

**State Fiscal Accountability Authority  
State Auditor**

**Fiscal Year 2020-2021**

**Budget Briefings**

**House Ways & Means  
Constitutional Subcommittee**

**January 15, 2020**

# **SFAA – State Auditor**

## **Key Officials**

*Organizational Chart*

## **Agency Overview**

## **Accountability Report Summary**

*Accountability Report Fiscal Year 2019*

## **Budget Request Summary**

*Budget Request Fiscal Year 2020-2021*

## **Proviso Request/Changes**

## **Carry Forward**

## **FTE's**

# **SFAA – State Auditor**

## Key Officials

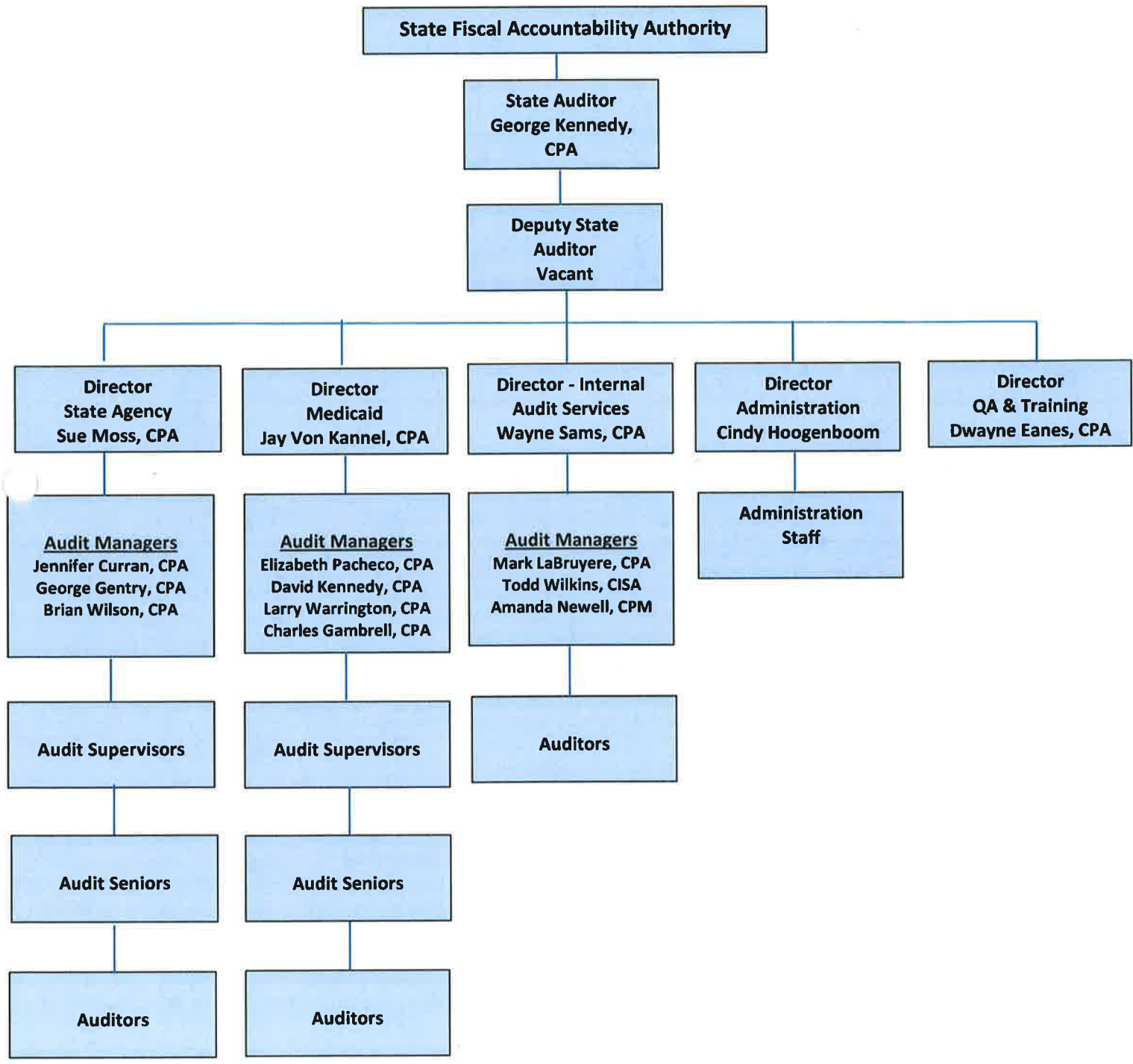
George L. Kennedy, III, CPA – [gkennedy@osa.sc.gov](mailto:gkennedy@osa.sc.gov) – (803) 832-8929  
**State Auditor**

Cindy Hoogenboom – [choogenboom@osa.sc.gov](mailto:choogenboom@osa.sc.gov) – (803) 832-8294  
**Director of Administration**

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

Jay S. Von Kannel, CPA – [jvonkannel@osa.sc.gov](mailto:jvonkannel@osa.sc.gov) – (803) 832-8257  
**Director of Medicaid Audits**

Wayne T. Sams, CPA – [samswt@scdot.org](mailto:samswt@scdot.org) – (803) 737-1151  
**Director of Internal Audit Services**



## Office of the State Auditor

- **Mission.** To promote trust and confidence in South Carolina state government.
- **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, supported by an Administration division.
  - ✓ **State Agency Division.** Composed of approximately 28 audit professionals, this division has 4 core responsibilities:
    - Annual audit of the State’s Comprehensive Annual Financial Report (CAFR) as prepared by the Office of the Comptroller General.
    - Annual audit of the Schedule of Expenditures of Federal Awards (Single Audit).
    - Attestation engagements of each state agency not separately audited, which are focused on internal controls.
    - Attestation engagements of county and municipal treasurers, county clerks of court, magistrates, and municipal courts 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 19 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 cost reporting periods.
  - ✓ **Internal Audit Services Division.** Composed of approximately 7 audit professionals, this division focuses on providing services to the SC Department of Transportation (DOT) and performs independent and objective assurance and consulting activities designed to add value or improve DOT’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 6 administrative professionals who provide accounting, budgeting, human resource, purchasing, technology, word processing and other administrative support for the agency.

### **2021 Budget Request.** The OSA asks for the following support for FY2021:

- Increase in General Funds for Auditor position \$66,000
- Increase in General Funds for State Auditor Salary Increase \$22,270
- Increase in General Funds for Data Analytics/Robotics Program \$65,000

# **SFAA – State Auditor**

## **FY19 Accountability Summary**

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

- The audit of the CAFR for fiscal year June 30, 2018, performed jointly with CliftonLarsonAllen, LLP (CLA), a national public accounting firm, was completed November 15, 2018, the date mutually agreed to with the Office of the Comptroller General. The total cost for CLA's services was \$345,200, which was reimbursed by state agencies.
- The audit of the State's schedule of expenditures of federal awards (single audit), also performed jointly with CLA, was issued March 8, 2019. Covering compliance with laws and regulations for nearly \$8.4 billion in federal award expenditures, the single audit engagement required over 13,000 hours to complete in addition to the assistance provided by various state agencies. Total cost for CLA's services was \$632,000, which was reimbursed by state agencies.
- Completion of 76 agreed-upon procedures engagements for state agencies covering fiscal years 2017 and 2018.
- Completion of 44 agreed-upon procedures engagements covering 26 healthcare providers receiving Medicaid reimbursement. Medicaid receivables of \$3.1 million to date have been established based on these engagement findings.
- Through contract with three certified public accounting firms, completion of 31 agreed-upon procedures engagements of county and municipal courts.
- Completion of 6 internal audit reports related to SCDOT.
- Engaged a peer review team through the National State Auditors Association (NSAA) to review our system of quality control. We received a grade of "pass", the highest grade given.

Other significant accomplishments and initiatives:

- Invested heavily in training and development of staff at all experience levels with a focus on both technical and soft skills. Over 2,800 hours of training were received by approximately 44 audit professionals either on-site or through training events sponsored by nationally recognized leaders in training for accounting and auditing professionals such as AICPA, NASACT and GFOA.
- Continued planning to eliminate the joint auditor for the State's audit of expenditure of federal awards (Single Audit) beginning with fiscal year 2020. By performing the audit using only OSA staff, \$632,000 of audit fees currently paid by state agencies will be eliminated.
- Began the planning process for soliciting proposals from public accounting firms to perform the joint audit of the State financial statements beginning with fiscal year 2020. The request for proposal will reflect OSA's increased capacity to contribute more leadership, responsibility and control to the joint audit process than it has had in at least two decades.
- Over the last 4 fiscal years, eliminated the use of contract certified public accounting firms on 30 state agency engagements.
- 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 3.5 times the cost of the audit services provided.

- Completed a strategic plan for the Internal Audit Services division which was a collaborative effort between team members and the division director.
- Issued the first of a series of internal audit reports assessing SCDOT's current state compared to SCDIS-200 control standards issued by the SC Division of Information Security. These assessments will guide SCDOT leadership in prioritizing gaps identified using a risk-based approach.
- Formed a task force to explore how OSA can leverage current and emerging audit technology to increase our efficiency and effectiveness. Scope is primarily focused on data analytics applications but also includes consideration of robotic process automation.
- Began an initiative to identify cloud-based software solutions to reduce or eliminate the need for an in-house application manager. This move is expected to be cost neutral but will significantly reduce staff time spent with software issues, allowing that time to be redirected to more productive work.
- Through our initiative to move more to the cloud, we are alpha-testing a cloud-based version of our audit documentation software application, enabling us to provide feedback during the development stage to influence the final product design.
- Reengineered the agency's Quality Control Manual and Engagement Manual to eliminate unnecessary and duplicative information and to increase ease of use.
- Further refined our performance management system by add criteria to the planning stage EPMS which will guide staff in better understanding successful performance and exceptional performance.
- Recognized high performing staff through a redesigned EPMS process by awarding a bonus or base pay increase to staff who earned an overall exceptional performance rating.
- Managed turnover to approximately 10%. While this is an increase from the prior fiscal year, turnover remains in a healthy range, providing career advancement opportunities for younger staff.
- Continued to push "everyday flexibility", allowing team members to work the hours the work requires and take time off as needed.
- Improved recruiting practices continue to benefit the agency, with 59 of 60 authorized FTE positions being filled at fiscal year-end. Productive hours worked among 42 staff positions increased 4% by reducing the time positions are vacant.
- Continued to identify inefficiencies in our processes, including helping staff understand that even small changes can add up to huge time savings over the course of an engagement.

FY 20-21 Budget Priorities Summary  
SFAA - 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
1	Recurring Operating	General Fund Increase to Support an Entry Level Auditor Position	This position was moved to general funds from earmarked in FY18-19 and filled using agency resources. Filling this position has enabled us to more efficiently manage workload and remove compacity constraints that previously required us to utilize assistance from outside CPA firms. Due to limited agency resources, this position would need general fund appropriations to continue to be filled.	66,000	0	0	0	66,000	0	0	0	0
2	Recurring Operating	General Fund Increase to support the State Auditor Salary Increase and associated Employer Contributions	The Agency Head Salary Commission approved a salary increase of \$15,568 for the State Auditor effective June 2019. The increase in salary and associated employer contributions were supported by existing agency resources for FY19-20. Due to limited agency resources, this position would need general fund appropriations to continue to be filled.	22,270	0	0	0	22,270	0	0	0	0
3	Recurring Operating	General Fund Increase to support Data Analytics and Robotic Process Applications	Data analytics and robotic process automation software applications provide enhanced audit quality while freeing auditor time to focus on higher value tasks that require professional judgement and skepticism. While cost varies slightly by vendor, this amount will cover the annual cost of the software subscription, vendor support and on-site technology support.	65,000	0	0	0	65,000	0	0	0	0



<b>AGENCY NAME:</b>	<b>SFAA – Office of the State Auditor</b>		
<b>AGENCY CODE:</b>	<b>F270</b>	<b>SECTION:</b>	<b>105</b>



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

**FORM A - BUDGET PLAN SUMMARY**

**OPERATING  
REQUESTS  
(FORM B1)**

<b>For FY 2020-21, my agency is (mark "X"):</b>	
<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)**

<b>For FY 2020-21, my agency is (mark "X"):</b>	
<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)**

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

**PROVISOS  
(FORM D)**

<b>For FY 2020-21, my agency is (mark "X"):</b>	
<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.

	<i>Name</i>	<i>Phone</i>	<i>Email</i>
<b>PRIMARY CONTACT:</b>	George L. Kennedy, III, CPA	803-832-8929	<a href="mailto:gkennedy@osa.sc.gov">gkennedy@osa.sc.gov</a>
<b>SECONDARY CONTACT:</b>	Cindy Hoogenboom	803-832-8294	<a href="mailto:choogenboom@osa.sc.gov">choogenboom@osa.sc.gov</a>

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

	<i>Agency Director</i>	<i>Board or Commission Chair</i>
<b>SIGN/DATE:</b>		
<b>TYPE/PRINT NAME:</b>	George L. Kennedy, III, CPA	

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

Fiscal Year 2020-21 B Request Executive Summary

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

BUDGET REQUESTS		FUNDING				FIES						
Priority	Request Type	Request Title	State	Federal	Earmarked	Restricted	Total	State	Federal	Earmarked	Restricted	Total
1	B1 - Recurring	Increase in General Funds for Auditor position	66,000				66,000	0.00				0.00
2	B1 - Recurring	Increase in General Funds for State Auditor Salary Increase	22,270				22,270	0.00				0.00
3	B1 - Recurring	Increase in General Funds for Data Analytics/Robotics Program	65,000				65,000	0.00				0.00
4							0					0.00
5							0					0.00
6							0					0.00
7							0					0.00
8							0					0.00
9							0					0.00
10							0					0.00
11							0					0.00
12							0					0.00
13							0					0.00
14							0					0.00
15							0					0.00
16							0					0.00
17							0					0.00
18							0					0.00
19							0					0.00
20							0					0.00
21							0					0.00
22							0					0.00
23							0					0.00
24							0					0.00
25							0					0.00
26							0					0.00
27							0					0.00
28							0					0.00
29							0					0.00
30							0					0.00
<b>TOTAL BUDGET REQUESTS</b>			153,270	0	0	0	153,270	0.00	0.00	0.00	0.00	0.00

<b>AGENCY NAME:</b>	SFAA – Office of the State Auditor		
<b>AGENCY CODE:</b>	F270	<b>SECTION:</b>	105

**FORM B1 – RECURRING OPERATING REQUEST**

<b>AGENCY PRIORITY</b>	1
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*Provide the Agency Priority Ranking from the Executive Summary.*

<b>TITLE</b>	<b>General Funds increase to support entry level Audit position</b>
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*Provide a brief, descriptive title for this request.*

<b>AMOUNT</b>	<b>General: 66,000</b> <b>Federal:</b> <b>Other:</b> <b>Total:</b>
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*What is the net change in requested appropriations for FY 2020-21? This amount should correspond to the total for all funding sources on the Executive Summary.*

<b>NEW POSITIONS</b>	0
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*Please provide the total number of new positions needed for this request.*

<b>FACTORS ASSOCIATED WITH THE REQUEST</b>	<b>Mark "X" for all that apply:</b>
	<input checked="" 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 #	

<b>STATEWIDE ENTERPRISE STRATEGIC OBJECTIVES</b>	<b>Mark "X" for primary applicable Statewide Enterprise Strategic Objective:</b>
	<input 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 checked="" type="checkbox"/> Government and Citizens	

<b>AGENCY NAME:</b>	<b>SFAA – Office of the State Auditor</b>		
<b>AGENCY CODE:</b>	<b>F270</b>	<b>SECTION:</b>	<b>105</b>

**ACCOUNTABILITY OF FUNDS**

Strategy 1.1 – Assure our deliverables are timely and meaningful to users, Strategy 3.1 – Assure an agile business operation, and Strategy 3.2 - Respond to change by maintaining a strategic focus. Filling this position would ensure our ability to manage the workload and deliver services which strengthen culpability and transparency. As well, if supported, filling this position eliminates the capacity limitations that previously required us to utilize outside CPA firms.

*What specific strategy, as outlined in the FY 2019-20 Strategic Planning and Performance Measurement template of agency’s accountability report, does this funding request support? How would this request advance that strategy? How would the use of these funds be evaluated?*

**RECIPIENTS OF FUNDS**

The State Agency Audits Division would receive the full allocation.

*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?*

**JUSTIFICATION OF REQUEST**

This entry-level audit position was moved to general funds from earmarked in FY18-19 and filled using agency resources. Filling this position has enabled us to more efficiently manage workload and remove compacity constraints that previously required us to utilize assistance from outside CPA firms. Due to limited agency resources, this position would need general fund appropriations to continue to be filled. If supported, we would need general funds appropriated as follows:

I. Audits – Classified Positions	\$ 45,000
IV. Employee Benefits – Employer Contributions	<u>\$ 21,000</u>
Total Requested	\$ 66,000

*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.*

<b>AGENCY NAME:</b>	SFAA-Office of the State Auditor		
<b>AGENCY CODE:</b>	F270	<b>SECTION:</b>	105

## FORM B1 – RECURRING OPERATING REQUEST

<b>AGENCY PRIORITY</b>	2
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*Provide the Agency Priority Ranking from the Executive Summary.*

<b>TITLE</b>	<b>General Funds increase to support State Auditor salary increase and associated Employer Contributions</b>
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*Provide a brief, descriptive title for this request.*

<b>AMOUNT</b>	<b>General: 22,270</b> <b>Federal: 0</b> <b>Other: 0</b> <b>Total: 22,270</b>
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*What is the net change in requested appropriations for FY 2019-20? This amount should correspond to the total for all funding sources on the Executive Summary.*

<b>NEW POSITIONS</b>	0
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*Please provide the total number of new positions needed for this request.*

<b>FACTORS ASSOCIATED WITH THE REQUEST</b>	<b>Mark "X" for all that apply:</b>	
	<input checked="" 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 #	

<b>STATEWIDE ENTERPRISE STRATEGIC OBJECTIVES</b>	<b>Mark "X" for primary applicable Statewide Enterprise Strategic Objective:</b>	
	<input 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 checked="" type="checkbox"/>	Government and Citizens	

<b>AGENCY NAME:</b>	<b>SFAA-Office of the State Auditor</b>		
<b>AGENCY CODE:</b>	<b>F270</b>	<b>SECTION:</b>	<b>105</b>

**ACCOUNTABILITY OF FUNDS**

This priority encompasses all goals and strategies outlined in the Accountability Report. The State Auditors position provides leadership and direction in setting expectations for the agency. The State Auditors goals include delivering services that strengthen accountability and transparency, develop and maintaining a professional, high performing workforce, and to manage resources effectively, prudently, and responsibly. These goals include all associated strategies.

*What specific strategy, as outlined in the FY 2018-19 Strategic Planning and Performance Measurement template of agency's accountability report, does this funding request support? How would this request advance that strategy? How would the use of these funds be evaluated?*

**RECIPIENTS OF FUNDS**

State Agency Administration Division would receive the full allocation.

*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?*

**JUSTIFICATION OF REQUEST**

The Agency Head Salary Commission approved a salary increase of \$15,568 for the State Auditor effective June 2019. The increase in salary and associated employer contributions were supported by existing agency resources for FY19-20. However, to efficiently and judiciously support the increase, we would need general funds appropriated as follows:

I.	Administration – State Auditor	\$ 15,568
IV.	Employee Benefits – Employer Contributions	<u>\$ 6,702</u>
	Total Requested	\$ 22,270

*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.*

<b>AGENCY NAME:</b>	SFAA – Office of the State Auditor		
<b>AGENCY CODE:</b>	F270	<b>SECTION:</b>	105

## FORM B1 – RECURRING OPERATING REQUEST

<b>AGENCY PRIORITY</b>	3
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*Provide the Agency Priority Ranking from the Executive Summary.*

<b>TITLE</b>	<b>General Fund increase to Support Data Analytics and Robotic Process Applications</b>
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*Provide a brief, descriptive title for this request.*

<b>AMOUNT</b>	<b>General: 65,000</b> <b>Federal:</b> <b>Other:</b> <b>Total: 65,000</b>
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*What is the net change in requested appropriations for FY 2020-21? This amount should correspond to the total for all funding sources on the Executive Summary.*

<b>NEW POSITIONS</b>	0
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*Please provide the total number of new positions needed for this request.*

<b>FACTORS ASSOCIATED WITH THE REQUEST</b>	<b>Mark "X" for all that apply:</b> <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 checked="" 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 checked="" 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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<b>STATEWIDE ENTERPRISE STRATEGIC OBJECTIVES</b>	<b>Mark "X" for primary applicable Statewide Enterprise Strategic Objective:</b> <input 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 checked="" type="checkbox"/> Government and Citizens
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<b>AGENCY NAME:</b>	<b>SFAA – Office of the State Auditor</b>		
<b>AGENCY CODE:</b>	<b>F270</b>	<b>SECTION:</b>	<b>105</b>

<b>ACCOUNTABILITY OF FUNDS</b>	<p>Strategy 1.1 – Assure our deliverables are timely and meaningful to users, Strategy 1.2 – Maintain our reputation for independence, integrity, and objectivity, Strategy 3.1 – Assure an agile business operation, and Strategy 3.2 - Respond to change by maintaining a strategic focus. The audit profession today is experiencing unprecedented change driven by technological innovations that are evolving how audits are performed. Data analytics and robotic process automation software applications provide enhanced audit quality while freeing auditor time to focus on higher value tasks that require professional judgement and skepticism.</p>
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*What specific strategy, as outlined in the FY 2019-20 Strategic Planning and Performance Measurement template of agency’s accountability report, does this funding request support? How would this request advance that strategy? How would the use of these funds be evaluated?*

<b>RECIPIENTS OF FUNDS</b>	<p>The State Agency Audits Division would receive the full allocation</p>
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*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?*

<b>JUSTIFICATION OF REQUEST</b>	<p>Data analytics applications allow auditors to efficiently produce audit insights. Exponentially more powerful than Excel, long the standard tool for data analysis, data analytics applications can run large volumes of data through a series of algorithms in a matter of seconds, producing visuals and other output which assist the auditor in spotting problematic trends or outliers that may be indicators of audit risk.</p> <p>Robotic process automation is a software application that can be used to perform time-intensive and repetitive, yet critical audit tasks, freeing time for audit staff to spend on higher value-add activities.</p> <p>To support the process of rethinking how we audit, we formed a task force to study audit technology innovations with a focus on data analytics and robotic process automation. Their conclusion is that while these innovations were once viewed as “nice to have”, their use has rapidly become mainstream. Implementing them in our organization is in line with our desire to continually drive audit quality. The task force is currently evaluating off-the-shelf solutions offering integrated data analytics and robotic process automation. Once a solution is selected, the task force will develop a strategy to efficiently implement these innovative tools into our audit process.</p> <p>While cost varies slightly by vendor, this amount will cover the annual cost of the software subscription, vendor support and on-site technology support.</p>
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*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.*



<b>AGENCY NAME:</b>	SFAA – Office of the State Auditor		
<b>AGENCY CODE:</b>	F270	<b>SECTION:</b>	105

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

<b>TITLE</b>	Agency Cost Savings and General Fund Reduction Contingency Plan
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<b>AMOUNT</b>	142,608 <i>What is the General Fund 3% reduction amount (minimum based on the FY 2019-20 recurring appropriations)? This amount should correspond to the reduction spreadsheet prepared by EBO.</i>
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<b>ASSOCIATED FTE REDUCTIONS</b>	None  <i>How many FTEs would be reduced in association with this General Fund reduction?</i>
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<b>PROGRAM/ACTIVITY IMPACT</b>	<p>This contingency plan would impact the following areas:</p> <p>Audits Program – General Funds – 0500.000000.000  Increase in Classified Positions – 501058 ( 14,000)  Decrease in Unclassified Positions – 501060 111,000  <u>Decrease in Employer Contributions – 51300 45,608</u>  <b>TOTAL COST SAVINGS (3% Reduction): 142,608</b></p>
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*What programs or activities are supported by the General Funds identified?*

<b>AGENCY NAME:</b>	<b>SFAA – Office of the State Auditor</b>		
<b>AGENCY CODE:</b>	<b>F270</b>	<b>SECTION:</b>	<b>105</b>

**SUMMARY**

A 3% reduction in general funds represents 26% of the agency’s operating budget. Therefore, the agency would need to take the reduction from personal services and associated employer contributions in order to preserve training, technology support, and other operating expenses that are critical to the agency.

To support a 3% general funds reduction, the Office of the State Auditor would reclassify the Deputy State Auditor position to a Senior Auditor position and an administrative position would not be filled. The elimination of an executive management position would require the redistribution of duties to other members of senior management, potentially creating workload constraints that would be addressed through a reprioritization of overall duties. While service delivery timeliness and quality would be maintained, strategic initiatives important to the health and sustainability of the agency would receive little to no focus.

*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**

NONE

*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 2020-21				
Proviso # in FY 19-20 Act	Renumbered FY 20-21 Proviso #	Proviso Title	Short Summary	Agency Recommended Action (keep, change, delete, add)
105.1		Annual Audit of Federal Programs	Reimbursement for cost of Statewide Single Audit	KEEP
105.2		Medical Assistance Audit Carry Forward	Gives authorization to use Medical Assistance Carry Forward for same purpose	KEEP
105.3		Coordination with Inspector General	OSA will refer any fraud, waste, and abuse that is identified during an audit to the Inspector General	KEEP
105.4		Annual Audit of Court Fees and Fines Reports	Conduct a minimum of 15 audits annually	KEEP

**PROVISOS**  
**SECTION 105 - F270**  
**SFAA - OFFICE OF STATE AUDITOR**

**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 (CFR) 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.

***ACTION REQUESTED: KEEP***

**105.2. (SFAA-AUD: Medical Assistance Audit Carry Forward)**

The State Auditor's Office shall retain and expend the funds received from the Department of Health and Human Services for the Medical Assistance Audit Program pursuant to Proviso 33.3 of this act and shall carry forward any unexpended funds from the prior fiscal year into the current fiscal year for the same purpose.

***ACTION REQUESTED: KEEP***

**105.3. (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.

***ACTION REQUESTED: KEEP***

#### **105.4. (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.

***ACTION REQUESTED: KEEP***

\$ Available Cash By Fund By Posting Period (With CPST Acts) Run Date 1/8/2020 - 3:48PM

Business Area	Application of funds	Fund	Fund	YTD Beginning Cash Balance	Cash Receipts	Net Transfers	Cash Disbursements	YTD Ending Cash Balance	Undeposited Cash	Accts Payable	Calculated Ending Balance
F270	SFAA - AUDITOR'S OFFICE	GENERAL FUND	10010000	\$452,710.80		(\$455,342.72)	\$2,631.92	\$0.00	\$0.00	\$0.00	\$0.00
F270	SFAA - AUDITOR'S OFFICE	GENERAL FUND	10020000	\$0.00				\$0.00	\$0.00	\$0.00	\$0.00
F270	SFAA - AUDITOR'S OFFICE	GENERAL FUND	28370000	\$135.00	\$0.00	(\$135.00)		\$0.00	\$0.00	\$0.00	\$0.00
			<b>Sum:</b>	<b>\$452,845.80</b>	<b>\$0.00</b>	<b>(\$455,477.72)</b>	<b>\$2,631.92</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
F270	SFAA - AUDITOR'S OFFICE	SPECIAL REVENUE FDS	30350000	\$0.00				\$0.00	\$0.00	\$0.00	\$0.00
F270	SFAA - AUDITOR'S OFFICE	SPECIAL REVENUE FDS	30350098	\$0.00				\$0.00	\$0.00	\$0.00	\$0.00
F270	SFAA - AUDITOR'S OFFICE	SPECIAL REVENUE FDS	37190000	\$278,472.39	\$0.00		\$0.00	\$278,472.39	\$0.00	\$0.00	\$278,472.39
F270	SFAA - AUDITOR'S OFFICE	SPECIAL REVENUE FDS	37K20000	\$287,357.51	\$0.00		(\$2,631.92)	\$284,725.59	\$0.00	\$0.00	\$284,725.59
F270	SFAA - AUDITOR'S OFFICE	SPECIAL REVENUE FDS	39580000	\$385.38				\$385.38	\$0.00	\$0.00	\$385.38
			<b>Sum:</b>	<b>\$566,215.28</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>(\$2,631.92)</b>	<b>\$563,583.36</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$563,583.36</b>
F270	SFAA - AUDITOR'S OFFICE	TRUST & AGENCY FDS	30240000	\$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
F270	SFAA - AUDITOR'S OFFICE	TRUST & AGENCY FDS	35897000	\$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
			<b>Sum:</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
			<b>Sum:</b>	<b>\$1,019,061.08</b>	<b>\$0.00</b>	<b>(\$455,477.72)</b>	<b>\$0.00</b>	<b>\$563,583.36</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$563,583.36</b>
			<b>Sum:</b>	<b>\$1,019,061.08</b>	<b>\$0.00</b>	<b>(\$455,477.72)</b>	<b>\$0.00</b>	<b>\$563,583.36</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$563,583.36</b>

**SFAA - State Auditor  
FTE Positions**

	<b>General Fund</b>	<b>Other Fund</b>	<b>Total</b>
<b>Filled</b>	<b>40</b>	<b>19</b>	<b>59</b>
<b>Vacant</b>	<b>1</b>	<b>0</b>	<b>1</b>
	<b>41</b>	<b>19</b>	<b>60</b>