



SOUTH CAROLINA GENERAL ASSEMBLY

Legislative Audit Council

Independence, Reliability, Integrity

HOUSE WAYS AND MEANS

Legislative, Executive, and Local Government Subcommittee

FY 20-21

Budget Presentation

K. Earle Powell, Director

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January 2020



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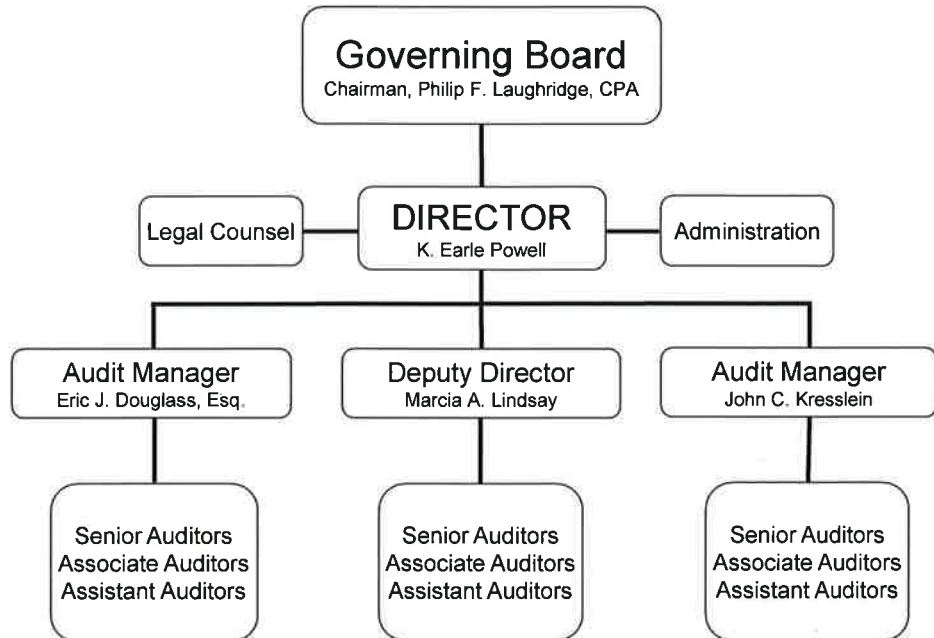
K. Earle Powell
Director

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 2020



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
Gary E. Clary, Designee

WAYS AND MEANS COMMITTEE

G. Murrell Smith, Jr., Chairman
Garry R. Smith, Designee



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HOUSE WAYS AND MEANS

Legislative, Executive, and Local Government Subcommittee FY 20-21 Budget Presentation

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 4 auditor positions vacant.

REQUESTS

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

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.

BUDGET REQUEST

We are not requesting any additional recurring General Funds.

\$2,105,478 General Fund appropriation
\$400,000 Other Funds authorization

House of Representatives

JUDICIARY COMMITTEE
Peter M. McCoy, Jr., Chairman
Gary E. Clary, Designee

WAYS AND MEANS COMMITTEE
G. Murrell Smith, Jr., Chairman
Garry R. Smith, Designee

AGENCY NAME:	LEGISLATIVE AUDIT COUNCIL		
	A200	SECTION:	91E

**Fiscal Year 2018–2019
Accountability Report**

SUBMISSION FORM

AGENCY MISSION	The Legislative Audit Council’s 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.
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AGENCY VISION	Our vision is for our performance audits to be a primary source of information for legislative decision makers, and the residents of South Carolina, in their efforts to improve state government.
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Does the agency have any major or minor recommendations (internal or external) that would allow the agency to operate more effectively and efficiently?

RESTRUCTURING RECOMMENDATIONS:	Yes	No
	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Is the agency in compliance with S.C. Code Ann. § 2-1-230, which requires submission of certain reports to the Legislative Services Agency for publication online and the State Library? See also S.C. Code Ann. § 60-2-30.

REPORT SUBMISSION COMPLIANCE:	Yes	No
	<input checked="" type="checkbox"/>	<input type="checkbox"/>

AGENCY NAME:	LEGISLATIVE AUDIT COUNCIL		
	A200	SECTION:	91E

Is the agency in compliance with various requirements to transfer its records, including electronic ones, to the Department of Archives and History? See the Public Records Act (S.C. Code Ann. § 30-1-10 through 30-1-180) and the South Carolina Uniform Electronic Transactions Act (S.C. Code Ann. § 26-6-10 through 26-10-210).

RECORDS MANAGEMENT COMPLIANCE:	Yes	No
	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Is the agency in compliance with S.C. Code Ann. § 1-23-120(J), which requires an agency to conduct a formal review of its regulations every five years?

Not Applicable


REGULATION REVIEW:	Yes	No
	<input type="checkbox"/>	<input type="checkbox"/>

Please identify your agency's preferred contacts for this year's accountability report.

	<u>Name</u>	<u>Phone</u>	<u>Email</u>
PRIMARY CONTACT:	K. Earle Powell	803.253.7612	EPowell@lac.sc.gov
	Yolanda Wardlaw	803.253.7612	YWardlaw@lac.sc.gov

I have reviewed and approved the enclosed FY 2018–2019 Accountability Report, which is complete and accurate to the extent of my knowledge.

AGENCY DIRECTOR (SIGN AND DATE):		
(TYPE/PRINT NAME):	K. Earle Powell	October 15, 2019

BOARD/CMSN CHAIR (SIGN AND DATE):		
(TYPE/PRINT NAME):	Philip F. Laughridge, CPA	October 15, 2019

BUDGET REQUEST SUMMARY

FY 20-21

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

AGENCY NAME:	LEGISLATIVE AUDIT COUNCIL		
AGENCY CODE:	A200	SECTION:	91E



**Fiscal Year 2020-21
Agency Budget Plan**

FORM A - BUDGET PLAN SUMMARY

**OPERATING
REQUESTS
(FORM B1)**

For FY 2020-21, my agency is (mark "X"):	
<input type="checkbox"/>	Requesting General Fund Appropriations.
<input type="checkbox"/>	Requesting Federal/Other Authorization.
<input checked="" type="checkbox"/>	Not requesting any changes.

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

For FY 2020-21, 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 2020-21, 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 2020-21, my agency is (mark "X"):	
<input 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 checked="" type="checkbox"/>	Not requesting any proviso changes.

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

	<u>Name</u>	<u>Phone</u>	<u>Email</u>
PRIMARY CONTACT:	K. Earle Powell Director	253-7612	epowell@lac.sc.gov
SECONDARY CONTACT:	Marcia A. Lindsay Deputy Director	253-7612	mlindsay@lac.sc.gov

I have reviewed and approved the enclosed FY 2020-21 Agency Budget Plan, which is complete and accurate to the extent of my knowledge.

SIGN/DATE:	 <u>Agency Director</u>	 <u>Board or Commission Chair</u>
TYPE/PRINT NAME:	K. Earle Powell	Phillip F. Laughridge, CPA

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

PROVISO REQUEST SUMMARY

FY 20-21

Legislative Audit Council				
Proviso # in FY 19-20 Act	Renumbered FY 20-21 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

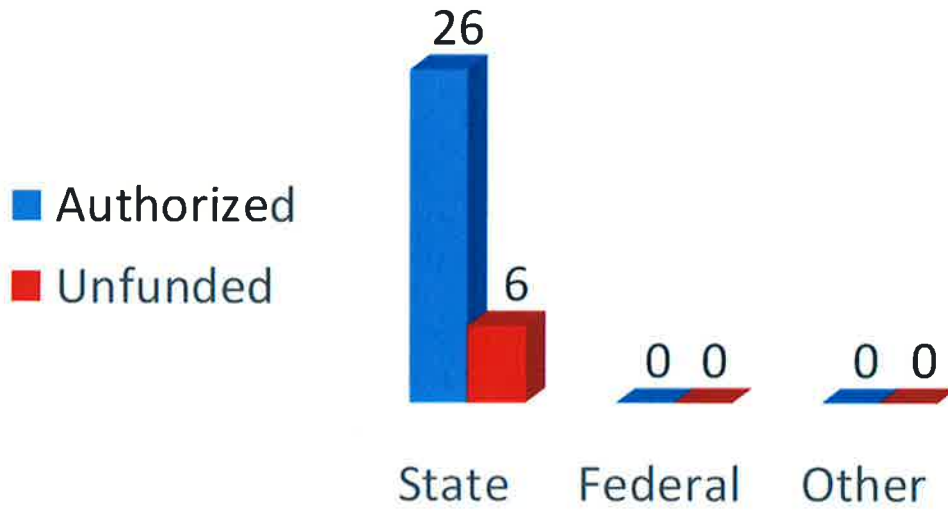
PROVISOS

Proviso # in FY 19-20 Act	Proviso Title	Agency Recommended Action (keep, change, delete, add)
117.125	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
117.117	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
117.135	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
117.136	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

Proviso # in FY 19-20 Act	Proviso Title	Agency Recommendation Action (keep, change, delete, add)
93.16	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
91.19	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
91.11	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
117.103	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
117.113	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
91.21	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
117.11	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 20-21



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 2020, four auditor positions are vacant.

AWARDS

The Legislative Audit Council received a *2019 Certificate of Impact* award from the National Conference of State Legislatures for our report *A Limited Review of the S.C. Department of Juvenile Justice* published in January 2017.

Requesters had concerns about safety and financial issues at the agency and whether DJJ is meeting its mission for the juveniles in its custody. Our requesters specified these concerns:

- Review DJJ's management of its state appropriations.
- Evaluate how DJJ is maintaining a safe and secure environment for staff and juveniles.
- Review how DJJ monitors its delivery of rehabilitative treatment and educational programs for the juveniles to determine whether the agency is meeting its mission.



PEER REVIEW

The Legislative Audit Council operates under the requirements of generally accepted government auditing standards (GAGAS) published by the U.S. Government Accountability Office because they are recognized as a national benchmark for government performance auditing.

The GAGAS professional standards (known as the "Yellow Book") provide a framework for performing high-quality audit work with competence, integrity, objectivity, and independence to provide accountability and to help improve government operations and services. These standards also provide the foundation for government auditors to lead by example through the audit process. Adopting the Yellow Book standards requires a peer review at least once every three years. The National Conference of State Legislatures (NCSL) reviewed the Legislative Audit Council's system of quality control in effect for a three-year compliance period from 2016 to 2019.

Section 3.101 of the Yellow Book allows the peer-reviewed agency to receive one of three possible ratings—pass, pass with deficiencies or fail. In the peer review team's opinion, the Legislative Audit Council has a quality control system that is suitably designed and followed, providing reasonable assurance that the office is performing and reporting performance audit engagements in conformity with applicable *Government Auditing Standards* for the period reviewed. Based on its professional judgment, the peer review team awarded a rating of **"pass."**

The entire Peer Review report can be found on our website at LAC.SC.GOV.



Robin Vos
Assembly Speaker
Wisconsin
President, NCSL

Martha R. Wigton
Director
House Budget & Research
Office
Georgia
Staff Chair, NCSL

Tim Storey
Executive Director

To: K. Earle Powell, Director
South Carolina Legislative Audit Council

From: John Sylvia, Director
West Virginia Performance Evaluation and Research Division

David Pray, Principal Analyst
Mississippi Joint Legislative Performance Evaluation and
Expenditure Review Commission

Brenda Erickson
NCSL Liaison to NLPES

Date: December 3, 2019

At your request, and under the terms of a 2019 contract executed with the National Conference of State Legislatures (NCSL), we reviewed the system of quality control of the South Carolina Legislative Audit Council in effect for a three-year compliance period from 2016 to 2019.

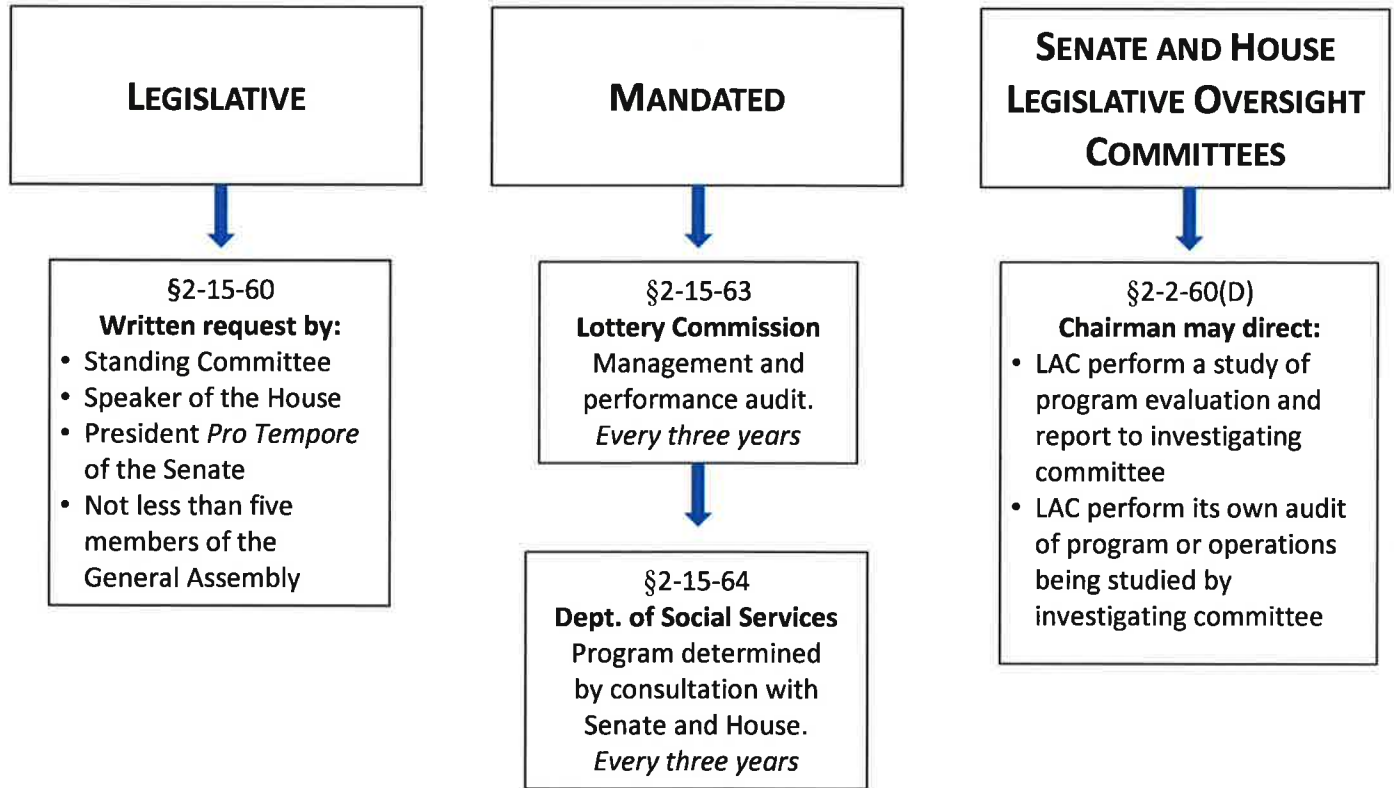
Section 3.101 of *Government Auditing Standards, 2011 Revision* (i.e., the Yellow Book or GAGAS) by the Comptroller General of the United States allows the peer-reviewed agency to receive one of three possible ratings—pass, pass with deficiencies or fail.

In the peer review team's opinion, the South Carolina Legislative Audit Council has a quality control system that is suitably designed and followed, providing reasonable assurance that the office is performing and reporting performance audit engagements in conformity with applicable *Government Auditing Standards* for the period reviewed. Based on its professional judgment, the peer review team gives a rating of "pass" to the South Carolina Legislative Audit Council.

The team's assessment is based on observations made during an onsite visit conducted Oct. 14-18, 2019. During this visit, the team reviewed the office's audit-related policies and procedures, four performance audits and continuing professional education records. Team members also interviewed two public members of the LAC Board, office managers and selected staff. The team notes that the conduct of the peer review work was not impaired in any way. Team members were granted full access to relevant reports, working papers, supporting documentation and staff.

The peer review team appreciates the courtesy and cooperation extended to us in conducting this review. We commend you for your willingness to contract for this peer review to independently confirm the quality of your performance audits.

AUDIT REQUESTS



2019 PROJECTS

AUDITS PUBLISHED

LAC.SC.GOV

A REVIEW OF THE SOUTH CAROLINA EDUCATION LOTTERY AND ITS OVERSIGHT OF RETAILERS AND PLAYERS (JUNE 2019)

We made 32 recommendations—11 to the General Assembly and 21 to the South Carolina Education Lottery.

S.C Code §§59-150-30(B) and 2-15-63(A) require the Legislative Audit Council to conduct a management audit of the South Carolina Education Lottery (SCEL) every three years. This audit was the fifth iteration of this requirement. SCEL is responsible for all duties related to operation of the state's lottery, such as sales, advertising, licensing, and security. The agency maintains a statewide network of licensed retailers to sell tickets—scratch-off and draw games—on behalf of the agency.

State Law

- The agency's statutory requirements regarding sales and oversight of retailer and player behavior are in conflict with each other, resulting in reduced incentive to take action against misconduct that may reduce sales.
- State law for withholding lottery prizes for past due debts is inadequate. For prizes of \$5,000 or greater, South Carolina law requires that the winnings be withheld to settle certain debts of \$100 where the state is either the creditor or a collection agent for creditors. In North Carolina and Tennessee, when lottery prize winnings are \$600 and greater, they are withheld to settle debts greater than \$50 and \$100, respectively.

SCEL's Oversight of Lottery Players

- Frequent redemption of winning lottery tickets with prizes greater than \$500 is highly improbable and may be an indication that claimants purchased the tickets through transactions not authorized by state law. Tickets with prizes greater than \$500 represent just 0.03% of all winning tickets.
- Individuals may be buying and selling tickets in a secondary market in order to:
 - Avoid having winnings reported to state and federal tax agencies.
 - Launder money earned from criminal activity.
 - Avoid having to settle debts, such as past due taxes, student loans, child support, or other court-ordered payments.
 - Accommodate individuals who are unable to travel to Columbia to collect prize winnings.
- 244 retailers and other players redeemed 20 or more tickets for lottery prizes greater than \$500 during our review period. Of these, 18 individuals redeemed 50 or more tickets. We calculated that it was highly improbable that any player could have won as frequently through routine purchase of tickets from SCEL.
- SCEL has not regarded the resale of winning tickets as an illegal practice. Separate from state law, however, SCEL contractually prohibits its retailers from purchasing winning tickets from customers for less than the prize amounts.

SCEL's Oversight of Lottery Retailers

- SCEL has no policy of vetting all lottery prize claims made by retailers and their employees, who are better positioned to engage in misconduct than regular players.
- SCEL conducts no continual undercover checks of retailer compliance with the prohibition on purchasing winning tickets from customers for less than the prize amounts.
- SCEL conducts no probability analysis to quantify the chances that frequent prize claiming patterns of individuals were based on tickets purchased for the face value of the tickets from licensed retailers acting on behalf of the South Carolina Lottery Commission.

Follow-Up Analysis

We reviewed the implementation status of recommendations outstanding from prior LAC audits in 2003, 2005, 2010, and 2014.

STATUS OF RECOMMENDATIONS	NUMBER
Implemented	1
Partially Implemented	2
Not Implemented	5
Not Applicable	2
TOTAL	10

Implemented

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

2. The South Carolina Education Lottery and the Board of Economic Advisors (BEA) should consider the results of additional methods when estimating unclaimed prizes for use by the General Assembly during the appropriations process.

Partially Implemented

A REVIEW AND FOLLOW-UP REPORT OF THE SOUTH CAROLINA EDUCATION LOTTERY (DECEMBER 2005)

7. When the South Carolina Education Lottery advertises a top prize for any of its games on television or radio, it should verbally communicate in the ad the odds of winning a top prize.
9. The SCEL should obtain and follow advice from reading/literacy experts to ensure that written communications to lottery customers can be read by persons with moderate reading skills.

Requesters: Statutory

A MANAGEMENT REVIEW OF THE DEPARTMENT OF EMPLOYMENT AND WORKFORCE (JULY 2019)

We made 82 recommendations—75 to the South Carolina Department of Employment and Workforce (DEW) and 7 recommendations to the General Assembly. We did not identify specific financial benefits.

DEW's missions include paying unemployment insurance benefits, collecting unemployment insurance taxes, and assisting individuals find jobs, among other things. We reviewed DEW pursuant to Section 112 of Act 146 of 2010, which required the LAC to conduct periodic management audits of DEW. This was the last of 3 audits required by the Act. The Act requires us to examine the revenues and expenditures from the Unemployment Insurance (UI) Trust Fund, review the process for notifying state officials of the financial status of the trust fund, assess alternatives for trust fund solvency, examine the UI benefit process for efficiency and compliance with law and agency policy, and evaluate the effectiveness of DEW's programs for assisting claimants in returning to work.

We found that DEW collected most of the funds needed for the solvency goal of the UI Trust Fund three years into a five-year rebuild period. Employers may have been charged more than necessary, though the effect of this is unknown. The UI Trust Fund was in a somewhat better position to respond to a recession, should one have occurred in 2018 or 2019.

The contingency assessment is, by law, to be used to assist in returning claimants to work and furthering DEW's reemployment goal. We found that DEW's contingency assessment tax on employers increased from \$4.20 in 2010 to \$8.40 in 2015 (per employee), and the contingency assessment fund increased from \$9.6 million in FY 12-13 to \$26 million in FY 16-17. We found that 21 states do not have a tax similar to the contingency assessment, and DEW could not provide sufficient details regarding contingency assessment expenditures.

We found that unemployment tax rates may not be proportional in how they are set relative to the unemployment benefits paid by each rate class. DEW does not accumulate the amount of benefits paid by each rate class, which prevents DEW and others from comparing benefits paid with taxes collected and comparing the remainder of taxes collected by rate class with the amounts needed to reach solvency.

Additionally, we found that DEW's allowance for uncollectible receivables (taxes owed by employers that DEW has written off) has increased from 1.8% in 2014 to 4.1% in 2018. This amount is well above the national aggregate of approximately 1.2%. We also found that DEW has prosecuted only 2 cases for unemployment fraud since FY 14-15.

Regarding the reemployment of individuals receiving UI benefits, we found that performance measures used by DEW do not capture the effectiveness of its reemployment programs. One program, DEW's Reemployment Services and Eligibility Assessments (RESEA) program, does not compare the outcomes to program participants versus those of similarly situated non-participants.

We found that criteria regarding whether an individual is discharged for cause other than misconduct (as opposed to discharge for misconduct or discharge through no fault) is unclear. This could result in more determinations being overturned on appeal than if the criteria were more clear.

Follow-Up Analysis

We reviewed the implementation status of a select number of recommendations from *A Management Review of the Department of Employment and Workforce* published in May 2014.

STATUS OF RECOMMENDATIONS	NUMBER
Implemented	2
Not Implemented	5
TOTAL	7

Implemented

- 11. The Department of Employment and Workforce should promulgate regulations pursuant to the South Carolina Administrative Procedures Act regarding its minimum work search requirements.
- 27. The Department of Employment and Workforce should develop policies and procedures governing its redesigned Wagner-Peyser service delivery model that allows users in the workforce center and in the main office to access key information necessary for implementation. At a minimum, the manual should include information on staffing and procedures for identifying and assisting those with barriers to employment.

Requesters: Statutory

A LIMITED REVIEW OF THE S.C. DEPARTMENT OF CORRECTIONS (AUGUST 2019)

We made 106 recommendations in this audit—6 to the General Assembly, 2 to the S.C. Department of Probation, Parole and Pardon (PPP), 3 to both SCDC and PPP, and 95 to SCDC. We did not identify potential financial benefits.

Members of the House Legislative Oversight Committee asked the LAC to conduct an audit of S.C. Department of Corrections to include reviews of security policies, procedures, and practices, inmates’ incidents and violations, personnel issues, performance measures, and litigation costs. We visited 12 of the 21 institutions across the state during this audit.

We found that although the agency has increased the salaries for correctional officers (COs) in the past five years, it still is struggling to recruit and retain staff. To address this issue, we recommended improving the agency’s website, lowering the minimum age requirement for COs to increase the application pool, and creating targeted bonuses for institutions and shifts with high vacancy rates.

SCDC’s classification system needs to be updated and improved to help ensure the proper placement of inmates and movement of inmates down from higher security-level institutions. SCDC has made progress in programming for inmates and preparing inmates for reentry into the community; however, we found the agency needs to improve its system to track programs and develop evidence-based core classes for all inmates. We also found that SCDC should continue to communicate and share information with S.C. Probation, Parole and Pardon to include the possibility of developing a victim-offender mediation program.

We reviewed the security and other policies of SCDC and the external reviews of the agency's policies that have occurred in the past ten years to determine if SCDC is in compliance with recommendations made. We found that the agency has implemented or revised all policies that were agreed to in the *T.R. et al. v. South Carolina Department of Corrections et al.* settlement agreement. However, some of the recommendations made by the National Institute of Corrections and the Association of State Correctional Administrators have not been fully implemented.

We noted SCDC's efforts to control contraband, but found issues with staff not following agency policies and inadequate application of internal controls for detecting and preventing contraband. We also found that SCDC has not complied with federal regulations implemented under the Prison Rape Elimination Act (PREA), particularly those regarding auditing and accountability.

We reviewed SCDC data and found that some agency data is not reliable. SCDC has changed the method of measurement of some performance measures over time, making accurate comparisons across multiple years difficult. We found broad inconsistencies of how much contraband has been confiscated in SCDC facilities.

Our requesters asked us to review SCDC's legal expenses and settlements to determine overall costs and trends in lawsuits filed by employees and inmates. Overall, the number of claims against SCDC has decreased, as well as its legal expenses. Settlement costs tended to fluctuate, but without a discernable pattern.

Requesters: House Legislative Oversight Committee

A REVIEW OF CHILDREN'S BEHAVIORAL HEALTH SERVICES AT THE DEPARTMENT OF HEALTH AND HUMAN SERVICES (SEPTEMBER 2019)

We made 57 recommendations in this audit—2 to the General Assembly, 2 to the State Department of Education (SDE), 1 to the S.C. Department of Juvenile Justice (DJJ), and 52 to DHHS. We did not identify potential financial benefits.

Members of the General Assembly asked the LAC to conduct an audit of children's behavioral health services to determine how DHHS' reimbursement policy and other policy changes since 2007 have impacted children's behavioral health services in our state.

We found that, since 2004, there have been a significant number of policy changes regarding children's behavioral health services, now referred to as rehabilitative behavioral health services (RBHS). More importantly, we found that DHHS needs to improve its oversight of the MCOs' performance in providing these services.

DHHS has not implemented performance measures that capture what happens to children when they are discharged from a mental health facility, including a psychiatric rehabilitative treatment facility (PRTF). The agency relies singularly on an external quality review process, to the exclusion of any other independent review, despite the fact that the process falls short of its potential to drill down and extract additional substantive information that can be used to improve the quality of care for Medicaid children with a behavioral health diagnosis. We also found that DHHS has failed to provide the MCOs with sufficient guidance on a definition of "medical necessity", which is the most prevalent reason for denying a prior authorization for a child's treatment.

DHHS does not track children, after discharge, in order to monitor contact with emergency departments or the juvenile justice system to determine if children may have been discharged too soon. The agency also does not sufficiently analyze grievances and appeals, nor does it document purported site visits and quarterly meetings with the MCOs.

South Carolina does not currently have a coordinated system to track children who are placed in out-of-state care. DHHS does not track or monitor managed care enrollees who are placed in out-of-state facilities to ensure they are receiving the appropriate level of care.

Regarding rates, we found that DHHS has a statewide average PRTF Medicaid rate (fee-for-service) which is lower than Georgia's PRTF rate cap and North Carolina's statewide average rate. South Carolina's rates for RBHS are difficult to compare to those of other states due to the variation allowed within Medicaid; however, for the three most utilized services (psychosocial rehabilitation, behavior modification or skills training and development services, and psychotherapy), South Carolina's Medicaid payment rates, last adjusted in 2010, were around the mid-point or higher, compared to North Carolina and Georgia rates. The Medicaid rates for applied behavioral analysis Autism services in South Carolina are among the lowest in comparison with other states reviewed.

We found that DHHS has an ineffective internal audit function that is not independent or objective. Also, DHHS' methods of communication are not sufficient to inform stakeholders of policy changes and it has not been responsive to the input of stakeholders. The agency's website is difficult to navigate and contains contradictory and confusing information and missing links.

DHHS placed a moratorium on new RBHS providers over four years ago and has no plans to end it. This has had an adverse impact on access to providers.

Requesters:

Sen. Katrina Shealy

Sen. Nikki Setzler

Sen. Paul Campbell, Jr.

Sen. Thomas Corbin

Sen. Chip Campsen

DEPARTMENT OF COMMERCE

We are conducting an audit of economic incentive packages entered into by the Department of Commerce over the last 10 years. Among other things, we will review the extent to which the incentives achieved the desired results and the accuracy of the department's methodology in estimating and tracking the impact of the incentives.

Requesters:

Sen. Richard A. Harpootlian
Sen. Chip Campsen
Sen. Scott Talley
Sen. John L. Scott
Sen. Shane R. Martin

Sen. Brad Hutto
Sen. Wes Climer
Sen. A. Shane Massey
Sen. Vincent A. Sheheen
Sen. Tom Davis

DEPARTMENT ON AGING

We are conducting an audit of the Department on Aging that includes, but is not limited to, a review of the agency structure; employment policies and practices; consulting contracts; service contracts and access to services; compliance with state and federal laws; and adoption and use of best practices.

Requesters:

Sen. Katrina F. Shealy
Sen. Michael W. Gambrell
Sen. Ross Turner
Sen. Wes Climer

Sen. Margie Bright Matthews
Sen. Rex F. Rice
Sen. Sandy Senn
Sen. Mike Fanning
Sen. J. Thomas McElveen

DEPARTMENT OF JUVENILE JUSTICE

We are conducting an audit of the Department of Juvenile Justice to address concerns, including financial issues, educational opportunities for juveniles, security measures, medical care for juveniles, and human resources' issues including hiring, promotions, salaries, and training. We will include follow-up on the most impactful recommendations from our January 2017 audit entitled *A Limited Review of the S.C. Department of Juvenile Justice*. In our 2017 audit, we made recommendations for areas including security, accounting issues, education, data issues, and community placement.

Requesters:

Rep. Dennis Moss
Rep. Richie Yow
Rep. T. Randolph "Randy" Ligon
Rep. L. Douglas Gilliam
Rep. Garry R. Smith

