

Robert E. (Bob) Milhous, CPA, CGFM
Columbia, South Carolina

Memo Correspondence

November 15, 2013

To: Sam Wilkins, Director
Human Resources Division
South Carolina Budget and Control Board

From: Bob Milhous

Response to Additional Questions

Please be advised that several of the “additional questions” have previously been addressed by my correspondences to you dated October 10, 2013 and June 14, 2013. Below summarizes additional information sorted by the specific questions per your request.

Describe your duties in the most senior role that you have had related to audits of financial statements in accordance with generally accepted auditing standards (GAAS)?

For 21 years, I have been the ‘senior engagement partner/shareholder’ with total responsibility for auditing financial statements in accordance with GAAS, plus Government Auditing Standards (Yellow Book). Specific duties have included – overseeing all aspects of audit engagement management; technically reviewing audit working papers, financial statement drafts and reports; authorizing report finalization and issuance by signing the “Independent Auditors Report” (opinion), plus any other assurance-service related reports, including internal control and compliance reports/opinions; developed and monitored compliance of audit methodology in accordance with GAAS; and directed/overseen firm inspections of audit work quality as part of the AICPA Quality Control Review process.

Additionally, I have served as a second “quality control” (technical) colleague for other CPA’s to ensure that all significant issues have been adequately addressed during the audit prior to issuance of an audit.

In how many financial statement audits have you served as the partner who signed the audit opinion?

In excess of 600+ separately issued audit reports.

If you have not been a signing partner, in how many financial statement audits have you served as the person on the audit team who is just below the signing partner?

While at Ernst & Young (prior to 1993), I served as Manager-in-Charge (just below the signing partner) of approximately 300 audited financial statement reports and other assurance-service related reports and opinions.

Describe your role w/in the audit team as the State Auditor.

Bob Milhous will serve the B&C Board, pursuant to State Law, as the senior executive audit official and be responsible for all independent audit services rendered to the state of South Carolina, including the State's Comprehensive Annual Financial Report (CAFR). This will be accomplished by overseeing all audit engagements, as well as being responsible for technical compliance, quality and timely completion of audits.

Functioning as the State's "independent auditor" will require the ability to work closely with senior government officials and top management on a wide variety of audit and internal control matters, and to be 'readily accessible' for quick response. In addition to leading the department's annual budget and strategic planning activities, a few of Bob Milhous' initiatives (and role in the audit team) for audit engagements will be as follows:

- Provide 'visible and ethical integrity' for the Office of the State Auditor.
- Provide leadership as the senior executive audit (TEAM member) official and be readily accessible as the central-contact for chief executive officers of each State agency.
- Participate in the audit TEAM's entrance and exit conferences with major State agencies and develop open communication channels with senior officials of major State agencies.
- Provide routine communication to State agency executives about audit processes, how to better prepare for the annual audit and financial statement presentation, improve internal controls (including data security processes, etc.), and seek information on how the Office of the State Auditor can better serve and assist State agencies in improving internal controls, fiscal management and transparent accountability.
- Be centrally involved in the audit engagement management – by reviewing and approving the Office's audit methodology.
- Provide effective communication of audit results by providing clear, concise recommendations on improving controls surrounding financial operations and reporting.
- Be a strong resource for technical information for financial reporting and related compliance to enhance internal controls in order to help deter fraud and abuse.
- Provide successful leadership in recruiting top talent and 'team-building' staffs through training, education, and information technology to reach common goals.
- Provide high-level leadership and management of audits and office operations with effective organization structure and communication skills.
- Instill a positive work environment and procure adequate continuing education for professional staff development.
- Create an innovative climate to motivate staff to accomplish audits more efficiently and effectively.
- Remain technically competent and knowledgeable with governmental accounting and auditing standards.

Memorandum to Sam Wilkins (Continued)
Robert E. (Bob) Milhous, CPA, CGFM
November 15, 2013
Page 3

- Be a highly sought-after professional advisor to senior State executives and governing bodies on fiscal management and policy making.
- Be available as the Office's senior executive to provide 'performance measuring' initiatives for recommendations for possible cost savings to members of the B&CB and to other elected government officials as may be required.
- Represent the Office to other state and national organizations as an essential element of South Carolina government's fiscal controls and transparent accountability.
- Provide the leadership ability to foster a high level of "public trust" to members of the B&C Board and the citizens of South Carolina.
- Be readily accessible to members of the B&CB as well to other members of State government as the B&CB shall direct from time-to-time.

Describe your governmental accounting and auditing experience in the last 5 years.
{See previously provided list attached to my correspondence dated October 10, 2013.}

As the senior engagement coordinator and responsible party for audits, I have directly audited many governments across the state of South Carolina (approximately 30 different entities over the past 5 years), including very large cities, counties, and special-purpose entities as well as county and municipal treasurers, and clerks of court.

My governmental accounting (and auditing) experience has covered a **complete** array of governmental, proprietary and fiduciary funds – including complex entities with multiple special revenue funds, capital project funds, debt service funds, enterprise funds, internal service funds, trust and agency funds, plus significant special-purpose /component unit organizations (e.g., pension and employee benefit agencies, public colleges and universities, utilities, airports, schools, capital facility/debt-related issuance organizations, and economic development-related organizations, etc.). This 'comprehensive' experience and 'unparallel' exposure has afforded me a thorough understanding of governmental accounting and financial reporting standards and technical guidance (i.e., GASB's, AICPA industry audit guides, Single Audit compliance supplements, and GFOA's *Governmental Accounting, Auditing, and Financial Reporting* (GAAFR or "Blue Book" associated with CAFR preparation/ disclosure requirements, etc.).

As the audit TEAM leader, I have also provided governmental clients with detail 'performance' and 'control' analysis of the government's existing accounting and financial reporting systems (which in certain cases resulted in the discovery of control and security weaknesses), and consulted with senior management and elected officials about integrating various general controls and data application processes to not only enable management to better monitor its financial activities and budgetary compliances, but to streamline and secure the government's computerized accounting and financial reporting systems.

Memorandum to Sam Wilkins (Continued)
Robert E. (Bob) Milhous, CPA, CGFM
November 15, 2013
Page 4

Identify how many and the types of entities for whom you have prepared or audited Comprehensive Annual Financial Reports (CAFRs).

{See previously provided list attached to my correspondence dated October 10, 2013.}

Types – Various municipalities, counties and special-purpose governmental entities.

Number Prepared (and/or technically reviewed) – 120+

Signed as Responsible Party – 100+

Additionally, I have been engaged by several governments to develop and consult with management in obtaining the government's "first" CAFR and related submission to the Government Finance Officers' Association (GFOA). All first-time submissions prepared and audited by Bob Milhous and his firm received the coveted *Certificate of Achievement for Excellence in Financial Reporting* (the "Certificate") from the GFOA. I have also been engaged by large government clients to technically assist management in regaining their GFOA Certificate award.

* * * * *