Audit Committee Members:
Curtis M. Spencer, Committee Chair
Sel Hemingway, Jr., Commissioner
Britt Blackwell, Commissioner
Thomas L. Rhodes, III, Commissioner

Audit Committee Meeting Agenda
Thursday, July 17, 2025
Following Adjournment of Commission Meeting
SCDOT Headquarters, Room 306
955 Park Street
Columbia, South Carolina 29201

1. **Call to Order — Chairman Spencer**

2. **Roll Call — Chairman Spencer**

3. **Approval of Agenda (Action Required)— Chairman Spencer**

4. **New Business**

   4.1.   Engagement Updates – Director LaBruyere

   4.2.   SCDOT Purchasing Card Activity – Manager Heath

   4.3.   Disadvantaged Business Enterprise Program – Senior Manager Caughman

   4.4.   Follow up on Management Action Plans – Director LaBruyere

   4.5.   Executive Session Pursuant to S.C. Code 30-4-70(a)(3) to Receive Management Information on Security Plans

5. **Old Business — Chairman Spencer**

6. **Adjourn (Action Required) — Chairman Spencer**

Internal Audit Services

July 2025 Audit Committee

Presented by: Mark LaBruyere, CPA, CIA

4.1 Engagement Updates

SA
SOUTH CAROLINA OFFICE OF THE STATE AUDITOR

Engagement Updates
New Engagements

	Engagement
1	Contract Assurance
2	Fleet Management
3	Payroll
4	Travel Expenses

3

Engagement Updates
Planning Phase

	Engagement	Hours	Estimated Completion
1	AASHTOWare Security and Access Controls	122	TBD
2	Contract Assurance	90	TBD

4

Engagement Updates
Fieldwork Phase

	Engagement	Hours	Estimated Completion
1	Environmental Services	768	September 2025
2	IT Asset Management	727	TBD

5

Engagement Updates
Reporting Phase

	Engagement	Hours	Estimated Completion
1	OPT Programs – State Management Plan	343	September 2025
2	Disadvantaged Business Enterprise Program	1,570	Completed
3	Annual P-Card	415	Completed

End of Presentation

6

INTERNAL AUDIT REPORT

Presented by: Justina Heath, CFE

4.2 SCDOT Purchasing Card Activity

◢ **Background**

The Office of Project Delivery operates within the Procurement Department as part of SCDOT's Office of Finance and Administration. One of its main functions is the administration of the Agency's P-Card program.

The P-Card is designed to enable authorized, full-time State employees to purchase supplies, materials, and services for State business use. It is the cardholder's responsibility to ensure that the card is used within State and Agency guidelines.

The State Fiscal Accountability Authority issued an independent procurement audit report in November 2019. As part of SCDOT's response, IAS agreed to provide monitoring services for one year and an annual P-Card risk and control assessment. This report serves as the third annual RCA as performed by IAS.

Management's **Objective**

Management's objectives for the P-Card activity is to ensure that the Agency is in compliance with State policies and procedures with regards to the administration of P-cards.

Audit **Objective**

Provide assurance that internal controls are adequately designed and operating effectively to manage risks that may hinder the achievement of Management's objectives for the P-Card activity.

Conclusion

In our opinion, controls are adequately designed and operating effectively for the Agency to achieve its goals.

Risk exposure is determined to be **Medium-Low**. Our observations and recommendations in combination with Management's actions plans are expected to improve internal controls and reduce risk exposures to within the Agency's risk appetite.

Observation 5.1

P-Card Administrative Issues	Risk Exposure	Medium-Low
During the course of transaction testing, we noted that there were some administrative findings including issues such as untimely reconciliations, missing documentation, missing dates, etc. These findings represent instances of non-compliance with the State and Agency P-Card policies. The change in error rate from 2023 to 2024 of these findings can be found in Appendix C.		
We note that the overall error rate has increased for this year's transaction testing compared to the prior year's testing. Though management strives for zero errors, we recognize that this shows continuous improvement within the purchasing card program.		
Details can be found on page 9 of the report		

P-Card Administrative Issues Error Rate – 2023 vs 2024

Issue	Error Rate		
	2023	2024	Change
Untimely Reconciliation/Approval (within 5 business days of month end)	5.0%	12.0%	140.0%
Missing Date for Documenting Reconciliation Timeliness	0.0%	1.0%	N/A
Incomplete Reconciliation Checklist	0.0%	0.0%	0.0%
Missing or Delayed Approval Signature	0.0%	3.0%	N/A
Missing documentation	0.0%	1.0%	N/A
Other Documentation Errors	0.0%	0.0%	0.0%

Recommendation for Observation 5.1

P-Card Administrative Issues	Risk Exposure	Medium-Low

IAS recommends that the Office of Project Delivery continue to require cardholders, liaisons, and managers to complete a periodic training to continuously instill the importance of the policies and procedures for purchasing cards.

Details can be found on page 10 of the report

Management Action Plan 5.1

Quarterly Trainings for New Cardholders	
MAP Owner(s):	Chief Procurement Officer – Project Delivery
Division:	Procurement
Scheduled Date:	Ongoing

The Office of Project Delivery will continue to perform quarterly training for new cardholders. In conjunction with this training, a refresher training for all cardholders, liaisons, and managers will continue to be required. The Office of Project Delivery utilizes the SCDOT Learning Management System (LMS) team to automate when the refresher training is required. The individuals associated with the administrative findings will receive one-on-one coaching on policy requirements within 30 days of issuance of this report.

End of Presentation

INTERNAL AUDIT REPORT

Presented by: Kiamesha Caughman, CIA, CPA

4.3 Disadvantaged Business Enterprise Program

OSA
SOUTH CAROLINA OFFICE OF THE STATE AUDITOR

Background

The Disadvantaged Business Enterprise (DBE) program operates within the South Carolina Department of Transportation (SCDOT) Minority and Small Business Affairs (MSBA) Office. The MSBA Office is responsible for administering the DBE program and the Small Business Enterprise (SBE) program.

The US Department of Transportation requires recipients of Federal Highway Administration (FHWA), Federal Transit Administration (FTA), and Federal Aviation Administration (FAA) transportation funds to create and administer a DBE program.

Audit Objective

Our objective is to provide assurance that internal controls are adequately designed and operating effectively.

◢ Conclusion

In our opinion, controls are not adequately designed and are not operating effectively for the Agency to achieve its goals. Risk exposure is determined to be **Medium-High**.

◢ Observation 5.1

Good Faith Effort Review	Risk Exposure	Medium-High
During IAS' testing, we observed that the MSBA Technical Assistance, Compliance and Alternative Delivery team does not utilize the DBE Quarterly Reports or the monthly SCDOT DBE goal report in a manner that would allow the team to assess the frequency of checkpoints needed during a DBE project. IAS also did not observe where the MSBA Technical Assistance, Compliance and Alternative Delivery team utilizes a report provided by the DBE Reporting Unit denoting the prime contractors who have not historically met its DBE project goal to mitigate the risks of the prime not meeting future DBE project goals.		
Details can be found on page 9 of the report		

Observation 5.1 (Cont.)

Good Faith Effort Review	Risk Exposure	Medium-High

During IAS's testing of GFEs, neither MSBA nor Director of Construction Office retained the information they gathered during the process. SCDOT only retained the notification letter to the Prime noting the DBE goal was missed and the final resolution letter. Retaining this information could provide SCDOT with documentation describing the work that occurred, the information gathered during the GFE process, and support for any sanctions issued onto a prime contractor.

Details can be found on page 9 of the report

Recommendations for Observation 5.1

Good Faith Effort Review	Risk Exposure	Medium-High

DBE Technical Assistance, Compliance & Alternative Delivery Support team should utilize the various reports produced by the DBE Reporting Unit to implement checkpoints and apply the information received from the reports into its operations to mitigate the risk of missing a DBE project goal.

SCDOT should document and retain any documentation that relates to the information, steps, and inquires they made during the GFE process.

Details can be found on page 9-10 of the report

Management Action Plan 5.1a

DBE Status Spreadsheet	
MAP Owner(s):	Division Director
Division:	Minority and Small Business Affairs
Scheduled Date:	6/30/2025
MSBA will review and evaluate the DBE Status Spreadsheet, which is received in the Quarterly Report packet for each project. If there is a perceived risk of not meeting the DBE goal for the project, the RCE or his/her designee with be notified, so that a discourse can occur with the Prime Contractor.	

Management Action Plan 5.1b

Good Faith Effort Support Documentation	
MAP Owner(s):	Division Director
Division:	Minority and Small Business Affairs
Scheduled Date:	6/30/2025
Existing GFE support documentation will be retrieved from the current multiple digital folders, compiled and maintained in a centralized folder that has been created on MSBA's Compliance drive. Future GFE documentation will also be housed in that folder.	

Observation 5.2

Commercially Useful Function Reviews	Risk Exposure	Medium-High

During IAS's testing of the Commercially Useful Function (CUF) Reviews IAS observed that:

- 9 of the 25 (36%) Resident Construction Engineer (RCE) CUF Checklists tested were not completed properly.
- 6 of the 25 (24%) RCE CUF Checklists selected were not signed by the person who completed the CUF review.
- Of IAS's sample of 25 DBE projects, IAS was not able to obtain 9 (36%) of the requested CUF Checklists. Therefore, IAS could not verify that a CUF review was completed on the project.

Details can be found on page 11-12 of the report

Observation 5.2 (Cont.)

Commercially Useful Function Reviews	Risk Exposure	Medium-High

- RCE CUF Checklists were created by MSBA to ensure SCDOT projects remain in compliance with federal DBE regulations. However, none of the CUF Checklists were reviewed by a MSBA employee who is tasked with monitoring and managing compliance activities related to the DBE program.
- IAS was not able to obtain 16 of the 25 (64%) CUF Checklists requested from ProjectWise, the official system of record.
- RCE CUF Checklist were to be completed by the project RCE. However, in all instances the checklist was completed by the Lead Inspector on the project site.

Details can be found on page 11-12 of the report

Observation 5.2 (Cont.)

Commercially Useful Function Reviews	Risk Exposure	Medium-High

- During a CUF compliance visit, IAS observed that a member of the MSBA staff pre-signed the CUF Checklists. This poses the risk of the form being improperly completed and still receiving approval.
- The components of the RCE CUF Checklist and the MSBA team CUF Checklist do not match. As the requirements of the CUF Checklist are standard, identical checklists would allow for more accuracy and consistency within the CUF compliance visits.
- SCDOT does not maintain a log or database that documents DBE and/or primary contractor complaints during a project. This could serve as a monitoring tool for MSBA.

Details can be found on page 11-12 of the report

Observation 5.2 (Cont.)

Commercially Useful Function Reviews	Risk Exposure	Medium-High

- SCDOT does not maintain a log of when CUF reviews are to be completed on a project. A log could help to ensure that all open projects with a DBE goal have a CUF compliance visit.
- IAS observed discrepancies in SCDOT written policy regarding how often CUF reviews are to be completed.
- IAS observed that the DBE 101 Manual was not an official manual, but was referred to as official SCDOT guidance when informing internal and external parties of the various aspects of the DBE Program.
- IAS observed a lack of documentation within the CUF Checklists which could not give clarity on any issues that are occurring on the project job site.

Details can be found on page 11-12 of the report

Recommendations for Observation 5.2

Commercially Useful Function Reviews	Risk Exposure	Medium-High
IAS recommends that SCDOT ensure the following: • CUF Checklists are properly completed and reviewed by the proper personnel and filed into ProjectWise in a timely manner • All fields deemed unnecessary are removed from the Checklists and consolidate the MSBA and RCE CUF Checklists to have a single CUF Checklist file in use. • All CUF Checklists are manually signed or signed using an authorized signature using a valid digital ID and are not presigned		
Details can be found on page 12-13 of the report		

Recommendations for Observation 5.2 (Cont.)

Commercially Useful Function Reviews	Risk Exposure	Medium-High
IAS recommends that SCDOT ensure that the following: • CUF Checklists are retained to ensure federal compliance as well as proper project monitoring • CUF Checklists are reviewed by the DBE Technical Assistance, Compliance and Alternative Delivery Support Director or another authorized party to ensure the checklists are properly completed in a timely manner • Policies and procedures are updated to denote who has the authority to complete the RCE CUF Checklist, how often CUF reviews are to be completed, and ensure all DBE projects receive a CUF compliance visit		
Details can be found on page 12-13 of the report		

Recommendations for Observation 5.2 (Cont.)

Commercially Useful Function Reviews	Risk Exposure	Medium-High

SCDOT should begin to monitor complaints that arise from DBE projects. This could allow MSBA to more thoroughly plan and provide adequate technical assistance on contracts and job sites mitigating the risk of projects being delayed and the project meeting its DBE goal. We also recommend that SCDOT enhance its process to ensure documentation properly denotes any issues and/or concerns that are found on a project job site.

Details can be found on page 12-13 of the report

Management Action Plan 5.2a

CUF Form Update	
MAP Owner(s):	Quality Management Engineer
Division:	Director of Construction
Scheduled Date:	6/30/2025

The Director of Construction Office will update the CUF form and place it with all other SCDOT Construction forms on the SCDOT Construction Extranet and ProjectWise.

Management Action Plan 5.2b

CUF Checklists	
MAP Owner(s):	Division Director
Division:	Minority and Small Business Affairs
Scheduled Date:	6/30/2025
MSBA and RCE CUF Checklist templates are now consistent and only contain necessary fields. MSBA staff has been instructed to notate any project issues and/or concerns in the designated comments section. Completed and signed MSBA CUFs will be housed in ProjectWise.	

Management Action Plan 5.2c

Construction Manual Update for CUF Process	
MAP Owner(s):	Division Director
Division:	Minority and Small Business Affairs
Scheduled Date:	6/30/2025
The Director of Construction Office will create a revision to the SCDOT Construction Manual that provides direction of the CUF process to RCE's and Contractors.	

Observation 5.3

DBE Project Goal Setting	Risk Exposure	Medium

The Calculation of DBE Goal Spreadsheet that is used to calculate the DBE goal on Bid Build projects is not an integrated system that is accessible to IT to provide back up and restoration services. The excel spreadsheet also does not have capabilities to store historical data which could hinder a comprehensive look at the system over time.

Additionally, a single staff member in the MSBA Technical Assistance, Compliance & Alternative Delivery Support Office oversees the DBE goal setting, monitors the DBE project through the CUF reviews, and then conducts the GFE review when a DBE goal on a project is not met. This creates a segregation of duties issue.

Details can be found on page 15 of the report.

Recommendations for Observation 5.3

DBE Project Goal Setting	Risk Exposure	Medium

SCDOT should consider developing or purchasing a system that is integrated with other SCDOT systems, possibly more automated, and is accessible by IT and not housed only in divisional shared SCDOT drive.

SCDOT should segregate some of the above duties or implement more monitoring and/or checkpoints within the steps previously discussed.

Details can be found on page 15 of the report.

Management Action Plan 5.3a

AASHTOWare Software	
MAP Owner(s):	Division Director
Division:	Minority and Small Business Affairs
Scheduled Date:	12/31/2026
MSBA has spoken with InfoTech and determined that AASHTOWare software could address the Agency's need of an automated DBE Goal Calculation system that is integrated with other SCDOT systems, which is accessible by IT and is housed only in divisional SCDOT shared drive.	

Management Action Plan 5.3b

Segregation of Duties	
MAP Owner(s):	Division Director
Division:	Minority and Small Business Affairs
Scheduled Date:	8/1/2025
Currently, SCDOT is conducting an in-depth assessment of MSBA. Once the assessment is completed, a segregation of some of the DBE Compliance and Technical Assistance Director's duties will occur.	

Observation 5.4

DBE Quarterly Reporting and Project Closeout	Risk Exposure	Medium

Each project RCE submits a certified SCDOT Construction DBE Quarterly Report Form to the DBE Reporting Unit each quarter that denotes how much a DBE firm was paid during the period from the prime contractor. Payment support is not submitted along with the report certified by the prime.

RCEs do not have access to the payment information made to DBE firms. Currently, the review process is a reasonableness check. Providing RCEs with access to additional data would strengthen the review process allowing RCEs to help SCDOT better identify and assess potential issues surrounding prompt payment and payment verification.

Details can be found on page 17 of the report.

Recommendation for Observation 5.4

DBE Quarterly Reporting and Project Closeout	Risk Exposure	Medium

SCDOT should update its review process of DBE payment support which would allow SCDOT to verify the information on the DBE Quarterly Report Form.

Details can be found on page 17 of the report.

Management Action Plan 5.4

Segregation of Duties	
MAP Owner(s):	Division Director
Division:	Minority and Small Business Affairs
Scheduled Date:	12/31/2026

Measures for this compliance will be through the implementation of the Civil Rights and Labor (CRL) module of AASHTOWare Project (AWP) to ensure Prompt Payment is performed. CRL is currently in the implementation planning phase (managed by the MSBA office) with a current completion of 4th Quarter 2026. Payment tracking can be achieved between SCDOT and the Prime, then ultimately between the Prime and Subs.

Observation 5.5

Good Faith Effort Review	Risk Exposure	Medium-High

SCDOT's Supplemental Spec states that compliance with the DBE contract goals and commitments shall be assessed by SCDOT on a monthly basis. An information review of DBE contract goals and commitments occur during regularly scheduled project progress meetings. If the DBE goal is at risk of not being met, the RCE will have a discussion with the prime contractor. Information regarding the DBE contract goal is not relayed to MSBA.

When a project goal is missed the GFE team assesses the information surrounding the project and the steps outlined in the Supplemental Specs to determine if a sanction will be assessed on the prime contractor. The chairman of the GFE team is a MSBA Technical Assistance, Compliance and Alternative Delivery staff while the final decision of a sanction is decided by the DOC.

Details can be found on page 18 of the report.

Recommendation for Observation 5.5

Good Faith Effort		Risk Exposure	Medium-High
We recommend that the DOC relay the necessary DBE project information to MSBA on a monthly basis with the intention that the MSBA Office utilizes that information to properly manage DBE compliance and ensure project monitoring.			

Details can be found on page 18 of the report.

Management Action Plan 5.5

Segregation of Duties	
MAP Owner(s):	Division Director
Division:	Minority and Small Business Affairs
Scheduled Date:	3/31/2026

MSBA will recommend a change in the DBE Supplemental Specification that states that compliance with the DBE contract goals and commitments shall be assessed by SCDOT on a quarterly instead of a monthly basis. Upon receipt of the DBE Quarterly Report Packet, which includes the DBE Status Spreadsheet from districts and/or consultants, MSBA will review the information and reach out to RCEs if there are any concerns with reaching the project's DBE goals/commitments. MSBA will reiterate this process to field staff during annual DBE Reporting update meetings that is held in each district.

INTERNAL AUDIT REPORT

Presented by: **Mark LaBruyere, CPA, CIA**

4.4 Follow Up on Management Action Plans

Follow Up on Management Action Plans – Operational (Through 5/31/25)

- Covers 6 audit reports issued between March 2019 and May 2025

Risk	Completed	In Progress; Not Overdue	Overdue 1 to 90 Days	Overdue 91 to 365 Days	Overdue > 365 Days	Due Date for Incomplete Actions	Revised Due Dates	Totals
All Engagements								
Extreme								
High								
Medium-High	11	6						17
Medium	13	3						16
Medium-Low	5				1	12/31/21	12/31/27	6
Performance Opportunities	17	1			3	12/31/23 - 12/31/2025	10/31/2025- 3/31/2026	21
Totals	46	10			4			60

Internal Audit Services

July 2025 Audit Committee

SCDOT Purchasing Card Activity

Justina Heath, CFE

2025

SOUTH CAROLINA OFFICE OF THE STATE AUDITOR

1. Executive Summary
Objective

Management's objective with the purchasing card (P-Card) activity is to ensure that the Agency is in compliance with the State policies and procedures with regards to the administration of P-Cards. Our objective is to provide assurance that internal controls are adequately designed and operating effectively to manage risks that may hinder the achievement of Management's objectives.

Background

The Procurement Department operates as part of South Carolina Department of Transportation's Office of Finance and Administration, serving as a support unit to SCDOT. One of its main functions is the administration of the Agency's P-Card program.

The State of South Carolina P-Card is a charge card designed to enable authorized, full-time State of South Carolina employees to make purchases of supplies, materials and services for State business use. The P-Card program streamlines payments by eliminating the administrative burdens and costs associated with traditional payment methods. It is the Cardholder's responsibility to ensure that the card is used within stated guidelines of the SCDOT P-Card Policy as well as SCDOT's Policies and Procedures relating to the expenditure of SCDOT funds.

In November 2019, the State Fiscal Accountability Authority issued an independent procurement audit report for the period April 1, 2011, through June 30, 2018. As part of SCDOT's Response to the Procurement Audit Report, Internal Audit Services agreed to perform an annual P-Card risk and control assessment. This is the fourth annual risk and control assessment of the P-Card activity within SCDOT, as performed by Internal Audit Services.

Results

In our opinion, controls are adequately designed and operating effectively for the Agency to achieve its goals. Risk exposure is determined to be Medium-Low. No observations Medium or greater were observed.

Contents

2. Forward

Authorization

The South Carolina Office of the State Auditor established the Internal Audit Services division (IAS) pursuant to SC Code Section 57-1-360 as revised by Act 275 of the 2016 legislative session. IAS is an independent, objective assurance and consulting function designed to add value and improve the operations of the South Carolina Department of Transportation (SCDOT). IAS helps SCDOT to achieve its objectives by bringing a systematic, disciplined approach to evaluating the effectiveness of risk management, internal control, and governance processes and by advising on best practices.

Statement of Independence

To ensure independence, IAS reports administratively and functionally to the State Auditor while working collaboratively with SCDOT leadership in developing an audit plan that appropriately aligns with SCDOT's mission and business objectives and reflects business risks and other priorities.

Report Distribution

This report is intended for the information and use of the SCDOT Commission, SCDOT leadership, the Chairman of the Senate Transportation Committee, the Chairman of the Senate Finance Committee, the Chairman of the House of Representatives Education and Public Works Committee, and the Chairman of the House of Representatives Ways and Means Committee. However, this report is a matter of public record and its distribution is not limited.

Acknowledgement

We wish to thank members of management and staff in the Procurement Division for their cooperation in assessing risks and developing actions to improve internal controls and enhance operating performance.

Lead Auditor

Justina Heath, CFE
Manager

Reviewer

Mark LaBruyere, CPA, CIA
Director of Internal Audit Services

3. Internal Auditor's Report

June 30, 2025

Mr. Justin P. Powell, Secretary of Transportation
        and
Members of the Commission
South Carolina Department of Transportation
Columbia, South Carolina

We have completed risk and control assessment of the South Carolina Department of Transportation's (SCDOT's) Purchasing Card Activity. The objective of this assessment was to contribute to the improvement of risk management by evaluating SCDOT's exposure to risks and the controls designed by Management to manage those risks. Our engagement included two aspects:

- Facilitation of Management's assessment of risks associated with the purchasing card activity

- Independent assessment of the design and effectiveness of internal controls to determine whether those controls effectively manage the identified risks to an acceptable level.

We planned and performed the engagement with due professional care in order to obtain sufficient, appropriate evidence to provide a reasonable basis for our observations and recommendations. Our observations, recommendations, and management's action plans were discussed with management.

Mark LaBruyere, CPA, CIA
Director of Internal Audit Services

4. Engagement Overview
Background

The Procurement Department operates as part of South Carolina Department of Transportation's (SCDOT) Office of Finance and Administration, serving as a support unit to SCDOT. Within the Procurement Department, the Office of Project Delivery's areas of service include the following:

1. The Procurement of Design-Build Projects
2. Administration of SCDOT's Purchasing Card (P-Card) Program

In November 2019, the State Fiscal Accountability Authority issued an independent procurement audit report for the period April 1, 2011, through June 30, 2018. The scope of the procurement audit included a review of the following:

1. Internal Procurement and P-Card procedure manuals
2. All sole source and emergency justifications
3. Procurement transactions for the audit period as follows:
   a. 65 procurements over $2,500
   b. 500 sequentially filed purchase orders reviewed for the use of order splitting and favored vendors
   c. 123 P-Card transactions for the three month period ended April 2018 through June 2018
4. Minority Business Enterprise Plans and Reports
5. Information technology acquisitions under IT Plans
6. Surplus property dispositions, and approval for trade-ins exceeding $5,000
7. Disposition of unauthorized procurements

As part of SCDOT's Response to the Procurement Audit Report, IAS agreed to provide monitoring for one year and an annual P-Card risk and control assessment. This report serves as the fourth annual risk and control assessment as performed by Internal Audit Services.

The State of South Carolina P-Card is a charge card designed to enable authorized, full-time State of South Carolina employees to make purchases of supplies, materials and services for State business use. The P-Card program streamlines payments by eliminating the administrative burdens and costs associated with traditional payment methods. The card provides an efficient and effective method for purchasing and paying for non-contract supplies with a value of $2,500 or less. Typically, this is the procurement method of choice for eligible small purchases.

Bank of America issues P-Cards in the employee's name and all charges must be for official State business only. Purchases using the P-Card must follow the SC Consolidated Procurement Code, State and SCDOT purchasing regulations. It is the cardholder's responsibility to ensure that the card is used within stated guidelines of the SCDOT P-Card Policy as well as SCDOT's Policies and Procedures relating to the expenditure of SCDOT funds. Ultimate responsibility for the proper use of a P-Card rests with the cardholder. Failure to comply with the program guidelines may result in permanent revocation of the card, notification to management, and further disciplinary actions including termination.

P-Cards are only issued to a designated permanent, full-time SCDOT employee. Project Delivery will receive requests for card issuance via a P-Card application. Upon review of the application, including all required supervisor approvals and training completion, SCDOT will then issue a P-Card to the applicant. Each cardholder must maintain the original itemized receipt or invoice documentation and must monthly reconcile all receipts to their cardholder statements. Each subdivision/district head must assign a liaison for each cardholder. Liaisons review cardholder activity, question any charges, and approve the cardholder's monthly activity statements indicating their review. Each cardholder is also assigned a manager who is required to ensure that all purchases are properly documented, valid, and warranted for the day-to-day operation of the Department or Division.

Project Delivery performs a monthly review of activity designed to provide administrative monitoring of the program. These reports will notify the Department of any purchases made from prohibited vendors, potential split purchases, and dormant P-Cards. Project Delivery will then research and investigate variances as necessitated from its monitoring.

Objective

Management's objective with the P-Card activity is to ensure that the Agency is in compliance with State policies and procedures with regards to the administration of P-Cards.

Our objective is to provide assurance that internal controls are adequately designed and operating effectively to manage risks that may hinder the achievement of Management's objectives for the P-Card activity.

Scope

The P-Card activity is comprised of eight processes involving multiple stakeholders as follows:

1. Issuance of P-Cards
2. Cardholder Review
3. Liaison Review
4. Manager Review
5. Monthly HQ Reviews
6. Termination of P-Cards
7. Declared Emergencies
8. Accounts Payable Payments

Based on the prior limited findings for this activity, IAS included the following processes within our scope:

1. Cardholder Review
2. Liaison Review
3. Manager Review
4. Termination of P-Cards

5. Declared Emergencies

Our scope included transactions for the period of January 2024 through December 2024.

Methodology

For the processes included in the engagement scope, we performed the following procedures:

1. We discussed with Management their processes and the respective individuals responsible.

2. We facilitated Management's completion of a risk and control matrix used to:

    a. Identify risks which threaten process objectives;

    b. Score the risks as to their consequence and likelihood of occurrence using the risk scoring matrix in Appendix A;

    c. Determine if controls are adequately designed to manage the risks to within the Agency's risk appetite; and

    d. Propose design improvements to controls when risks are not managed to within the Agency's risk appetite.

       As shown on the Risk Scoring Matrix in Appendix A, risk significance is rated on a scale of 1 (lowest) to 25 (highest) and is the product of the risk consequence score (1 to 5) multiplied by the risk likelihood score (1 to 5). Risk appetite is the amount of risk exposure Management is willing to accept in pursuit of its objectives. Executive Management has set various risk appetites by risk type as shown in Appendix B. Risks scoring below Management's risk appetite require no further risk management. Controls determined to be inadequate in design result in risk exposure to the Agency if risk scores exceed risk appetite.

3. We observed the discussion by key process owners and other subject matter experts performing the steps in procedure two above.

4. We evaluated Management's assessment to determine if it was reasonable and comprehensive.

5. We tested key controls intended to manage risks with inherent risk scores of 6 and above [scale of 1 (low) to 25 (high)] to determine if controls are designed adequately and operating effectively. Our testing included inquiry, observation, inspection of documentation, and re-performance of process steps to determine if key controls are operating effectively.

6. We developed observations for controls determined to be inadequate in design and/or ineffective in operation.

7. We collaborated with management to develop action plans to improve control design and/or operating effectiveness.

5. Conclusion

Purchasing Card Activity Controls

The Agency has several internal controls to ensure that P-Card activity is in compliance with State policies and procedures. In our opinion, controls are adequately designed and operating effectively for the Agency to achieve its goals. Risk exposure is determined to be Medium-Low. Our observations and recommendations in combination with Management's action plans are expected to improve those internal controls and reduce risk exposures to within the Agency's risk appetite.

Development of Management Action Plans

We facilitated Management's development of action plans for each observation to improve control design with practical, cost-effective solutions. These improvements, if effectively implemented, are expected to reduce the overall risk exposure to an acceptable level (i.e. within the Agency's risk appetite).

We will follow up with Management on the implementation of the proposed actions on an ongoing basis and provide SCDOT leadership with periodic reports on the status of management action plans and whether those actions are effectively and timely implemented to reduce risk exposure to an acceptable level.

Observations

	Risk Exposure
Observation 5.1 **P-Card Administrative Issues**	**Medium-Low**

Division: Procurement

Control Assessed:
Control 1 – Cardholder Reconciliation
Control 2 – P-Card Reconciliation Checklist
Control 3 – Liaison Review
Control 4 – Manager Review

Control Description:
Control 1 – Each cardholder is required to reconcile all receipts for the activity period to the bank statement activity.

Control 2 – Each month a P-Card reconciliation checklist is required to be completed for each cardholder's activity. The checklist is a guide for the cardholder, liaison, and manager that details each step that they must complete in their monthly review.

Control 3 – Each cardholder is assigned a liaison. The liaison is required to review the cardholder reconciliation and ensure that all documentation is within the reconciliation, review transactions to ensure they are legitimate public expenditures, and comply with all P-Card policies. After the liaison review, the reconciled package is given to the manager.

Control 4 – Each cardholder is also assigned a manager. The manager reviews and signs the monthly activity statement, attesting that all purchases are properly documented, valid, and warranted for the day to day operations of the department. They ensure all documentation is included within the package and sign all applicable documents.

Process Affected:
Process 1 – Cardholder Review
Process 2 – Liaison Review
Process 3 – Manager Review
Process 4 – Declared emergencies

Observation:
During the course of transaction testing, we noted that there were some administrative findings including issues such as untimely reconciliations, missing documentation, missing dates, etc. These findings represent instances of non-compliance with the State and Agency P-Card policies. The change in error rate from 2023 to 2024 for these findings can be found in Appendix C.

We note that the overall error rate has increased for this year's transaction testing compared to the prior year's testing. Though management strives for zero errors, we recognize that management is dedicated to continuous improvement within the purchasing card program.

Recommendation 1:
We recommend that the Office of Project Delivery continue to require cardholders, liaisons, and managers to complete a periodic training to continuously instill the importance of the policies and procedures for purchasing cards.

Management Action Plan (MAP) 5.1

The Office of Project Delivery will continue to perform quarterly training for new cardholders. In conjunction with this training, a refresher training for all cardholders, liaisons, and managers will continue to be required. The Office of Project Delivery utilizes the SCDOT Learning Management System (LMS) team to automate when the refresher training is required. The individuals associated with the administrative findings will receive one-on-one coaching on policy requirements within 30 days of issuance of this report.

MAP Owner:	Chief Procurement Officer – Project Delivery
Division:	Procurement
Scheduled Date:	Ongoing

Appendix A

RISK SCORING MATRIX

Risk significance is rated on a scale of 1 (lowest) to 25 (highest) and is the product of the risk consequence score (1 to 5) multiplied by the risk likelihood score (1 to 5). The following matrix provides a color scale corresponding to risk significance scores.

Likelihood		Incidental	Minor	Moderate	Major	Extreme
	Frequent or Almost Certain	3-4 Low	9-13 Medium	14-17 Med-High	18-21 High	22-25 Extreme
	Likely	3-4 Low	5-8 Med-Low	9-13 Medium	14-17 Med-High	18-21 High
	Possible	3-4 Low	5-8 Med-Low	5-8 Med-Low	9-13 Medium	14-17 Med-High
	Unlikely	1-2 Minimal	3-4 Low	5-8 Med-Low	5-8 Med-Low	9-13 Medium
	Rare	1-2 Minimal	1-2 Minimal	3-4 Low	3-4 Low	3-4 Low

Consequence

SCDOT Purchasing Card Activity

Appendix B

RISK APPETITE

Risk appetite is defined as the amount of risk the Agency is willing to accept in the pursuit of its objectives. Management's goal is to manage risks to within the appetite where mitigation is cost- beneficial and practical. Management has set the Agency's risk appetite by risk type using scoring methodology consistent with the Risk Scoring Matrix shown in Appendix A. Risk appetites by risk type are as follows:

RISK TYPE	EXAMPLES	RISK APPETITE SCORE 1 = Minimal Risk 25 = Extreme Risk (See Scoring Matrix in Appendix B)
Safety	Employee and Public Well-Being	2
Ethical	Fraud, Abuse, Mismanagement, Conflict of Interest	2
Financial	Funding, Liquidity, Credit, Reporting	4
Strategic	Resources not Aligned, Unclear Objectives	4
Reputational	Unintentional Unwanted Headlines	4
Operational	Delays, Cost Overruns, Waste, Inefficiency	6
Regulatory	Non-Compliance	6
Legal	Lawsuits	10

P-Card Administrative Issues Error Rate
2023 vs 2024

Issue	Error Rate		
	2023	2024	Change
Untimely Reconciliation/Approval (within 5 business days of month end)	5.0%	12.0%	140.0%
Missing Date for Documenting Reconciliation Timeliness	0.0%	1.0%	N/A
Incomplete Reconciliation Checklist	0.0%	0.0%	0.0%
Missing or Delayed Approval Signature	0.0%	3.0%	N/A
Missing Documentation	0.0%	1.0%	N/A
Other Documentation Errors	0.0%	0.0%	0.0%

Disadvantaged Business Enterprise (DBE) Program

Kiamesha Caughman, CPA, CIA

2025

SOUTH CAROLINA OFFICE OF THE STATE AUDITOR

1. Executive Summary
Objective

Management's objectives for the Disadvantaged Business Enterprise (DBE) program within the Minority and Small Business Affairs (MSBA) Office is to ensure non-discrimination in the award and administration of federally assisted contracts and to foster a level playing field for DBEs to compete for those contracts.

Our objective is to provide assurance that internal controls are adequately designed and operating effectively to manage risks that may hinder the achievement of Management's objectives.

Background

The DBE program operates within the South Carolina Department of Transportation (SCDOT) MSBA Office. The MSBA Office is responsible for administering the DBE program and the Small Business Enterprise (SBE) program.

The US Department of Transportation requires recipients of Federal Highway Administration (FHWA), Federal Transit Administration (FTA), and Federal Aviation Administration (FAA) transportation funds to create and administer a DBE program. The DBE program is comprised of four processes including the following:

1. Certification of firms as DBEs
2. Technical support to certified firms through a business development center
3. DBE reporting including quarterly reports and final closeout reports
4. A technical assistance and compliance unit focused on setting individual DBE project goals, project jobsite DBE compliance, and providing technical assistance

SCDOT, per its policy, requires contractors to use certified DBE firms to complete a percentage of the work on federally funded projects. To ensure compliance on each project site, a Commercially Useful Function (CUF) review is completed to provide physical verification that a DBE firm is actively performing the work on a project in a manner as described in the award contract.

The DBE Reporting Unit calculates the participation of the DBE firms by reconciling the prime contractor's actual payments to the DBE firms as complied by the District on the DBE Status Tracking Spreadsheet. The contractor must give an account of these amounts on the quarterly report. Once DBE participation on the project is completed, a request is made to close and reconcile DBE participation to determine if the goal and commitments were met.

SCDOT is required to establish an overall DBE goal for the Agency. An annual goal is set using a goal setting team, FHWA provided guidance, and FTA and FHWA oversight.

Conclusion

In our opinion, controls are not adequate in design and are not operating effectively for reducing some risks within the Agency's risk appetite. Risk exposure is determined to be Medium-High.

Contents

2. Forward

Authorization

The South Carolina Office of the State Auditor established the Internal Audit Services division (IAS) pursuant to SC Code Section 57-1-360 as revised by Act 275 of the 2016 legislative session. IAS is an independent, objective assurance and consulting function designed to add value and improve the operations of the South Carolina Department of Transportation (SCDOT). IAS helps SCDOT to achieve its objectives by bringing a systematic, disciplined approach to evaluating the effectiveness of risk management, internal control, and governance processes and by advising on best practices.

Statement of Independence

To ensure independence, IAS reports administratively and functionally to the State Auditor while working collaboratively with SCDOT leadership in developing an audit plan that appropriately aligns with SCDOT's mission and business objectives and reflects business risks and other priorities.

Report Distribution

This report is intended for the information and use of the SCDOT Commission, SCDOT leadership, the Chairman of the Senate Transportation Committee, the Chairman of the Senate Finance Committee, the Chairman of the House of Representatives Education and Public Works Committee, and the Chairman of the House of Representatives Ways and Means Committee. However, this report is a matter of public record and its distribution is not limited.

Acknowledgement

We wish to thank members of management and staff in the Minority and Small Business Affairs Office for their cooperation in assessing risks and developing actions to improve internal controls and enhance operating performance. We would also like to thank the Director of Construction's Office (DOC) for their cooperation in assessing risks with respect to utilizing certified DBE firms to complete projects.

Performed By

Kiamesha Caughman, CPA, CIA
Senior Manager
        and
Daniel Perez
Auditor

Reviewer

Mark LaBruyere, CPA, CIA
Director of Internal Audit Services

3. Internal Auditor's Report

June 30, 2025

Mr. Justin Powell, Secretary of Transportation
and
Members of the Commission
South Carolina Department of Transportation
Columbia, South Carolina

We have completed risk and control assessment of the South Carolina Department of Transportation's (SCDOT's) DBE Program. The objective of this assessment was to contribute to the improvement of risk management by evaluating SCDOT's exposure to risks and the controls designed by Management to manage those risks. Our engagement included two aspects:

- Facilitation of Management's assessment of risks associated with the Minority and Small Business Affairs.

- Independent assessment of the design and effectiveness of internal controls to determine whether those controls effectively manage the identified risks to an acceptable level.

We planned and performed the engagement with due professional care in order to obtain sufficient, appropriate evidence to provide a reasonable basis for our observations and recommendations. Our observations, recommendations, and management's action plans were discussed with management.

Mark LaBruyere, CPA, CIA
Director of Internal Audit Services

4. Engagement Overview
Background

The Disadvantaged Business Enterprise (DBE) program operates within the South Carolina Department of Transportation (SCDOT) Minority and Small Business Affairs Office (MSBA). The MSBA Office is responsible for administering DBE program and the Small Business Enterprise (SBE) program. This includes certifying DBE and SBE firms, providing technical assistance and training to DBEs and SBEs, and ensuring compliance with DBE regulations on federally assisted transportation projects.

The US Department of Transportation requires recipients of Federal Highway Administration (FHWA), Federal Transit Administration (FTA), and Federal Aviation Administration (FAA) transportation funds to create and administer a DBE program. The DBE program is comprised of four processes including the following:

1. Certification of firms as DBEs

2. Technical support to certified firms through a business development center

3. DBE reporting including quarterly reports and final closeout reports

4. A technical assistance and compliance unit focused on setting individual DBE project goals, project jobsite DBE compliance, and providing technical assistance

Eligible minority and woman owned companies can apply for certification as a DBE. Instead of competing against larger firms, certified DBE firms compete against other small DBE firms for like work. Each month, MSBA produces a listing of upcoming construction projects identifying contractors who indicated interest in bidding in the upcoming letting in which a certified DBE firm could assist. Per Agency policy, SCDOT requires contractors to use certified DBE firms to complete a percentage of the work on federally funded projects. The DBE goal placed on individual projects are up to 17.5% of the total project costs. To ensure compliance on each project site, a Commercially Useful Function (CUF) review is completed to provide physical verification that a DBE firm is actively performing the work on a project in a manner as described in the award contract.

The DBE reporting unit calculates the participation of the DBE firms by evaluating the prime contractor's actual payments to the DBE. The prime contractor is obligated under rules set forth by SCDOT when reporting and receiving credit towards the DBE contract goal. The contractor must give an account of these amounts on the quarterly report. Once DBE participation on the project is completed, a request is made to close and reconcile DBE participation to determine if the goal and commitments were met. SCDOT DBE Quarterly Reports and DBE Status Spreadsheet are submitted from the District or designee throughout the duration of the project. The DBE payment is then reviewed and reconciled by the DBE Reporting Unit prior to the request of a DBE project closeout.

SCDOT is required to establish an overall DBE goal for federally assisted highway contracts. An annual goal is set using a goal setting team, FHWA provided guidance, and FTA and FHWA oversight. SCDOT is allowed to select one of the three federal goal-setting methodologies to implement its agency-wide goal that is both logical and attainable. To set a goal that is attainable, the goal-setting team uses a three-year lookback method of reviewing

bids, quotes, past projects and project completions as denoted in the quarterly and final closeout reports. SCDOT did not meet its overall DBE goal in federal fiscal year 2023.

Objective

Management's objectives for the DBE program within the Minority and Small Business Affairs Office is to ensure non-discrimination in the award and administration of federally-assisted contracts and to foster a level playing field for DBEs to compete for those contracts.

Our objective is to provide assurance that internal controls are adequately designed and operating effectively to manage risks that may hinder the achievement of Management's objectives for the DBE Program.

Scope

The DBE Program is comprised of four processes involving multiple stakeholders as follows:

1. DBE Certification
2. Business Development Center
3. DBE Quarterly Reporting and Project Closeout
4. DBE Technical Assistance, Compliance, and Alternative Delivery Support

Our scope included the activities and processes of the DBE Quarterly Reporting and Project Closeout and the DBE Technical Assistance, Compliance and Alternative Delivery Support from January 1, 2024, through the time of our engagement in 2025.

Methodology

For the processes included in the engagement scope, we performed the following procedures:

1. We facilitated Management's completion of a process outline that documents the steps in the process and the individuals responsible for those steps.

2. We facilitated Management's completion of a risk and control matrix used to:

   a. identify risks which threaten process objectives,

   b. score the risks as to their consequence and likelihood of occurrence using the risk scoring matrix in Appendix B,

   c. determine if controls are adequately designed to manage the risks to within the Agency's risk appetite, and

   d. propose design improvements to controls when risks are not managed to within the Agency's risk appetite.

3. We evaluated Management's assessment to determine if it was reasonable and comprehensive.

4. We tested controls intended to manage risks with inherent risk scores of 9 and above [scale of 1 (low) to 25 (high)] to determine if controls are designed adequately and operating effectively. Our testing included inquiry, observation, and inspection of documentation to determine if controls are operating effectively.

5. We developed observations for controls determined to be inadequate in design and/or ineffective in operation.

6. We collaborated with management to develop action plans to improve control design and/or operating effectiveness for the identified control deficiencies.

7. While our engagement primarily focused on risk management, we identified a matter that represents an opportunity for process improvement.

8. We collaborated with Management to develop an action plan for the identified opportunity for process improvement.

5. Conclusion

DBE Program Controls

In our opinion, controls are not adequate in design and are not operating effectively for reducing some risks within the Agency's risk appetite. Risk exposure is determined to be Medium-High. Our recommendations to improve control design and/or operating effectiveness are described in the Observations section.

Development of Management Action Plans

We facilitated Management's development of action plans for each observation to improve control design and operating effectiveness with practical, cost-effective solutions. These improvements, if effectively implemented, are expected to reduce the overall risk exposure to an acceptable level (i.e. within the Agency's risk appetite).

We will follow up with Management on the implementation of the proposed actions on an ongoing basis and provide SCDOT leadership with periodic reports on the status of management action plans and whether those actions are effectively and timely implemented to reduce risk exposure to an acceptable level.

Observations

	Risk Exposure
Observation 5.1 **Good Faith Effort (GFE) Review**	**Medium-High**

Division: DBE Technical Assistance, Compliance and Alternative Delivery Support

Control Assessed:
Control 1 – Good Faith Effort Review Team
Control 2 – Good Faith Effort Criteria

Control Description:
Control 1 – The Good Faith Effort Review team is comprised of the Director of Construction, a team member of the DBE Technical Assistance, Compliance & Alternative Delivery Support group and a member at large

Control 2 - 49 CFR 26.53 Participation of Disadvantaged Business Enterprises in Department of Transportation Financial Assistance Programs

Process Affected: (See process descriptions in Appendix A)
Process 1 – Good Faith Effort Review

Observation:

On a monthly basis, SCDOT's upper management receives a report which displays SCDOT's year-to-date progress on meeting its Agency-wide DBE goal. The report is prepared by the DBE Reporting Unit. The DBE Reporting Unit also produces a detailed report listing all open DBE projects individually and the project's goal progress to the MSBA Technical Assistance, Compliance, and Alternative Delivery team and to the District personnel. However, the MSBA Technical Assistance, Compliance and Alternative Delivery team does not use the report to monitor and adequately assess the project. This report is readily available and created within the DBE Reporting Unit compliance system, but is not provided to the MSBA Technical Assistance team on a regular basis.

The GFE Review process ensures that a primary contractor strived to seek a certified DBE to perform work on a federally funded project when let and that the DBE was actually used on the project. During IAS' testing, we observed that the MSBA Technical Assistance, Compliance and Alternative Delivery team does not utilize the DBE Quarterly Reports or the monthly SCDOT DBE goal report discussed in first paragraph above in a manner that would allow the team to assess the frequency of checkpoints needed during a DBE project. IAS also did not observe where the MSBA Technical Assistance, Compliance and Alternative Delivery team utilizes a report provided by the DBE Reporting Unit denoting the prime contractors who have not historically met its DBE project goal to mitigate the risks of the prime not meeting future DBE project goals.

When a GFE review is completed during the pre-award or post-award phase, the Chairman of the Good Faith Effort Review team is charged with retaining the GFE documentation. During IAS's testing of GFEs, neither MSBA nor DOC retained the information they gathered during the process. SCDOT only retained the notification letter to the Prime noting the DBE goal was missed and the final resolution letter. Retaining this information could provide the SCDOT with documentation describing the work that occurred, the information gathered during the GFE process, and support for any sanctions issued onto a prime contractor.

Recommendation 1:
We recommend that DBE Technical Assistance, Compliance & Alternative Delivery Support team

utilize the various reports produced by the DBE Reporting Unit to implement checkpoints and apply the information received from the reports into its operations to mitigate the risk of missing a DBE project goal.

Recommendation 2:
We recommend that SCDOT document and retain any documentation that relates to the information, steps, and inquires they made during the GFE process.

Management Action Plan (MAP) 5.1a	
MSBA will review and evaluate the DBE Status Spreadsheet, which is received in the Quarterly Report packet for each project. If there is a perceived risk of not meeting the DBE goal for the project, the RCE or his/her designee with be notified, so that a discourse can occur with the Prime Contractor.	
MAP Owner:	Division Director
Division:	Minority and Small Business Affairs
Scheduled Date:	6/30/2025

Management Action Plan (MAP) 5.1b	
Existing GFE support documentation will be retrieved from the current multiple digital folders, compiled and maintained in a centralized folder that has been created on MSBA's Compliance drive. Future GFE documentation will also be housed in that folder.	
MAP Owner:	Division Director
Division:	Minority and Small Business Affairs
Scheduled Date:	6/30/2025

Observation 5.2	Risk Exposure
Commercially Useful Function (CUF) Reviews	**Medium-High**

Division: DBE Technical Assistance, Compliance and Alternative Delivery Support and the Director of Construction

Controls Assessed:
   Control 1 – RCE CUF Checklist
   Control 2 – DBE Technical Assistance, Compliance and Alternative Delivery Support CUF Checklist

Controls Descriptions:
   Control 1 – The DBE Technical Assistance, Compliance and Alternative Delivery Support team created a CUF Checklist for RCEs to use when conducting a CUF compliance review on site. Included in the checklist are key elements the RCEs are to inspect and note on the project site.

   Control 2 – The DBE Technical Assistance, Compliance and Alternative Delivery Support group has its own CUF Checklist listing out key elements to inspect on a project site to ensure federal compliance, DBE equipment ownership, and that the work performed on the project is that of the DBE and not of the primary contractor as well as other information.

Process Affected: (See process descriptions in Appendix A)
   Process 2 – Commercially Useful Function

Observation:
The CUF compliance review is a significant process that ensures federal compliance requirements are met and that DBE projects are well monitored throughout the project lifecycle. CUF compliance reviews are completed by the MSBA Technical Assistance, Compliance & Alternative Delivery Support team and Resident Construction Engineering. During IAS testing we observed:

- 9 of the 25 (36%) tested Resident Construction Engineer (RCE) CUF Checklists selected were not completed properly. The incomplete CUF Checklists included missing DBE start and ends dates, the date of the CUF Review, and the name of the DBE company.
- 6 of the 25 (24%) tested RCE CUF Checklists selected were not signed by the person who completed the CUF review.
- IAS requested the completed CUF Checklist review for a sample of 25 open 2024 projects. IAS was not able to obtain a copy of 9 (36%) of the requested CUF Checklists. Therefore, IAS could not verify that a CUF review was completed on the project.
- RCE CUF Checklists were created by MSBA to ensure SCDOT projects remain in compliance with federal DBE regulations. However, none of the CUF Checklists tested by IAS were reviewed by Technical Assistance, Compliance & Alternative Delivery Support Director who is tasked with monitoring and managing compliance activities related to the DBE program.
- IAS was not able to obtain 16 (64%) of the 25 CUF Checklists requested from ProjectWise. CUF Checklists are required to be imported into Project Wise, the official system of record.
- According to the RCE CUF Checklist, the checklist is to be completed by the project RCE. However, in all instances that IAS tested, the checklist was completed by the Lead Inspector on the project site.
- During a CUF compliance visit, IAS observed that a member of the MBSA Technical

Assistance, Compliance & Alternative Delivery Support staff pre-signed the CUF Checklist. This represents a risk to SCDOT due to the signer authorizing and approving the form before it's properly completed. This exposes the risk of a form being improperly completed and still receiving approval.

- The components of the RCE CUF Checklist and the MSBA team CUF Checklist do not match. As the requirements of the CUF Checklist are standard, identical checklists would allow for more accuracy and consistency within the CUF compliance visits.

- SCDOT does not maintain a log or database that documents DBE and/or primary contractor complaints during a project. Such a database could be helpful in assessing the frequency of the CUF reviews or other checkpoints needed during a DBE project. This could also serve as a monitoring tool that MSBA staff can track and assess routine issues with contractors and/or DBEs.

- SCDOT does not maintain a log of when CUF reviews are to be completed on a project. If MSBA were to maintain a log, this could help to ensure that all open projects with a DBE goal have a CUF compliance visit.

- IAS observed discrepancies in SCDOT written policy regarding how often CUF reviews are to be completed by the RCEs. According to the DBE CUF Review Checklist, the RCE CUF review must be performed a minimum of one time during the contract period for each DBE while the DBE 101 manual states that the CUF review will be performed once during each quarter. The practice that was being followed by SCDOT during IAS's testing period was one CUF review each quarter. IAS also observed that the DBE 101 Manual was created for DBE training, was not officially approved for circulation, but was referred to as official SCDOT guidance when informing internal and external parties of the various aspects of the DBE Program.

- Both SCDOT CUF Checklists contain a comment box where concerns are stated to be documented; however, IAS noted that the comment section was not completed. The lack of documentation does not give clarity on any issues that are occurring on the project job site.

Recommendation 1:
We recommend that SCDOT ensures that all fields of the CUF Checklist are properly completed prior to the file being filed and considered complete. IAS also recommends SCDOT updates the CUF Checklist template if there are fields on the form that are not considered necessary. This will aid in ensuring that the CUF Checklist is consistently and properly completed.

Recommendation 2:
We recommend that SCDOT ensures that the CUF Checklist is properly completed and reviewed by the proper personnel. This will ensure that only personnel with adequate knowledge are completing and assessing the DBE project assignments on the CUF Checklist. IAS also recommends that the CUF Checklists have either a manual signature or an authorized signature using a valid digital ID. The CUF Checklist should be properly filed and uploaded into Project Wise in a timely fashion to ensure that the CUF reviews are properly documented. We also recommend that SCDOT consolidate its CUF Checklists to have a single CUF Checklist file in use.

Recommendation 3:
We recommend that SCDOT maintains a copy of all completed CUF reviews to ensure federal compliance as well as proper project monitoring.

Disadvantaged Business Enterprise (DBE) Program

Recommendation 4:

We recommend that SCDOT enforce its policy that all CUF Checklists be reviewed by the DBE Technical Assistance, Compliance and Alternative Delivery Support Director or another authorized party to ensure the checklists are properly completed in a timely manner.

Recommendation 5:

We recommend that SCDOT enforce its policy to ensure that the project RCE completes the CUF Checklist or update its policies and procedures to denote who has the authority to complete the RCE CUF Checklist.

Recommendation 6:

We recommend that CUF checklists are not pre-signed to mitigate the risk of a CUF compliance form being completed and filed by someone other than the person who actually performs the review.

Recommendation 7:

We recommend that SCDOT begin to monitor complaints that arise from DBE projects. This could allow for MSBA to more thoroughly plan and provide adequate technical assistance on contracts and job sites mitigating the risk of projects being delayed and the project meeting its DBE goal. We also recommend that SCDOT enhance its process to ensure documentation properly denotes any issues and/or concerns that are found on a project job site.

Recommendation 8:

We recommend that SCDOT create a calendar to ensure that all DBE projects receive a CUF compliance visit.

Recommendation 9:

We recommend that SCDOT updates its written policies to ensure all documents reflect the correct time in which a CUF compliance visit is to be completed on a project site.

Management Action Plan (MAP) 5.2a	
The Director of Construction Office will update the CUF form and place it with all other SCDOT Construction forms on the SCDOT Construction Extranet and ProjectWise.	

MAP Owners:	Quality Management Engineer
Division:	Director of Construction
Scheduled Date:	6/30/2025

Management Action Plan (MAP) 5.2b	
MSBA and RCE CUF Checklist templates are now consistent and only contain necessary fields. MSBA staff has been instructed to notate any project issues and/or concerns in the designated comments section. Completed and signed MSBA CUFs will be housed in ProjectWise.	
MAP Owner:	Division Director
Division:	Minority and Small Business Affairs
Scheduled Date:	6/30/2025
Management Action Plan (MAP) 5.2c	
The Director of Construction Office will create a revision to the SCDOT Construction Manual that provides direction on the CUF process to RCE's and Contractors.	
MAP Owner:	Quality Management Engineer
Division:	Director of Construction
Scheduled Date:	6/30/2025

Observation 5.3 **DBE Project Goal Setting**	Risk Exposure
	Medium

Division: DBE Technical Assistance, Compliance and Alternative Delivery Support

Controls Assessed:
   Control 1 – Calculation of DBE Goal Spreadsheet
   Control 2 – Reasonableness Review

Controls Descriptions:
   Control 1 – SCDOT uses the Calculation of DBE Goal excel spreadsheet that pulls data from the AASHTOWare Project System (AWP) and 18 months of letting history to generate a reasonable goal for all Bid Build projects. SCDOT uses the DBE Goal Calculation Worksheet to calculate DBE goals on Professional Services projects using the information readily available at the time of the goal calculation. The DBE goal calculation on design build projects is calculated based on the DBE information readily available at the time.

   Control 2 – After the DBE goal is determined for a project, the goal is reviewed by a team of people often including a member of the MBSA staff, the Director of Construction, and other parties for specialty items.

Process Affected: (See process descriptions in Appendix A)
   Process 3 – Individual DBE Project Goal Setting

Observation:
   The Calculation of DBE Goal Spreadsheet that is used to calculate the DBE goal on Bid Build projects is not an integrated system that is accessible to IT to provide back up and restoration services. The excel spreadsheet also does not have capabilities to store historical data which could hinder a comprehensive look at the system over time.

   Additionally, a single staff member in the MSBA Technical Assistance, Compliance & Alternative Delivery Support Office oversees the DBE goal setting, monitors the DBE project through the CUF reviews, and then conducts the GFE review when a DBE goal on a project is not met. This creates a segregation of duties issue.

Recommendation 1:
   We recommend that SCDOT consider developing or purchasing a system that is integrated with other SCDOT systems, possibly more automated, and is accessible by IT and not housed only in divisional shared SCDOT drive.

Recommendation 2:
   We recommend that SCDOT segregate some of the above duties or implement more monitoring and/or checkpoints within the steps denoted above.

Management Action Plan (MAP) 5.3a

   MSBA has spoken with InfoTech and determined that AASHTOWare software could address the Agency's need of an automated DBE Goal Calculation system that is integrated with other SCDOT systems, which is accessible by IT and is housed only in divisional SCDOT shared drive.

MAP Owner:	Division Director

Division:	Minority and Small Business Affairs
Scheduled Date:	12/31/2026

Management Action Plan (MAP) 5.3b
Currently, SCDOT is conducting an in-depth assessment of MSBA. Once the assessment is completed, a segregation of some of the DBE Compliance and Technical Assistance Director's duties will occur.

MAP Owner:	Division Director
Division:	Minority and Small Business Affairs
Scheduled Date:	8/1/2025

Observation 5.4	Risk Exposure
DBE Quarterly Reporting and Project Closeout	**Medium**

Division: DBE Reporting Unit and the Director of Construction Office

Control Assessed:
  Control 1 – SCDOT Construction DBE Quarterly Report Form
  Control 2 – DBE Quarterly Reporting and Project Closeout Review

Control Description:
  Control 1 – Each quarter that a prime contractor utilized a DBE firm, they are required to submit a certified form to submit to the DBE Quarterly Reporting and Project Closeout team for review.

  Control 2 – When the DBE Quarterly Reporting and Project Closeout team receives the certified form from the project RCE one staff member reviews the information for completeness and then the form undergoes another level of review by another staff member.

Process Affected: (See process descriptions in Appendix A)
  Process 3 – DBE Quarterly Reporting and Project Closeout

Observation:

Each project RCE submits a certified SCDOT Construction DBE Quarterly Report Form to the DBE Reporting Unit each quarter that denotes how much a DBE firm was paid during the period from the prime contractor. Payment support is not submitted along with the report certified by the prime.

RCEs do not have access to the payment information made to DBE firms. Currently, the review process is a reasonableness check. Providing RCEs with access to additional data would strengthen the review process allowing RCEs to help SCDOT better identify and assess potential issues surrounding prompt payment and payment verification.

Recommendation:

 We recommend that SCDOT update its review process of DBE payment support which would allow SCDOT to verify the information on the DBE Quarterly Report Form.

Management Action Plan (MAP) 5.4

Measures for this compliance will be through the implementation of the Civil Rights and Labor (CRL) module of AASHTOWare Project (AWP) to ensure Prompt Payment is performed. CRL is currently in the implementation planning phase (managed by the MSBA office) with a current completion of 4th Quarter 2026. Payment tracking can be achieved between SCDOT and the Prime, then ultimately between the Prime and Subs.

MAP Owner:	Division Director
Division:	Minority and Small Business Affairs
Scheduled Date:	12/31/2026

Observation 5.5 **Good Faith Effort Review**	Risk Exposure
	Medium-High

Division: DBE Technical Assistance, Compliance & Alternative Delivery Support and the Director of Construction Office

Control Assessed:
   Control 1 – Good Faith Effort Review Team
   Control 2 – Good Faith Effort Criteria

Control Description:
   Control 1 – The Good Faith Effort Review team is comprised of the Director of Construction, a team member of the DBE Technical Assistance, Compliance & Alternative Delivery Support group and a member at large

   Control 2 - 49 CFR 26.53 Participation of Disadvantaged Business Enterprises in Department of Transportation Financial Assistance Programs

Process Affected: (See process descriptions in Appendix A)
   Process 1 – Good Faith Effort

Observation:

SCDOT's Supplemental Spec states that compliance with the DBE contract goals and commitments shall be assessed by SCDOT on a monthly basis. An information review of DBE contract goals and commitments occur during regularly scheduled project progress meetings. If the DBE goal is at risk of not being met, the RCE will have a discussion with the prime contractor. Information regarding the DBE contract goal is not relayed to MSBA.

When a project goal is missed the GFE team assesses the information surrounding the project and the steps outlined in the Supplemental Specs to determine if a sanction will be assessed on the prime contractor. The chairman of the GFE team is a MSBA Technical Assistance, Compliance and Alternative Delivery staff while the final decision of a sanction is decided by the DOC.

Recommendation:

We recommend that the DOC relay the necessary DBE project information to MSBA on a monthly basis with the intention that the MSBA Office utilizes that information to properly manage DBE compliance and ensure project monitoring.

Management Action Plan (MAP) 5.5

MSBA will recommend a change in the DBE Supplemental Specification that states that compliance with the DBE contract goals and commitments shall be assessed by SCDOT on a quarterly instead of a monthly basis. Upon receipt of the DBE Quarterly Report Packet, which includes the DBE Status Spreadsheet from districts and/or consultants, MSBA will review the information and reach out to RCEs if there are any concerns with reaching the project's DBE goals/commitments. MSBA will reiterate this process to field staff during annual DBE Reporting update meetings that is held in each district.

MAP Owner:	Division Director
Division:	Minority and Small Business Affairs
Scheduled Date:	3/31/2026

Appendix A - Process Descriptions

Process 1 Good Faith Effort

A GFE review may occur during the initial letting process prior to contract award or upon project close-out. During letting if a bidder fails to meet the DBE goal at bid opening, the bidder notifies the Contract Administrator they intend to provide evidence of a GFE. The GFE review team will make a determination if the bidder's GFE met the standard of good faith. If so, no further action is required. If the review team determines GFE was not achieved, the bidder is notified by the Director of Construction Office in writing listing the specific reasons for the team's decision. The bidder is afforded the opportunity to request a reconsideration of the denied GFE.

At the end of a project if a DBE commitment is not met on a project, and the goal not being met is not due to an underrun, a good faith effort review is conducted. If the prime contractor is able to provide evidence of a putting forth good faith effort, no further action is taken. However, if the prime contractor is not able to provide support of the good faith effort, the prime contractor may face a monetary sanction.

Process 2 Commercially Useful Function

SCDOT is federally required to complete CUF compliance reviews on each federally aided project that has a DBE goal. In order for SCDOT to receive credit towards a DBE goal, the DBE firm has to actually perform the work using its own labor force, equipment (owned or leased), and take responsibility for materials which include negotiating material prices. This ensures a contractor did not identify a DBE firm to meet a contract goal in name only.

RCEs conduct CUFs using a checklist, sign and file them into Project Wise with notification to MSBA. MSBA reviews them for any discrepancies. MSBA staff also conducts periodic, no-notice CUF reviews during routine site visits.

Process 3 Individual DBE Project Goal Setting

SCDOT calculates an individual project DBE goal on bid-build, design-build and professional services projects that are federally funded. When bid-build projects are let, all components of the project have been determined. MSBA uses the Calculation of DBE Goal spreadsheet that pulls data from AASHTOWare Project System and an eighteen-month history from SCDOT's letting. Each project has a DBE goal up to 17.5%. The goal spreadsheet is housed in the Construction database. There are times in which no DBE goal is placed on a project if there are no DBE firms that can perform work on a project.

The DBE goal placed on professional services projects is created using the DBE Goal Calculation Worksheet. At the time of letting the components of the project are unknown.

All goals are calculated by MSBA and agreed upon by MSBA, the Director of Construction and other key parties in specialty project items where applicable.

Process 4 DBE Quarterly Reporting and Project Closeout

Each quarter in which a DBE performed work on a SCDOT project, the RCE must submit the SCDOT Construction DBE Quarterly Report Form which reports the payments to DBEs during the quarter. The report is then submitted to the DBE Quarterly Reporting and Project Closeout team who then compiles and reconciles the data onto the DBE Status Spreadsheet. The

information continuously updated on the DBE Status Spreadsheet is externally reported biannually on June 1st and December 1st.

Process 5 SCDOT Goal Setting Methodology

SCDOT sets an overall DBE goal triennially as well as sets individual contract goals. SCDOT calculates an overall goal that represents a percentage of projected total Federal transportation dollars that they anticipate expending on contracts they will award during the period covered by the goal. SCDOT sets the overall DBE goal every three years by evaluating their local market conditions and then submit their overall goals to their relevant federal authoritative bodies. SCDOT seeks to meet its goal every year during the three-year period. The persons involved with this process includes MSBA, Planning, Professional Service, Construction, Finance, the Office of Public Transit and FHWA Officials. SCDOT also sends FTA updates of the SCDOT goal setting methodology as needed during the process. This process also receives public comment.

Appendix B - Risk Scoring Matrix

Risk significance is rated on a scale of 1 (lowest) to 25 (highest) and is the product of the risk consequence score (1 to 5) multiplied by the risk likelihood score (1 to 5). The following matrix provides a color scale corresponding to risk significance scores.

Likelihood ↓ / Consequence →	Incidental	Minor	Moderate	Major	Extreme
Frequent or Almost Certain	3-4 Low	9-13 Medium	14-17 Med-High	18-21 High	22-25 Extreme
Likely	3-4 Low	5-8 Med-Low	9-13 Medium	14-17 Med-High	18-21 High
Possible	3-4 Low	5-8 Med-Low	5-8 Med-Low	9-13 Medium	14-17 Med-High
Unlikely	1-2 Minimal	3-4 Low	5-8 Med-Low	5-8 Med-Low	9-13 Medium
Rare	1-2 Minimal	1-2 Minimal	3-4 Low	3-4 Low	3-4 Low

Likelihood (vertical axis)

Consequence (horizontal axis)

Appendix C - Risk Appetite

Risk appetite is defined as the amount of risk the Agency is willing to accept in the pursuit of its objectives. Management's goal is to manage risks to within the appetite where mitigation is cost- beneficial and practical. Management has set the Agency's risk appetite by risk type using scoring methodology consistent with the Risk Scoring Matrix shown in Appendix B. Risk appetites by risk type are as follows:

RISK TYPE	EXAMPLES	RISK APPETITE SCORE 1 = Minimal Risk 25 = Extreme Risk (See Scoring Matrix in Appendix B)
Safety	Employee and Public Well-Being	2
Ethical	Fraud, Abuse, Mismanagement, Conflict of Interest	2
Financial	Funding, Liquidity, Credit, Reporting	4
Strategic	Resources not Aligned, Unclear Objectives	4
Reputational	Unintentional Unwanted Headlines	4
Operational	Delays, Cost Overruns, Waste, Inefficiency	6
Regulatory	Non-Compliance	6
Legal	Lawsuits	10