

AGENCY NAME:	SFAA – Office of the State Auditor		
AGENCY CODE:	F270	SECTION:	105



Fiscal Year 2014-15 Accountability Report

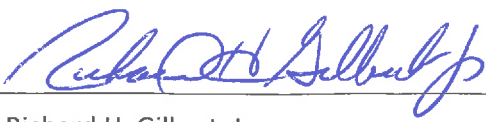
SUBMISSION FORM

AGENCY MISSION	The mission of the Office of the State Auditor is to serve as a deterrent to fiscal mismanagement, fraud, and misuse of assets by state agencies and providers of Medicaid services and to provide audit coverage of those entities as required by law or regulations. Medicaid reports are provided to the Department of Health and Human Services and to the Medicaid service providers.
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Please identify your agency's preferred contacts for this year's accountability report.

	<i>Name</i>	<i>Phone</i>	<i>Email</i>
PRIMARY CONTACT:	Richard H. Gilbert, Jr.	803-253-4160	rgilbert@osa.sc.gov
SECONDARY CONTACT:	Norma J. Dawkins	803-253-4160	ndawkins@osa.sc.gov

I have reviewed and approved the enclosed FY 2014-15 Accountability Report, which is complete and accurate to the extent of my knowledge.

AGENCY DIRECTOR (SIGN/DATE):	 9/15/15
(TYPE/PRINT NAME):	Richard H. Gilbert, Jr.
BOARD/CMSN CHAIR (SIGN/DATE):	
(TYPE/PRINT NAME):	

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AGENCY’S DISCUSSION AND ANALYSIS

The Office of the State Auditor serves as the State’s independent audit organization; it is our agency’s vision to set the standard for all State Agencies, Medicaid providers, and County and Municipal Courts for fiscal management of funds. In order to successfully complete the mission of the agency, the Office of the State Auditor is divided into two divisions, Audit and Administration. Each division of the State Auditor’s Office plays a vital role in ensuring the continued success of the agency.

The audits division of the agency is comprised of two sections, State Audits and Medicaid Audits. Each section is responsible for performing audits and/or attestation engagements and works diligently towards completing their responsibilities and achieving the agency’s mission. Engagements for each section are completed by agency employees, by contracting with independent certified public accounting firms or a combination of the two.

The State Audits section is responsible for conducting the annual financial audit of the State’s Basic Financial Statements and the annual audit of the State’s Schedule of Expenditures of Federal Awards. In addition, the State Audits section also conducts financial audits and attestation engagements of other state agencies.

The Medicaid Audits section is responsible for performing attestation engagements of cost reports filed by institutional providers of Medicaid services. The South Carolina Department of Health and Human Services (SCDHHS) contracts with our agency to conduct the engagements to determine if the rate or amount of reimbursement to the provider complies with the South Carolina State Plan for Medical assistance; the applicable contract between SCDHHS and the Medicaid provider; and all applicable state and federal laws and regulations.

The Office of the State Auditor is responsible for conducting attestation engagements of county and municipal treasurers, county clerks of court, magistrates, and municipal courts. These engagements are performed in order to ensure that the imposition, collection and remittance of court fines, fees and assessments are in accordance with applicable state laws. The Office currently contracts with an independent certified public accounting firm to conduct these engagements.

All findings and reports completed by each Audit section are communicated and made available with the appropriate entities.

In fiscal year 2014 – 2015 the Office of the State Auditor was limited in our ability to complete all legislative duties due to internal and external constraints. Despite these challenges, our agency was able to accomplish all mandated audits that are required of the agency by Permanent Law, General Appropriations Act, and Contractual Agreements in a timelier manner than in prior years.

- The Office of the State Auditor and CliftonLarsonAllen, LLP completed and issued our joint audit opinion on the State of South Carolina’s Basic Financial Statements for the fiscal year ended June 30, 2014 on December 22, 2014. Section 11-7-60 allows the Office of the State Auditor to bill State agencies the cost of contracting with a certified public accounting firm. The audit fee for contracting fifty percent of the audit hours was \$360,000. This fee was allocated to and reimbursed by State agencies.

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- The Office of the State Auditor and CliftonLarsonAllen, LLP completed and issued our joint opinion on the State of South Carolina’s Federal programs for the year ended June 30, 2014 on March 16, 2015. The audit reporting package was submitted to the federal clearinghouse on March 31, 2015. Section 102.1 of the fiscal year 2015 Appropriation Act allows the Office of the State Auditor to bill State agencies the cost of contracting with a certified public accounting firm. The audit fee for contracting the engagement with CliftonLarsonAllen, LLP was \$750,000. The audit fee was allocated to and reimbursed by State agencies.
- During the period October 1, 2014 through September 30, 2015, the Office of the State Auditor expects to conduct or contract with certified public accounting firms to conduct audit and Agreed-Upon Procedure engagements of the financial records of all but 17 state agencies for the fiscal year ended June 30, 2014. As of August 31, 2015, 55 engagements have been issued final or draft; 21 were completed by Office staff and 34 engagements were completed by certified public accounting firms. In addition, staff completed 23 fiscal year 2013 Agreed-Upon Procedures engagements that were started after or were in-progress at September 1, 2014. The total cost of the contracted engagements was \$945,140 of which \$933,850 was paid by State agencies.
- The Office of the State Auditor issued 54 reports during the period July 1, 2014 to June 30, 2015 which covered 29 Medicaid Nursing Home providers. The reports identified adjustments to providers’ interim reimbursement rate which resulted in net receivables due to the State and Federal government of approximately \$9,508,000.
- The Office of the State Auditor contracted with a certified public accounting firm to conduct 18 court engagements. Eleven reports were completed and issued by the certified public accounting firm by June 30; fieldwork was completed on one engagement before June 30, 2015, but the report was not issued until July 2015; five engagements were in progress at June 30 and one engagement was being planned. Seven of the eleven engagements identified net underreported costs totaling \$150,251. Seven reports from the previous year’s contract were also issued during fiscal year 2015. Four of those engagements identified net underreported costs totaling \$46,978.

In focusing on Fiscal Year 2016-2017 and future years, the Office of the State Auditor will continue to focus its efforts on successfully completing all mandated audits as well as other tasks that the agency has deemed as a priority.

- **Priority 1**
Completion and timely issuance of the State of South Carolina’s Basic Financial Statement Audit
- **Priority 2**
Completion and timely issuance of the State of South Carolina’s Schedule of Expenditures of Federal Awards Audit
- **Priority 3**
Conducting AUP engagements of 25% of the Medicaid providers, conducting audit and AUP engagements of all State agencies and conducting 15 AUP engagements of General Sessions, magistrate, and municipal courts

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- **Priority 4**

Contract with the State Office of Human Resources to provide supervisory training to audit staff

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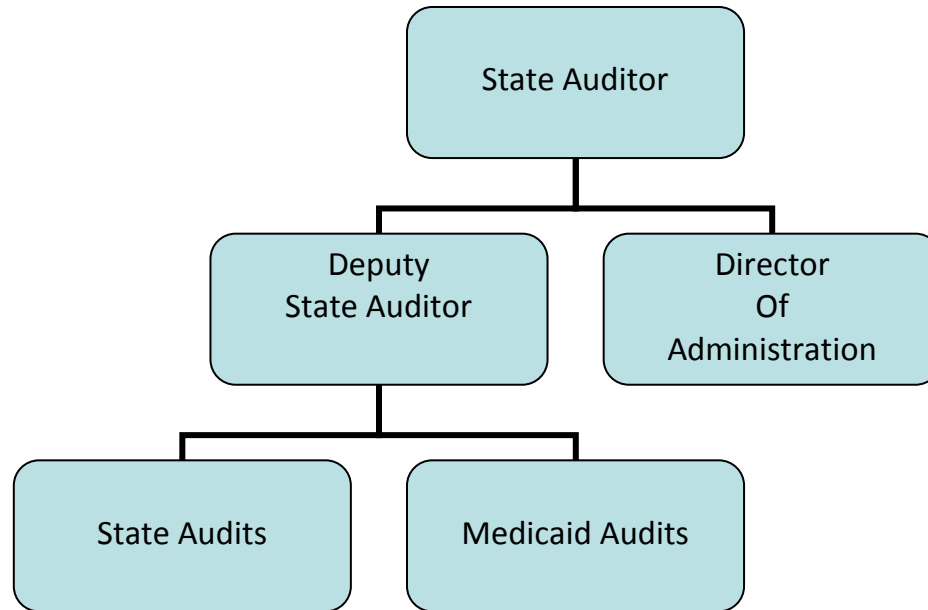
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Office of the State Auditor Organizational Chart



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Strategic Planning Template

Type	Goal	Item # Strat	Object	Description
G	1			Audit of the State of South Carolina's Basic Financial Statements prepared by the Comptroller Generals Office. (11-7-20.b.)
S		1.1		Using internal staff and staff from an independent Certified Public Accounting (CPA) firm, plan, conduct, and issue an opinion on the State's Basic Financial Statements.
O			1.1.1	<i>Contract with an independent CPA firm to conduct a joint audit of the State's Basic Financial Statement.</i>
O			1.1.2	<i>Allocate internal and external staff resources to ensure that staffing is adequate and equitable.</i>
O			1.1.3	<i>Audit is completed in accordance with applicable auditing standards.</i>
S		1.2		Ensure that the joint audit team is responsive to the needs of the staff of the Comptroller General's Office and management of other state agencies.
O			1.2.1	<i>Joint audit staff is readily available and responsive to the Comptroller General staff.</i>
O			1.2.2	<i>Complete the audit and issue the report by Comptroller General's reporting deadline.</i>
O			1.2.3	<i>Complete the audit within budgeted number of auditing hours.</i>
G	2			Audit the State of South Carolina's Schedule of Expenditures of Federal Awards (SEFA) as mandated by the Single Audit Act Amendments of 1996. (11-7-20.c.)
S		2.1		Using internal staff and staff from an independent Certified Public Accounting (CPA) firm, plan, conduct, and issue an opinion on the State's SEFA.
O			2.1.1	<i>Contract with an independent CPA firm to conduct a joint audit of the State's Schedule of Expenditures of Federal Awards.</i>
O			2.1.2	<i>Allocate internal and external staff resources to ensure that staffing is adequate and equitable.</i>
O			2.1.3	<i>Audit is completed in accordance with applicable auditing standards.</i>
S		2.2		Ensure the joint audit team is responsive to the needs of the staff of the management of the state agencies that comprise the reporting entity.
O			2.2.1	<i>Joint audit staff is readily available and responsive to state agency staff.</i>

O	2.2.2	<i>Complete and issue the Statewide Single Audit by March 31st.</i>
O	2.2.3	<i>Complete the audit within budgeted number of auditing hours.</i>
G	3	Perform audits and agreed-upon procedure engagements of Medicaid cost reports and financial records for state agencies, general session , and municipal and magistrate courts.
S	3.1	Perform agreed-upon procedure engagements of Medicaid provider cost reports filed by the institutional providers of Medicaid services.
O	3.1.1	<i>Perform agreed-up procedure engagements of Medicaid providers at least once every four (4) years.</i>
O	3.1.2	<i>Allocate internal resources to plan and conduct agreed-upon procedure engagements to meet DHHS expectations and ensure internal audit staff are responsive and readily available to DHHS staff.</i>
O	3.1.3	<i>Engagements are to be conducted in accordance with attestation standards and remain within budgeted audit hours.</i>
S	3.2	Identify State agencies that; (1) require audits for inclusion in the State's CAFR or other legislative requirements, (2) have legislative authority to contract their audits, and (3) do not require a financial audit and perform attestation engagements. (11-7-20.a)
O	3.2.1	<i>Contract with independent CPA firm to conduct audit of agency financial statements.</i>
O	3.2.2	<i>Perform limited reviews of agency engagements to ensure audits are completed timely and are within auditing standards.</i>
O	3.2.3	<i>Properly allocate available auditing staff to maximize coverage of State agencies and remain within budgeted audit hours.</i>
S	3.3	Conduct agreed upon procedure engagements of the financial records of general session, municipal, and magistrate courts. (11-7-25)
O	3.3.1	<i>Consult with the Office of the State Treasurer to determine engagement schedule or perform selection at random. (Proviso 118.B)</i>
O	3.3.2	<i>Contract with independent CPA firm to conduct agreed-upon procedures.</i>
O	3.3.3	<i>Conduct agreed-upon procedure engagements of 15 court jurisdictions on an annual basis.</i>

G	4	Development of employees of the Office of the State Auditor.	
S	4.1	Seek out internal and external training/educational opportunities to help further develop employees.	
O	4.1.1	<i>Enroll staff in supervisory classes offered by the Department of Administration - Division of State Human Resource.</i>	
O	4.1.2	<i>Enroll staff in training courses as required by professional standards to maintain their professional competency.</i>	

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Performance Measurement Template

Item	Performance Measure	Last Value	Current Value	Target Value	Time Applicable	Data Source and Availability	Reporting Freq.	Calculation Method	Associated Objective(s)
1	Completion of the Audit of South Carolina's Basic Financial Statements on time - number of days past due date	0	0	0	November 30	Internal Management Records - Available Continuously	Annual	Manual Count	1.1.1; 1.1.2
2	Budgeted / Actual hours required to complete the Audit of South Carolina's Basic Financial Statements - percentage over / under budget	Budget-5,582; Actual-5,734; 2.7% over budget	Budget-5,800; Actual-5,506; 5.1% under budget	0% over budget	November 30	Internal Management Records - Available Continuously	Annual	Calculated using Staff Time Reporting System and Budgeted Audit Hours	1.2.3
3	Completion of the Audit of South Carolina's Schedule of Expenditures of Federal Awards on time - number of days past due date	The audit was issued 09/14/14; 164 days after the due date.	The audit was completed by 03/16/15 and submitted on 03/31/15.	0	March 31	Internal Management Records - Available Continuously	Annual	Manual Count	2.1.1; 2.1.2
4	Budgeted / Actual hours required to complete the Audit of South Carolina's Schedule of Expenditures of Federal Awards - percentage over / under budget	Budget-13,500; Actual-11,700; 13.4% under budget	Budget-13,600; Actual-11,049; 18.8% under budget	0% over budget	March 31	Internal Management Records - Available Continuously	Annual	Calculated using Staff Time Reporting System and Budgeted Audit Hours	2.2.3
5	State Agencies receiving agreed-upon procedure engagements - contracted or conducted with internal staff	61	50	67	July 1 - June 30	Internal Management Records - Available Continuously	Annual	Manual Count	3.2.1; 3.2.2
6	Budgeted / Actual hours of State agency engagements performed by internal staff - percentage over / under budget	Budget-9,085; Actual-12,700	Budget-18,930; Actual-Not Available	0% Over budget	October 1 - September 30	Internal Management Records - Available Continuously	Annual	Manual Count	3.2.3
7	State Agencies agreed-upon procedure engagements that were skipped and associated budget hours	2 (Budget hours- 325)	17 (Budget hours - 7,375)	0	July 1 - June 30	Internal Management Records - Available Continuously	Annual	Manual Count	3.2.1
8	Percentage of Medicaid Providers examined and upon which a report was issued	23%	19%	25%	July 1 - June 30	Internal Management Records - Available Continuously	Annual	Manual Count	3.1.1; 3.1.2
9	Budgeted / Actual hours required to complete Medicaid provider engagements	Budget-15,755; Actual-16,278; 3.3% over budget	Budget-15,205; Actual-15,792; 3.86% over budget	0% over budget	July 1 - June 30	Internal Management Records - Available Continuously	Annual	Manual Count	3.1.3
10	Number of completed agreed-upon procedure engagements of the financial records of general sessions, municipal, and magistrate courts	14	18	15	July 1 - June 30	Internal Management Records - Available Continuously	Annual	Manual Count	3.3.1; 3.3.2; 3.3.3

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Program Template

Program/Title	Purpose	FY 2013-14 Expenditures				FY 2014-15 Expenditures				Associated Objective(s)
		General	Other	Federal	TOTAL	General	Other	Federal	TOTAL	
I. Administration	Administrative support for audit programs, including accounting, budgeting, procurement, information technology, human resources, and other general administrative functions	\$ 156,058			\$ 156,058	\$ 162,658			\$ 162,658	
II. Audits	The Office of the State Auditor performs the audits of the State's Basic Financial Statements and the Single Audit of the State's Schedule of Expenditures of Federal Awards. It conducts or contracts with independent certified public accounting firms to perform audit and attestation engagements of State agencies; it performs periodic engagements of the financial records of county clerks of courts, magistrates, and municipal court, and it performs audits of Medicaid service providers.	\$ 1,999,783	\$ 2,331,282		\$ 4,331,065	\$ 2,051,551	\$ 1,851,024		\$ 3,902,575	All Goal 1 - 4 Objectives
III. Employee Benefits	Provides employee benefits for the staff of the State Auditor's Office	\$ 538,122	\$ 184,718		\$ 722,840	\$ 674,413	\$ 143,029		\$ 817,442	