

Internal Audit Report



Environmental Services

Pamela Johnson, MSIS

2025



1. Executive Summary

Background

The Environmental Services Office supports the South Carolina Department of Transportation's mission by efficiently and effectively maneuvering construction and maintenance projects through the National Environmental Policy Act (NEPA) and environmental permitting processes as applicable. SCDOT is required to comply with federal and state environmental laws and regulations including but not limited to NEPA, the Clean Water Act, the Endangered Species Act, and Coastal Zone Management Act as applicable on each project. SCDOT is required to follow the NEPA process for any projects developed with federal funds. The Environmental Services Office is comprised on 3 primary divisions - NEPA, Permitting, and Compliance.

Audit Objective and Scope

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 Environmental Services.

Our scope focused on the work performed by the Compliance Division within the Environmental Services Office.

Conclusion

In our opinion, controls are adequately designed to be partially sufficient for reducing some risks to within the Agency's risk appetite. Risk exposure is determined to be Medium.

Contents

1.	Executive Summary	1
	Background	1
	Audit Objective and Scope	1
	Conclusion	1
2.	Forward	3
	Authorization	3
	Statement of Independence	3
	Report Distribution	3
	Acknowledgment	3
	Performed By	3
	Reviewer	3
3.	Internal Auditor's Report	4
4.	Engagement Overview	5
	Background	5
	Audit Objective and Scope	5
	Methodology	5
5.	Conclusion	6
	Environmental Services Controls	6
	Development of Management Action Plans	6
	Observations	7
	Performance Opportunity	9
	Appendix A - Risk Scoring Matrix	11
	Appendix B - Risk Appetite	12

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. 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.

Acknowledgment

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

Performed By

Pamela Johnson, MSIS
Internal Audit Manager

Reviewer

Mark LaBruyere, CPA, CIA
Director of Internal Audit Services



3. Internal Auditor's Report

November 20, 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) Environmental Services 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 Environmental Services 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 Environmental Services Office supports the South Carolina Department of Transportation's mission by efficiently and effectively maneuvering construction and maintenance projects through the National Environmental Policy Act and environmental permitting processes as applicable. SCDOT is required to comply with federal and state environmental laws and regulations including but not limited to NEPA, the Clean Water Act, the Endangered Species Act, and Coastal Zone Management Act as applicable on each project. SCDOT is required to follow the NEPA process for any projects developed with federal funds. The Environmental Services Office is comprised on 3 primary divisions - NEPA, Permitting, and Compliance.

The NEPA Division evaluates environmental impacts and compiles and documents information pertaining to the physical environment, communities, and natural, cultural, and socioeconomic resources during the preconstruction phase.

The Permitting Division assesses impacts to waters of the U.S., coordinates with agencies to complete Jurisdictional Determinations, obtains all required federal and state environmental permits and certifications, and coordinates with lead, participating, and commenting agencies to develop Compensatory Mitigation during the preconstruction phase.

The Compliance Division ensures that all environmental commitments agreed to during the NEPA and permitting phases are adhered to at the appropriate time of construction. The Compliance Division performs Pre-letting Environmental Quality Control Reviews and inspects any project that is environmentally sensitive. Additionally, the Compliance division will continuously evaluate and make decisions based on environmental risk.

Audit Objective and Scope

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 Environmental Services.

The Environmental Services Office is comprised of three processes as follows:

1. NEPA
2. Permitting
3. Compliance

Our scope focused on the work performed by the Compliance Division within the Environmental Services Office.

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 surrounding the risks impacting the activity:
 - a. Identify risks that threaten process objectives
 - b. Score the risks as to their consequence and likelihood of occurrence.
 - c. Determine if controls are adequately designed to manage the risks to within the Agency's risk appetite
 - d. Propose design improvements to controls when risks are not managed to within the risk appetite
3. We observed the discussion by key process owners and other subject matter experts performing the steps in procedure 2.
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 scores of 9 and above [scale of 1 (low) to 25 (high) to determine if the controls are designed adequately and operating effectively. Testing may include inquiry, observation, inspection of documentation, and re-performance of process steps.
6. We developed an observation for controls determined to be inadequate in design.
7. We collaborated with management to develop action plans to improve control design for the identified control deficiency.
8. While our engagement primarily focused on risk management, we identified a matter that represents an opportunity for process improvement.
9. We will collaborate with Management to develop action plans for the identified opportunities for process improvement.

5. Conclusion

Environmental Services 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. 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

Observation 5.1 Erosion Control Guidance and Escalation Policy	Risk Exposure Medium
Division: Environmental Services Office	
Controls Assessed: Control 1 – SCDOT Sediment and Erosion Control Procedures Guidance Document Control 2 – Escalation Policy	
Controls Descriptions: Control 1 – SCDOT's guidance document for erosion control is intended to provide SCDOT district staff a standard operating procedure to ensure compliance with the National Pollutant Discharge Elimination System regulations. Control 2 – SCDOT's escalation workflow procedures addressing erosion control deficiencies based on inspections.	
Observation: <p>We observed that the policy surrounding the timely mitigation of erosion control BMP's and other environmental non-compliance following inspections did not reflect current practices, especially on SCDOT's larger projects. To resolve pertinent issues found during environmental inspections more timely and effectively, it is vital that stakeholders have a policy and procedural roadmap on how to quickly and effectively communicate potential environmental non-compliance issues along with appropriate time parameters. Based on the importance and size of the projects within the Construction program, unmitigated environmental non-compliance during construction can cause schedule and cost impacts along with public attention that could potentially limit SCDOT's ability to meet its operational goals.</p> <p>We observed that the current guidance document created in 2016 does not reflect the current practice for SCDOT's current workflow with larger projects.</p> Recommendation 1: <p>There is an opportunity to strengthen environmental compliance and interdepartmental coordination by developing a newly redefined policy for SCDOT's Sediment and Erosion Control Procedures Guidance. This updated policy should include clearly defined escalation procedures that outline roles, responsibilities, and communication protocols between multiple SCDOT departments and contractors especially for larger projects.</p> <p>By formalizing these procedures, the Environmental Services Office can help ensure consistent responses to compliance issues, reduce ambiguity in enforcement, and promote accountability across all project stakeholders statewide. This initiative would support more efficient resolution of environmental non-compliance and contribute to improved project outcomes.</p>	

Management Action Plan (MAP) 5.1A	
Revise and update the “SCDOT Sediment and Erosion Control Procedures Guidance Document” in collaboration with the Director of Construction Office. This may include separating the “guidance document” from the “escalation policy.”	
MAP Owner:	Environmental Compliance Manager and State Construction Engineer
Division:	Environmental Services Office and Director of Construction Office
Scheduled Date:	7/1/2026
Management Action Plan (MAP) 5.1B	
Provide training and best practices to achieve compliance with updated policy. Fully implement the new escalation policy.	
MAP Owner:	Environmental Compliance Manager
Division:	Environmental Services Office
Scheduled Date:	12/1/2026

Performance Opportunity

While our engagement was focused primarily on risk management, we identified a matter that represents an opportunity for improving performance.

Performance Opportunity 5.2 Information Sharing

Division: Environmental Services

To support improved coordination of environmental compliance across projects, there is an opportunity to formalize the utilization of inspection reports and other information created by other departments within SCDOT within Environmental Services to improve the efficiency and effectiveness of the environmental compliance team. Establishing a structured process could ensure that actual and potential changes in risk that may affect environmental compliance are seen and understood in a more timely manner. This could enable Environmental Services to more proactively plan and efficiently adjust their activities, reducing the risk of delays or non-compliance.

Recommendation:

The Agency should evaluate if Environmental Services' compliance function would benefit from a more structured process of utilization of other inspectors' reports and other information including but not limited to the following:

1. Proactively utilize contract inspectors reports and integrate this information into the system of record to support timely and effective compliance measures.
2. Evaluate if the focus of other inspections aligns with the Environmental Services compliance mission and could be more efficiently utilized to further strengthen the usefulness and the overall efficiency of environmental inspections.

This approach could strengthen interdepartmental collaboration and support more responsive and informed decision-making throughout the project lifecycle.

Management Action Plan (MAP) 5.2A

The Environmental Services Office will collaborate with the Director of Construction Office on formalizing a process to easily access all inspection reports for all projects statewide. This process may be included within the escalation policy.

MAP Owner:	Environmental Compliance Manager
Division:	Environmental Services Office
Scheduled Date:	12/1/2026

Performance Opportunity 5.3

Erosion Control Design Plans

Division: Division of Engineering

Since the development of the erosion control design standards, SCDOT's typical project types have drastically changed in scope and size. To better visualize BMP's on a project, the district offices often hand sketch the BMP's to be installed from the Erosion Control Data Sheet rather than just having a detailed erosion control plan to build from. This can result in inefficiencies in construction and potentially ineffective BMP's put into place.

This improvement to our designs will help the SCDOT to modernize its approach to erosion control design and serve to streamline the permitting process while reducing environmental non-compliance.

Recommendation:

SCDOT should evaluate if the addition of separate Erosion and Sediment Control plans would result in reduced costs and/or improved efficiencies in specific types of construction zones.

Management Action Plan (MAP) 5.3A

The Environmental Services Office, Engineering Support, and the Preconstruction Office will collaborate to create an effective approach to Sediment and Erosion Control design standards. Design policies will need to be evaluated, and a phased implementation approach may be necessary.

MAP Owner:	Chief for Project Delivery
Division:	Engineering
Scheduled Date:	12/1/2026

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	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
		Incidental	Minor	Moderate	Major	Extreme
Consequence						

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 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