscal year may be carried forward to be expended for the same purposes in the current fiscal year. | KEEP |
| 91.19 | tbd | LEG: LAC Matching Federal Funds | LAC can charge state agencies for federal funds, if available, for costs associated with audits and reviews. | KEEP |

91.11. (LEG: Legislative Carry Forward) In addition to the funds appropriated in this section, the funds appropriated under Part IA, Sections 91A, 91B, 91C, 91D, and 91E for the prior fiscal year which are not expended during that fiscal year may be carried forward to be expended for the same purposes in the current fiscal year.

91.19. (LEG: LAC Matching Federal Funds) The Legislative Audit Council is authorized to use funds appropriated in this act as state matching funds for federal funds available for audits and reviews. The council is also authorized to charge state agencies for federal funds, if available, for the costs associated with audits and reviews. Agencies shall remit the federal funds to the Legislative Audit Council as reimbursement for the costs of audits and reviews.

LEGISLATIVE AUDIT COUNCIL

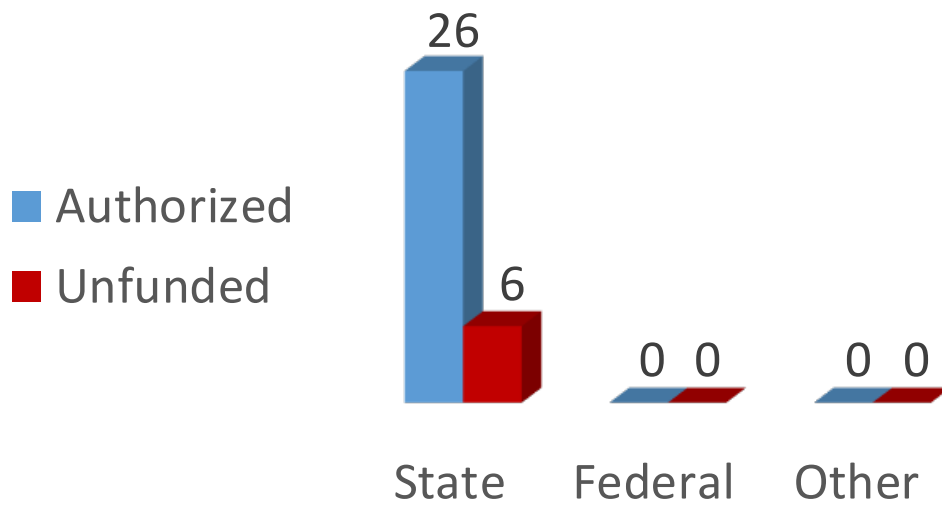
PROVISOS

| Proviso # in FY 18-19 Act | Proviso Title | Agency Recommended Action (keep, change, delete, add) |
|---------------------------------|--|---|
| FY 2018-19 Proviso | BabyNet —From funds available in the current fiscal year for budgetary analysis and oversight, the Executive Budget Office shall conduct an inventory of all BabyNet-related spending, which shall be submitted to the Governor, the Chairman of the Senate Finance Committee, and the Chairman of the House Ways and Means Committee no later than July 15, 2018. All affected agencies shall support the Executive Budget Office in this effort by providing information upon request, so that the first recommendation of the LAC's 2011 report on BabyNet may be implemented. | KEEP |
| FY 2018-19 Proviso | Statewide Strategic Information Technology Plan Implementation —The Legislative Branch, the Judicial Branch, public institutions of higher learning, technical colleges, political subdivisions and quasi-governmental bodies are specifically exempt from the requirements as provided in this provision to ensure the uniform implementation of Statewide Strategic Information Technology Plans developed pursuant to the Restructuring Act of 2014. | KEEP |
| FY 2018-19 Proviso | Statewide Real Estate Plan Implementation - The Legislative Branch, the Judicial Branch, public institutions of higher learning, technical colleges, political subdivisions and quasi-governmental bodies are generally exempt from the requirements of this proviso. This proviso establishes a comprehensive central real property and office facility management process to plan for the needs of state government agencies to achieve maximum efficiency and economy in the use of state-owned, state-leased, and commercial leased facilities. | KEEP |
| FY 2018-19 Proviso | Statewide Administrative Services -The Legislative Branch, the Judicial Branch, public institutions of higher learning and technical colleges shall be exempt from the requirements of this provision regarding consolidated administrative services provided by the Department of Administration. | KEEP |

| | | |
|--------------------|---|------|
| FY 2018-19 Proviso | Cyber Security —The Judicial and Legislative Branches are specifically exempt from the requirements of this proviso regarding the required implementation of cyber security policies, guidelines and standards developed by the Department of Administration. | KEEP |
| FY 2018-19 Proviso | LAC Matching Federal Funds —Authorizes the LAC to use funds appropriated in the appropriations act as state matching funds for federal funds available for audits and reviews. Authorizes the Council to charge state agencies for federal funds, if available, for the costs associated with audits and reviews. Requires agencies to remit the federal funds to the LAC as reimbursement for the costs of audits and reviews. | KEEP |
| FY 2018-19 Proviso | Legislative Carry Forward —Funds appropriated and not expended during the fiscal year may be carried forward to be expended for the same purposes in the current fiscal year. | KEEP |
| FY 2018-19 Proviso | Data Breach Notification —An agency of this State owning or licensing computerized data or other data that includes personal identifying information shall disclose any breach of the security of the system following discovery or notification of the breach in the security of the data to any resident of this State whose personal identifying information was, or is reasonably believed to have been, acquired by an unauthorized person. In determining whether information has been acquired, or is reasonably believed to have been acquired, by an unauthorized person or a person without valid authorization, the agency may consider the factors provided in this proviso. | KEEP |
| FY 2018-19 Proviso | Child Fatality Review —Requires the Department of Social Services, State Child Fatality Advisory Committee, State Law Enforcement Division, Department of Health and Environmental Control, and Department of Public Safety to implement certain recommendations contained in the LAC's October 2014 report: <i>"A Review of Child Welfare Services at the Department of Social Services."</i> | KEEP |
| FY 2018-19 Proviso | DMV Audit Review - Suspends the requirement for the LAC to audit DMV every three years for FY 18-19. Any savings generated by not conducting the review shall be used to conduct audits required by Section 2-15-60. | KEEP |
| FY 2018-19 Proviso | Information Technology and Information Security Plans - The Legislative Department is specifically exempt from the requirement to provide an information technology plan to the Department of Administration. | KEEP |

FTE BREAKDOWN

FY 19-20



| Legislative Audit Council | |
|-----------------------------|--------|
| Director and Administration | 4.00 |
| Auditors | *16.00 |
| TOTAL FTEs Funded | 20.00 |
| FTEs Unfunded | 6.00 |
| TOTAL FTEs Authorized | 26.00 |

*As of January 2019, two auditor positions are vacant.

AWARDS

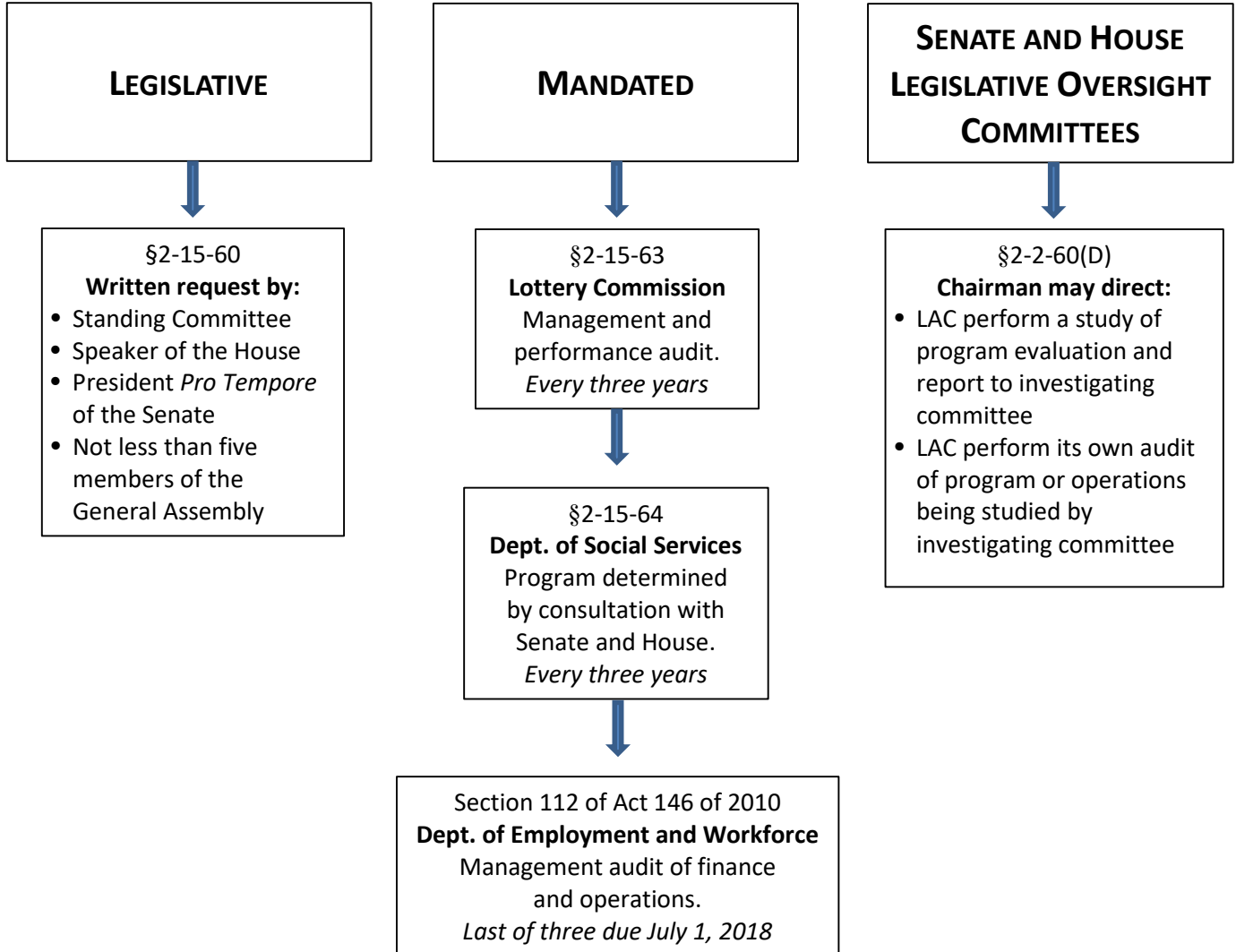
The Legislative Audit Council received a *Certificate of Impact* award from the National Conference of State Legislatures for our report *A Review of the South Carolina Transportation Infrastructure Bank* published in May 2016. This report impacted the agency by requiring it, in part, to improve its policies and guidelines to ensure more transparency for applicants and the public.

The requesters asked us to review this state agency that awards grants and loans to local and state agencies primarily for large transportation construction projects. The requesters specified a number of concerns.

- Is the agency fair and consistent in the application of award criteria?
- Has the agency awarded or pledged funds to any project in the absence of a formal application for initial or additional funding?
- Is the agency establishing policies and procedures for making and administering loans and other financial assistance and for other fiscal controls?



AUDIT REQUESTS



2018-19 PROJECTS

AUDITS PUBLISHED

SOUTH CAROLINA'S USE OF EDUCATION LOTTERY ACCOUNT FUNDS (JUNE 2018)

We made 8 recommendations to the General Assembly. We did not identify potential financial benefits.

Under state law, the percentage of recurring, non-lottery state funds allocated to education each year must not be less than the percentage (approximately 57%) allocated just prior to the inception of the state education lottery, which began selling tickets in FY 01-02.

We found that the General Assembly met this statutory education funding requirement in only four fiscal years from FY 01-02 through FY 17-18. The cumulative underfunding of education during this period was approximately \$2.1 billion. In FY 17-18, alone, the underfunding was approximately \$388 million.

FOLLOW-UP ANALYSIS

A REVIEW OF THE STATE'S USE OF SOUTH CAROLINA EDUCATION LOTTERY PROCEEDS (OCTOBER 2014)

We reviewed the implementation status of the 5 recommendations in our 2014 report. Three recommendations (60%) were implemented/partially implemented, and two recommendations are no longer applicable.

Requesters:

Sen. Rex F. Rice
Sen. William Timmons
Sen. Richard Cash
Rep. Neal A. Collins
Rep. Jonathon D. Hill

S.C. DEPARTMENT OF LABOR, LICENSING AND REGULATION: A LIMITED REVIEW OF THE DIVISION OF FIRE AND LIFE SAFETY (JANUARY 2018)

We made 78 recommendations — 58 to the Division of Fire and Life Safety (DFLS), including 1 each to the Fire Academy and the Emergency Response Task Force, 6 to S.C. Department of Labor, Licensing and Regulation (LLR), and 14 to the General Assembly. We did not identify potential financial benefits.

Neither S.C. Department of Labor, Licensing and Regulation nor the Division of Fire and Life Safety has control or management of the S.C. State Firefighter’s Association which is a separate non-profit organization.

- We identified some problems with the DFLS V-Safe Grant program — scoring of V-Safe grants appeared inconsistent, the fire station regions with the highest amount of poverty were the two least grant-funded regions, and the agency should analyze the reasons for disproportionate distribution of the grants.
- We found part-time instructor pay was low, the LLR does not review instructor performance in a meaningful manner, and should analyze the reasons for its turnover rate of its part-time instructors.
- We found the DFLS should evaluate its fire marshal certification process as to the effectiveness of its preparatory class and whether the current process using other third-parties is more effective than in-house delivery of the training and testing.
- We made recommendations that fire marshals be required to be certified in fire code enforcement subject matter (with the exception of fire chiefs, who are ex-officio fire marshals, if they are not performing the duties of a fire marshal) and the DFLS should have more authority to enforce fire code violations.

FOLLOW-UP ANALYSIS

A REVIEW OF THE OFFICE OF STATE FIRE MARSHAL (NOVEMBER 2010)

We reviewed the implementation status of the 14 recommendations in our 2010 report. Ten recommendations (71%) were implemented/partially implemented. Four recommendations have not been implemented.

Requesters:

Rep. Phyllis Henderson
Rep. Mike Burns
Rep. Chandra E. Dillard
Rep. Dwight Loftis
Rep. Daniel Hamilton
Rep. Gary Smith
Rep. Tommy Stringer
Rep. Jason Elliott

AUDITS IN PROGRESS

DEPARTMENT OF HEALTH AND HUMAN SERVICES CHILDREN'S BEHAVIORAL HEALTH SERVICES

In FY 17-18, members of the General Assembly requested an audit of the S.C. Department of Health and Human Services regarding changes in the reimbursement and other policies for children's behavioral health services. We are reviewing how these changes have impacted these services for the children in our state. Our final results will be included in the FY 18-19 Accountability Report.

Requesters:

Sen. Katrina Shealy
Sen. Nikki Setzler
Sen. Paul Campbell, Jr.
Sen. Thomas Corbin
Sen. Chip Campsen

SOUTH CAROLINA EDUCATION LOTTERY

In FY 17-18, we began an audit of the South Carolina Education Lottery required every three years by §2-15-63 of the S.C. Code of Laws. We anticipate that our current review will address areas including internal operations, retail sales, best practices, and the implementation status of prior Legislative Audit Council recommendations. Our final results will be included in the FY 18-19 Accountability Report.

Requesters: Statutory

DEPARTMENT OF EMPLOYMENT AND WORKFORCE

In FY 17-18, we began the last of three audits of the Department of Employment and Workforce required by Section 112 of Act 146 of 2010. The minimum requirements include providing a detailed accounting of the Unemployment Insurance Trust Fund revenues and expenses, the adequacy of reporting the financial status of the trust fund to state officials, assessing alternatives for Trust Fund solvency, examining the unemployment eligibility benefit process, and evaluating the effectiveness of the agency's programs for assisting claimants in returning to work. Our final results will be included in the FY 18-19 Accountability Report.

Requesters: Statutory

DEPARTMENT OF CORRECTIONS

The House Legislative Oversight Committee requested a review of the Department of Corrections. Areas of concern include staffing issues, contraband, inmate incidents, litigation costs, and personnel issues.

Requesters: House Legislative Oversight Committee

