

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



Fiscal Year FY 2024-2025

Agency Budget Plan

FORM A - BUDGET PLAN SUMMARY

OPERATING REQUESTS <i>(FORM B1)</i>	For FY 2024-2025, my agency is (mark "X"):	
	<input checked="" type="checkbox"/>	Requesting General Fund Appropriations.
	<input checked="" type="checkbox"/>	Requesting Federal/Other Authorization.
	<input type="checkbox"/>	Not requesting any changes.

NON-RECURRING REQUESTS <i>(FORM B2)</i>	For FY 2024-2025, 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 <i>(FORM C)</i>	For FY 2024-2025, my agency is (mark "X"):	
	<input type="checkbox"/>	Requesting funding for Capital Projects.
	<input checked="" type="checkbox"/>	Not requesting any changes.

PROVISOS <i>(FORM D)</i>	For FY 2024-2025, my agency is (mark "X"):	
	<input checked="" type="checkbox"/>	Requesting a new proviso and/or substantive changes to existing provisos.
	<input type="checkbox"/>	Only requesting technical proviso changes (such as date references).
	<input type="checkbox"/>	Not requesting any proviso changes.

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

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

I have reviewed and approved the enclosed FY 2024-2025 Agency Budget Plan, which is complete and accurate to the extent of my knowledge.

	<u>Agency Director</u>	<u>Board or Commission Chair</u>
SIGN/DATE:		
TYPE/PRINT NAME:		

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

Fiscal Year 2024-2025 Executive Summary

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

Agency Priority	Request Type	Title	General Dollars	Federal Dollars	Earmarked Dollars	Restricted Dollars	Total Dollars	General FTEs	Federal FTEs	Earmarked FTEs	Restricted FTEs	Total FTEs
1	B1 - Recurring	Personnel Funding - Agency Reorganization	\$400,000	\$0	\$0	\$0	\$400,000	0.00	0.00	0.00	0.00	0.00
2	B1 - Recurring	Increase Funding and Budget Authority for Court Audits - Other Funds	\$0	\$0	\$100,000	\$0	\$100,000	0.00	0.00	0.00	0.00	0.00
3	B1 - Recurring	Increase Budget Authority for Single Audit services - Other Funds - BUDGET AUTHORITY ONLY	\$0	\$0	\$400,000	\$0	\$400,000	0.00	0.00	0.00	0.00	0.00
Subtotal:			\$400,000	\$0	\$500,000	\$0	\$900,000	0.00	0.00	0.00	0.00	0.00

Agency Name:	SFAA - State Auditor's Office		
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FORM B1 – RECURRING OPERATING REQUEST

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

TITLE	Personnel Funding - Agency Reorganization
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Provide a brief, descriptive title for this request.

AMOUNT	General: \$400,000 Federal: \$0 Other: \$0 Total: \$400,000
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What is the net change in requested appropriations for FY 2024-2025? This amount should correspond to the total for all funding sources on the Executive Summary.

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

FACTORS ASSOCIATED WITH THE REQUEST	Mark "X" for all that apply:	
	<input type="checkbox"/>	Change in cost of providing current services to existing program audience
	<input type="checkbox"/>	Change in case load/enrollment under existing program guidelines
	<input type="checkbox"/>	Non-mandated change in eligibility/enrollment for existing program
	<input type="checkbox"/>	Non-mandated program change in service levels or areas
	<input type="checkbox"/>	Proposed establishment of a new program or initiative
	<input type="checkbox"/>	Loss of federal or other external financial support for existing program
	<input type="checkbox"/>	Exhaustion of fund balances previously used to support program
	<input type="checkbox"/>	IT Technology/Security related
	<input type="checkbox"/>	Consulted DTO during development
<input type="checkbox"/>	Related to a Non-Recurring request – If so, Priority #	

STATEWIDE ENTERPRISE STRATEGIC OBJECTIVES	Mark "X" for primary applicable Statewide Enterprise Strategic Objective:	
	<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

ACCOUNTABILITY OF FUNDS	1.1 Assure our deliverables are timely and meaningful to users. 1.2 Maintain our reputation of independence, integrity, and objectivity. 2.4 Create an environment that is recognized as a workplace of choice. 2.5 Manage the agency's workforce effectively. 3.2 Respond to change by maintaining a strategic focus.
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What specific strategy, as outlined in the most recent Strategic Planning and Performance Measurement template of agency's accountability report, does this funding request support? How would this request advance that strategy? How would the use of these funds be evaluated?

RECIPIENTS OF	This funding would be used to support executive management salaries and employer contributions for two Directors: 1) Program Manager IV - Director of Audit Operations (\$150,000 Salary + 33%
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FUNDS

Employer Contributions)

2) Program Manager IV - Director of Agency Relations (\$150,000 Salary + 33% Employer Contributions)

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

At the beginning of FY24, we reorganized our executive management team in order to address issues with succession planning, "pool staff" management, scheduling of engagements, and to give us the ability to plan for additional audits during the fiscal year. In doing so, and with the approval of DSHR, two of our current FTEs have been reclassified to create two new Directors positions. They include the Director of Audit Operations and the Director of Agency Relations. The need for two additional director positions primarily focused on the need to spread administrative duties that our Audit Directors were responsible for among these positions. This allows our executive management team to focus on technical issues related to audits and leading staff in development. In addition, it reorganizes our "pool staff" so that they report to only one director. This gives those staff members the opportunity to receive focused and individualized development. Also, with the addition of these positions, we plan to expand the number of engagements that are performed each year - increasing our overall productivity. Currently, we are funding these positions with current resources. We can do so because we have had several vacancies that we have been unable to fill, have transitioned to a new audit software that has lowered our overall costs for these services, and have experienced reduced costs in training and travel. As we move forward, we are requesting funding to cover these very important roles without having to reduce program costs in the future or by having to refrain from hiring all of our vacant FTEs. We are continuing to fill the vacancies we have and we feel with the latest general increase and the market salary adjustments that were awarded for FY24, we will see our vacant positions filled by the end of the year. The total budget request for these two positions is \$400,000. To break it down, the salaries for each are \$150,000 plus 33% for employer contributions. These salaries are based on job duties, years of experience, certification, and the market for similar positions throughout the country. There are no new or additional FTEs requested.

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

Agency Name:	SFAA - State Auditor's Office		
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FORM B1 – RECURRING OPERATING REQUEST

AGENCY PRIORITY	2
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Provide the Agency Priority Ranking from the Executive Summary.

TITLE	Increase Funding and Budget Authority for Court Audits - Other Funds
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Provide a brief, descriptive title for this request.

AMOUNT	<p>General: \$0</p> <p>Federal: \$0</p> <p>Other: \$100,000</p> <p>Total: \$100,000</p>
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What is the net change in requested appropriations for FY 2024-2025? This amount should correspond to the total for all funding sources on the Executive Summary.

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

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

STATEWIDE ENTERPRISE STRATEGIC OBJECTIVES	Mark "X" for primary applicable Statewide Enterprise Strategic Objective:	
	<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	

ACCOUNTABILITY OF FUNDS	<p>1.1 Assure our deliverables are timely and meaningful to users</p> <p>1.2 Maintain our reputation of independence, integrity, and objectivity</p> <p>3.1 Assure an agile business operation</p> <p>3.2 Respond to change by maintaining a strategic focus</p>
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What specific strategy, as outlined in the most recent Strategic Planning and Performance Measurement template of agency's accountability report, does this funding request support? How would this request advance that strategy? How would the use of these funds be evaluated?

RECIPIENTS OF	<p>This funding would be used to pay contract CPA/accounting firms for their services of conducting audits of county treasurers, municipal treasurers, county clerks of court, magistrates, and/or municipal courts. Audit and accounting services are exempt from</p>
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FUNDS

the State Procurement Code and delegated to the State Auditor. We traditionally get quotes from CPA firms and then assign according to size and complexity of each engagement.

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

There are two factors that contribute to this request. First, under Proviso 105.4, we currently receive \$250,000 from the State Treasurer to 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. If there is any unused funds at the end of the fiscal year, they are carried forward and expended in the next fiscal year. In the past few years and in order to use carry forward from the previous year, we have planned accordingly in order to conduct more than the required number of audits for the year. We have consistently conducted between 20 to 29 court audits per year. However, by doing this, we have reached a point where there will be no carry forward to use in the next year. With the intention to continue to do the minimum number of audits or more, we are requesting to increase the funding and budget authority for Other funds by an additional \$100,000 per year. This would increase our funding and budget authority to \$350,000. The second reason for this request is that the cost of doing business is increasing. With the costs of contractual services with CPA/accounting firms consistently rising we will need to increase our funding to meet those costs. Depending on size and complexity these audits range anywhere from \$12,000 to \$22,000 per audit. We do anticipate these costs to increase 7% to 10% per year for the next few years. There are no FTEs related to this request.

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

Agency Name:	SFAA - State Auditor's Office		
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FORM B1 – RECURRING OPERATING REQUEST

AGENCY PRIORITY	3
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Provide the Agency Priority Ranking from the Executive Summary.

TITLE	Increase Budget Authority for Single Audit services - Other Funds - BUDGET AUTHORITY ONLY
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Provide a brief, descriptive title for this request.

AMOUNT	<p>General: \$0</p> <p>Federal: \$0</p> <p>Other: \$400,000</p> <p>Total: \$400,000</p>
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What is the net change in requested appropriations for FY 2024-2025? This amount should correspond to the total for all funding sources on the Executive Summary.

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

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

STATEWIDE ENTERPRISE STRATEGIC OBJECTIVES	Mark "X" for primary applicable Statewide Enterprise Strategic Objective:	
	<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

ACCOUNTABILITY OF FUNDS	<p>1.1 Assure our deliverables are timely and meaningful to users</p> <p>1.2 Maintain our reputation of independence, integrity, and objectivity</p> <p>3.1 Assure an agile business operation</p>
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What specific strategy, as outlined in the most recent Strategic Planning and Performance Measurement template of agency's accountability report, does this funding request support? How would this request advance that strategy? How would the use of these funds be evaluated?

RECIPIENTS OF	<p>In this request, we are asking for Budget Authority only. This will give us the ability to invoice state agencies for total amount of expenses incurred based on the total amount of federal funding to the state.</p>
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FUNDS

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

In Proviso 105.1, it states that each state agency receiving federal funds are subject to the audit requirements of the Single Audit Acts Amendment of 1996 and the Title 2 US Code of Federal Regulations Part 200, etc. will submit to the State Auditor an amount representing an equitable portion of the expense of conducting the Audit of the federal financial assistance. This means that each year after the audits are conducted our office invoices each state agency that received federal funds for an equitable portion of the expense. We currently base this portion on the percentage of federal financial assistance the agency receives in relation to the total amount all agencies receive for the state. The State Auditors Office then uses those funds for support services of conducting the audit such as personnel cost, travel to agencies, audit software and technology, and administrative services. By increasing the Budget Authority it gives our office the ability to invoice for the total amount of the expenses incurred and address that the total amount in federal funding in the state has increased significantly. There are no FTEs related to this request.

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

Agency Name:	SFAA - State Auditor's Office		
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FORM D – PROVISO REVISION REQUEST

NUMBER	105.4
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Cite the proviso according to the renumbered list (or mark "NEW").

TITLE	Annual Audit of Court Fees and Fines Report
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Provide the title from the renumbered list or suggest a short title for any new request.

BUDGET PROGRAM	II. Audits - Other Operating Expenses
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Identify the associated budget program(s) by name and budget section.

RELATED BUDGET REQUEST	Yes - Form B-1 Priority 2
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Is this request associated with a budget request you have submitted for FY 2024-2025? If so, cite it here.

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

OTHER AGENCIES AFFECTED	State Treasurers Office
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Which other agencies would be affected by the recommended action? How?

SUMMARY & EXPLANATION	<p>Proviso 105.4 states that 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.</p> <p>We are requesting an additional \$100,000 in funding and budget authority for two reasons:</p> <ol style="list-style-type: none"> 1) Costs of contracting with CPA/Accounting firms are rising 2) To be able to continue doing the minimum required number of audits or more.
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Summarize the existing proviso. If requesting a new proviso, describe the current state of affairs without it. Explain the need for your requested action. For deletion requests due to recent codification, please identify SC Code section where language now appears.

FISCAL IMPACT

Would increase the amount of funding by \$100,000 for a total of \$350,000. We have asked for the increase in funding and Budget Authority in Form B1 - Priority 2.

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

**PROPOSED
PROVISO TEXT**

The 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~~ \$350,000, 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.

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

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

FORM D – PROVISO REVISION REQUEST

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

TITLE	Amend wording of Section 11-7-50 (B) Code of Laws
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Provide the title from the renumbered list or suggest a short title for any new request.

BUDGET PROGRAM	II. Audits
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Identify the associated budget program(s) by name and budget section.

RELATED BUDGET REQUEST	No
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Is this request associated with a budget request you have submitted for FY 2024-2025? If so, cite it here.

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

OTHER AGENCIES AFFECTED	None
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Which other agencies would be affected by the recommended action? How?

SUMMARY & EXPLANATION	<p>We are requesting a proviso for Fiscal Year 2024-2025 to adjust the time requirement in Section 11-7-50 (B). It currently states that the State Auditor or a member of his staff may not conduct an audit of a program, activity, or agency for which he had managed responsibility or by which he has been employed for two (2) years.</p> <p>We are requesting that the time requirement be changed from two (2) years to one (1) year. By making this change it would allow audit management and staff to begin working on audits after one year.</p> <p>As well, this change would comply to the American Institute of Certified Public Accountants' (AICPA) Code of Professional Conduct and Bylaws Section 101.02b which states that "a firm's independence would be impaired if a covered member who was employed by a former client participates on the attest engagement team or is an individual in a position to influence the attest engagement for the client when the attest engagement covers any period that includes his or her former employment or association with that client." A one year wait to maintain independence would maintain integrity and objectivity that would exclude the time period of former employment.</p>
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Summarize the existing proviso. If requesting a new proviso, describe the current state of affairs without it. Explain the need for your requested action. For deletion requests due to recent codification, please identify SC Code section where language now appears.

FISCAL IMPACT

There will be no fiscal impact

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

**PROPOSED
PROVISO TEXT**

For Fiscal Year 2024-2025, the time requirement of Section 11-7-50 (B) that the State Auditor or a member of his staff may not conduct an audit of a program, activity or agency for which he had management responsibility or by which he has been employed is reduced from two years to one year.

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

Agency Name:	SFAA - State Auditor's Office		
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FORM E – AGENCY COST SAVINGS AND GENERAL FUND REDUCTION CONTINGENCY PLAN

TITLE	Agency Cost Savings & General Fund Reduction Contingency Plan
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AMOUNT	\$184,992
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What is the General Fund 3% reduction amount? This amount should correspond to the reduction spreadsheet prepared by EBO.

ASSOCIATED FTE REDUCTIONS	None - We would not reduce the number of FTEs.
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How many FTEs would be reduced in association with this General Fund reduction?

PROGRAM / ACTIVITY IMPACT	<p>The contingency Plan would impact the following program: Audit Program - 10010000 - 0500.000000.000 This includes all audit divisions within the agency.</p>
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What programs or activities are supported by the General Funds identified?

SUMMARY	<p>71% of the Office of the State Auditor is funded with General Fund Appropriations. Of this, 86% of those General Funds consist of Personnel and Employer Contributions. Because of this, the agency would need to reduce funds from personal services and the associated employer contributions. The reduction would need to come from these areas in order to preserve technology needs and support, continue training to maintain certifications and stay up to date on federal and state regulations/laws, and to sustain operating expenses that are fixed and critical to the agency.</p> <p>To support the General funds reductions, the Office of the State Auditor would refrain from hiring vacancies for three entry-level positions. This would enable us to use the salaries and anticipated fringe costs for each. Please note that this could not be done without limiting productivity. There would be great potential of creating work constraints that would need to be addressed through a reprioritization of overall duties within the agency. While service delivery timeliness and quality of service would be maintained, strategic initiatives important to the health and sustainability of the agency would receive little to no focus and would be impacted.</p>
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Please provide a detailed summary of service delivery impact caused by a reduction in General Fund Appropriations and provide the method of calculation for anticipated reductions. Agencies should prioritize reduction in expenditures that have the least significant impact on service delivery.

**AGENCY COST
SAVINGS PLANS**

As stated above, our agency is primarily funding personal services and associated costs. Because this makes the budget lean, there is no cost savings plan in place currently or planned for FY25.

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?