South Carolina Department of Transportation

Audit Committee Members:

J. Barnwell Fishburne, Committee Chairman
Pamela L. Christopher, Commissioner
William B. Dukes, Commissioner

Audit Committee Meeting Agenda
Thursday, May 19, 2022
Following the Adjournment of Commission Meeting
SCDOT Headquarters, Room 306
Columbia, South Carolina 29201

1. Call to Order – Chairman Fishburne

2. Roll Call – Chairman Fishburne

3. Approval of Agenda (Action Required) – Chairman Fishburne

4. New Business- Chairman Fishburne

4.1. Procurement Card Monthly Monitoring – Manager Heath

4.2. SCDOT Purchasing Card Activity – Manager Heath

4.3. Annual Presentation of Compliance with Internal Audit Standards – Director LaBruyere

4.4. Quarterly Status of Internal Audits – Director LaBruyere

4.5. Follow Up on Management Action Plans – Director LaBruyere and Senior Manager Wilkins

4.6. Executive Session Pursuant to S.C. Code 30-4-70(a)(3) to Receive Management Information – Chairman Fishburne

5. Old Business – Chairman Fishburne

6. Adjourn (Action Required) – Chairman Fishburne

FINAL INTERNAL AUDIT UPDATE

Presented by: Justina Heath

SCDOT Purchasing Card Monthly Monitoring

SOUTH CAROLINA OFFICE OF THE STATE AUDITOR

Purchasing Card Monthly Monitoring

Sample size: 25

Quarter Ended September 2021

Issue Type	Issue	July		August		September	
		# of Issues	# of Trans-actions	# of Issues	# of Trans-actions	# of Issues	# of Trans-actions
Compliance	1. Unallowable Use of P-Card	0	0	0	0	0	0
Internal Controls	2. Untimely Reconciliation and/or Approval (within 5 business days of statement receipt)	4	4	1	1	1	1
	3. Missing Date for Documenting Reconciliation Timeliness	0	0	1	1	0	0
	4. Incomplete Reconciliation Checklist	0	0	0	0	0	0
	5. Missing or Delayed Approval Signature	0	0	1	1	1	1
	6. Other Documentation Errors	0	0	0	0	0	0

Purchasing Card Monthly Monitoring

Sample size: 25

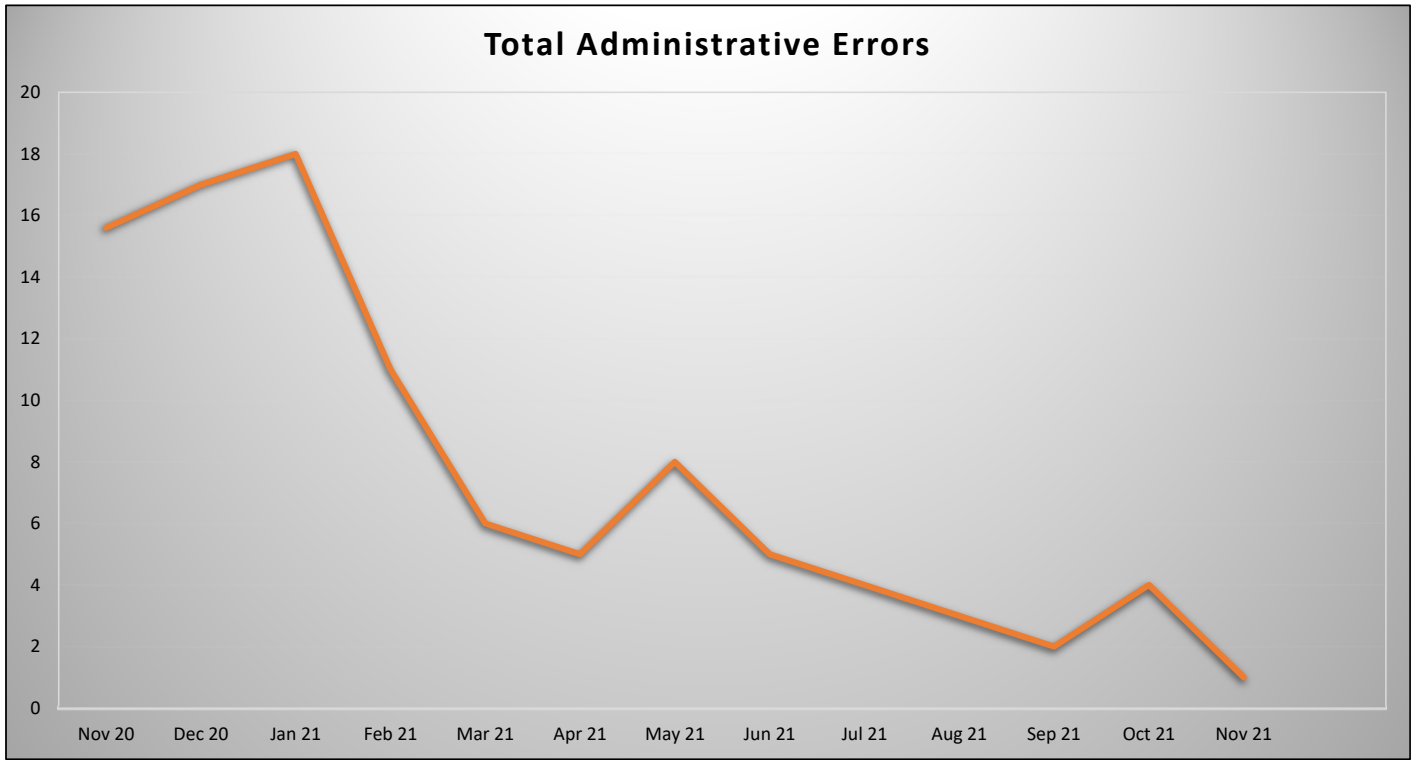
Quarter Ended December 2021

Issue Type	Issue	October		November		December	
		# of Issues	# of Trans-actions	# of Issues	# of Trans-actions	# of Issues	# of Trans-actions
Compliance	1. Unallowable Use of P-Card	0	0	0	0	*	*
Internal Controls	2. Untimely Reconciliation and/or Approval (within 5 business days of statement receipt)	4	4	1	1	*	*
	3. Missing Date for Documenting Reconciliation Timeliness	0	0	0	0	*	*
	4. Incomplete Reconciliation Checklist	0	0	0	0	*	*
	5. Missing or Delayed Approval Signature	0	0	0	0	*	*
	6. Other Documentation Errors	0	0	0	0	*	*

* IAS's Monthly monitoring ended in November 2021.

Purchasing Card Monthly Monitoring

Trend Analysis



End of Presentation

* Based on monthly sample size of 25.

INTERNAL AUDIT REPORT

Presented by: Justina Heath

SCDOT Purchasing Card Activity

SOUTH CAROLINA OFFICE OF THE STATE AUDITOR

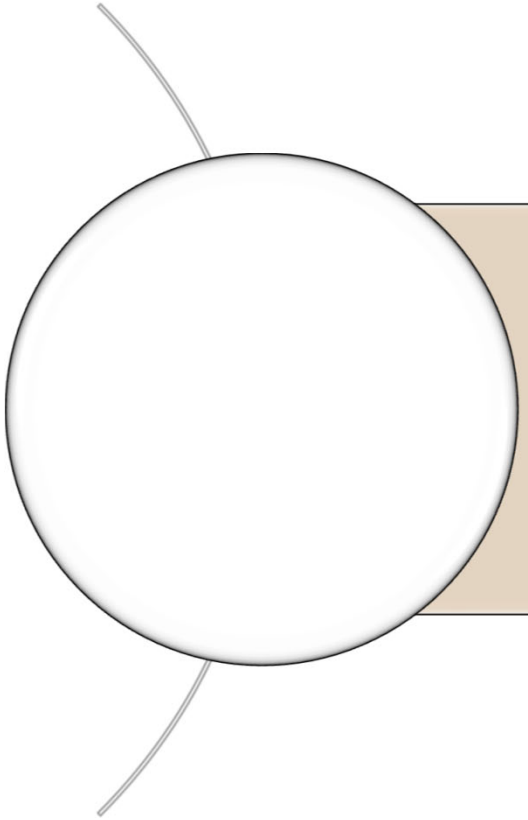
Background

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.

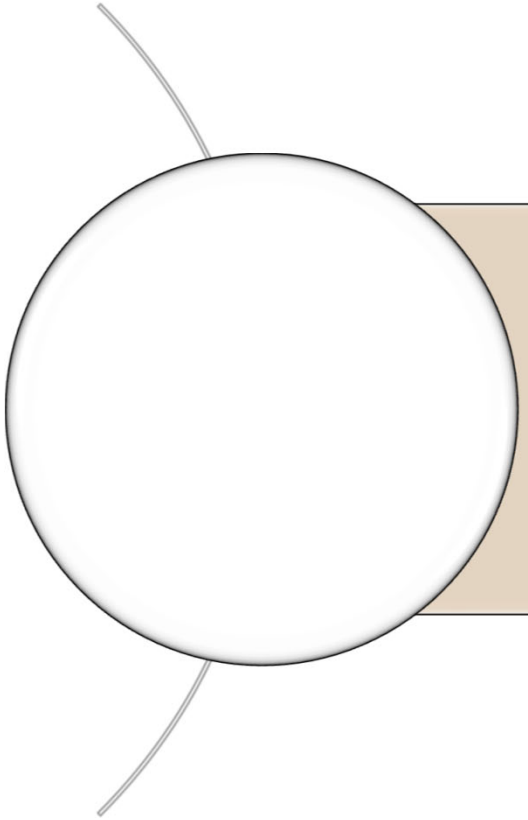
The State Fiscal Accountability Authority issued an independent procurement audit report in November 2019. As part of SCDOT's response, IAS agreed to provide monitoring services for one year and an annual P-Card RCA.

Management's Objective



To ensure that SCDOT is in compliance with the State policies and procedures with regards to the administration of P-Cards.

Audit Objective



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

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. No observations Medium or greater were observed.

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.

Observation 5.1

Unallowable P-Card Use	Risk Exposure	Medium-Low
Out of the 400 transactions tested in the monthly monitoring review, we found one unallowable P-Card transaction. While the purchased item was an unallowable purchase under the State and Agency P-Card policy, the transaction would have been allowable under other procurement methods (i.e. via an approved purchase order).		
(See detailed Observation 5.1 on page 9)		

Observation 5.2

P-Card Administrative Issues	Risk Exposure	Medium-Low
During the course of IAS' monthly monitoring testing, we noted that there were several administrative findings including issues such as untimely reconciliations, missing dates, incomplete checklists, missing or delayed approval signatures, etc. (included in the above dashboards). These findings represent instances of non-compliance with the State and Agency P-Card policies and are detailed in Appendix C.		
(See detailed Observation 5.2 on page 11)		

Management Action Plans 5.1

Management Action Plan 5.1A	
MAP Owner:	Chief Procurement Officer – Project Delivery
Division:	Procurement
Scheduled Date:	July 1, 2022

Management Action Plan 5.1B	
MAP Owner:	Chief Procurement Officer – Project Delivery
Division:	Procurement
Scheduled Date:	January 1, 2023

Observation 5.3

P-Card Administrative Issues	Risk Exposure	Medium-Low
Through conversation with management, we learned that a high-level periodic review of the liaison to cardholder review is performed; however, the results of the analysis are not formally maintained. We noted that it would a best practice for the Office of Project Delivery to maintain the results of the annual analysis.		
(See detailed Observation 5.3 on page 13)		

Management Action Plan	
MAP Owner:	Chief Procurement Officer – Project Delivery
Division:	Procurement
Scheduled Date:	July 1, 2022

End of Presentation

SOUTH CAROLINA OFFICE OF THE STATE AUDITOR
1401 Main Street, Suite 1200 • Columbia, SC 29201

May 4, 2022

Ms. Christy A. Hall, P.E.
Secretary of Transportation
South Carolina Department of Transportation
955 Park Street
Columbia, South Carolina 29201

Dear Ms. Hall:

We are enclosing a preliminary draft copy of the report resulting from our analysis of the South Carolina Department of Transportation's Purchasing Card Activity. As soon as you have reviewed the draft, but not later than May 11, 2022, please write to us indicating your review has been completed and authorizing release of the report. If you wish, we would be glad to meet with you in a formal exit conference to discuss this report. Please contact Mark LaBruyere, CPA at 737-0466 if you have any questions about this letter or would like to schedule a conference.

To enable us to expeditiously complete and distribute your report, please provide your authorization to release the report. Upon receipt of your release authorization, we will distribute the report as directed by South Carolina Code of Laws Section 57-1-360 to the South Carolina Department of Transportation Commission, 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, the Chairman of the House of Representatives Ways and Means Committee, and the State Fiscal Accountability Authority before being made public.

If we do not receive your release authorization by the date stated in paragraph one, we will release the report at that time.

Yours very truly,

George L. Kennedy, III

George L. Kennedy, III, CPA
State Auditor

GLKIII/trb

Enclosure

Internal Audit Report

SCDOT Purchasing Card Activity

Justina Heath

2022

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 provide monitoring for one year and an annual P-Card risk and control assessment. This report serves to provide reporting on the both the monitoring review and the annual audit 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

1. Executive Summary 1
   - Objective 1
   - Background 1
   - Results 1
2. Forward 3
   - Authorization 3
   - Statement of Independence 3
   - Report Distribution 3
   - Acknowledgement 3
   - Lead Auditor 3
   - Reviewer 3
3. Internal Auditor's Report 4
4. Engagement Overview 5
   - Background 5
   - Objective 6
   - Scope 6
   - Methodology 6
5. Conclusion 8
   - Purchasing Card Activity Controls 8
   - Development of Management Action Plans 8
   - Observations 9
   - Appendix A 14
   - Appendix B 15
   - Appendix C 16

DRAFT

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
Manager

Reviewer

Mark LaBruyere
Director of Internal Audit Services

DRAFT

3. Internal Auditor's Report

April 18, 2022

Ms. Christy A. Hall, 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.

George L. Kennedy, III, CPA
State Auditor

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 to provide reporting on both the monitoring review and the annual audit of the P-Card activity within SCDOT, 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.

DRAFT

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 compliance requirements for this activity, IAS included all processes within our scope. Our scope included transactions for the period of November 2020 through November 2021.

Methodology

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

DRAFT

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 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.

    As shown on the Risk Scoring Matrix in Appendix B, 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 C. 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.

DRAFT

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.

DRAFT

Observations

Observation 5.1 **Unallowable P-Card Use**	**Risk Exposure** **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 are 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: (See process descriptions in Appendix A on page referenced below) Process 1 – Cardholder Review Process 2 – Liaison Review Process 3 – Manager Review Process 4 – Declared emergencies	
Observation: Out of the 400 transactions tested in the monthly monitoring review, we found one unallowable P-Card transaction. While the purchased item was an unallowable purchase under the State and Agency P-Card policy, the transaction would have been allowable under other procurement methods (i.e. via an approved purchase order). **Recommendation 1:** We recommend that the Office of Project Delivery require cardholders, liaisons, and managers to complete a periodic training to continuously instill the importance of the policies and procedures for P-Cards.	

Recommendation 2:
IAS recommends that the Office of Project Delivery develop a monthly monitoring program in order to identify and monitor issues of non-compliance.

Management Action Plan (MAP) 5.1A

The Office of Project Delivery performs quarterly training for new cardholders. In conjunction with this training, a refresher training for all cardholders, liaisons, and managers will be implemented. The Office of Project Delivery will seek assistance from the SCDOT Learning Management System (LMS) team to automate when the refresher training is required.

MAP Owner:	Chief Procurement Officer – Project Delivery
Division:	Procurement
Scheduled Date:	July 1, 2023

Management Action Plan (MAP) 5.1B

The Office of Project Delivery updated the policies and procedures and performed training of all cardholders, liaisons, and managers prior to this audit. As the monthly monitoring by IAS progressed, the trend for issues and concerns declined. As part of this revision and in concurrence with the monthly monitoring completed by IAS, Project Delivery began additional monthly testing to include reviews of split purchases, weekend purchases, blocked MCC code purchases, underutilization, termination lists, etc. An additional full time employee has been filled and will facilitate the additional monitoring recommendation.

MAP Owner:	Chief Procurement Officer – Project Delivery
Division:	Procurement
Scheduled Date:	January 1, 2023

DRAFT

Observation 5.2
P-Card Administrative Issues

Risk Exposure
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 are 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: (See process descriptions in Appendix A on page referenced below)
Process 1 – Cardholder Review
Process 2 – Liaison Review
Process 3 – Manager Review
Process 4 – Declared emergencies

Observation:
During the course of IAS' monthly monitoring testing, we noted that there were several administrative findings including issues such as untimely reconciliations, missing dates, incomplete checklists, missing or delayed approval signatures, etc. (included in the above dashboards). These findings represent instances of non-compliance with the State and Agency P-Card policies and are detailed in Appendix C.

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

Recommendation 2:
IAS recommends that the Office of Project Delivery develop a monthly monitoring program in order to identify and monitor issues of non-compliance.

Management Action Plan (MAP) 5.1A

The Office of Project Delivery performs quarterly training for new cardholders. In conjunction with this training, a refresher training for all cardholders, liaisons, and managers will be implemented. The Office of Project Delivery will seek assistance from the SCDOT Learning Management System (LMS) team to automate when the refresher training is required.

MAP Owner:	Chief Procurement Officer – Project Delivery
Division:	Procurement
Scheduled Date:	July 1, 2023

Management Action Plan (MAP) 5.1B

The Office of Project Delivery updated the policies and procedures and performed training of all cardholders, liaisons, and managers prior to this audit. As the monthly monitoring by IAS progressed, the trend for issues and concerns declined. As part of this revision and in concurrence with the monthly monitoring completed by IAS, Project Delivery began additional monthly testing to include reviews of split purchases, weekend purchases, blocked MCC code purchases, underutilization, termination lists, etc. An additional full time employee has been filled and will facilitate the additional monitoring recommendation.

MAP Owner:	Chief Procurement Officer – Project Delivery
Division:	Procurement
Scheduled Date:	January 1, 2023

DRAFT

Observation 5.3 Periodic Review of Liaison to Cardholder Ratio	Risk Exposure Medium-Low

Division: Procurement

Control Assessed:
Control 1 – Periodic Review of liaison to cardholder ratio

Control Description:
Control 1 – Project Delivery analyzes the amount of cardholders assigned to each liaison on a periodic basis. Each liaison should have seven or less assigned cardholders.

Process Affected: (See process descriptions in Appendix A on page referenced below)
Process 1 – Liaison Review

Observation:
Through conversation with management, we learned that a high-level periodic review of the liaison to cardholder review is performed; however, the results of the analysis are not formally maintained. We noted that it would a best practice for the Office of Project Delivery to maintain the results of the annual analysis.

Recommendation:
We recommend that Project Delivery formally document the cardholder to liaison analysis on a quarterly basis, along with any potential justifications for results that deviate from an established benchmark.

Management Action Plan (MAP) 5.3

The Office of Project Delivery will review each new or modified cardholder/liaison application prior to approving to ensure the liaison to cardholder ratio is acceptable based on an established benchmark. Project Delivery will require additional information and justification if needed. A quarterly analysis of the ratio will be completed and documented.

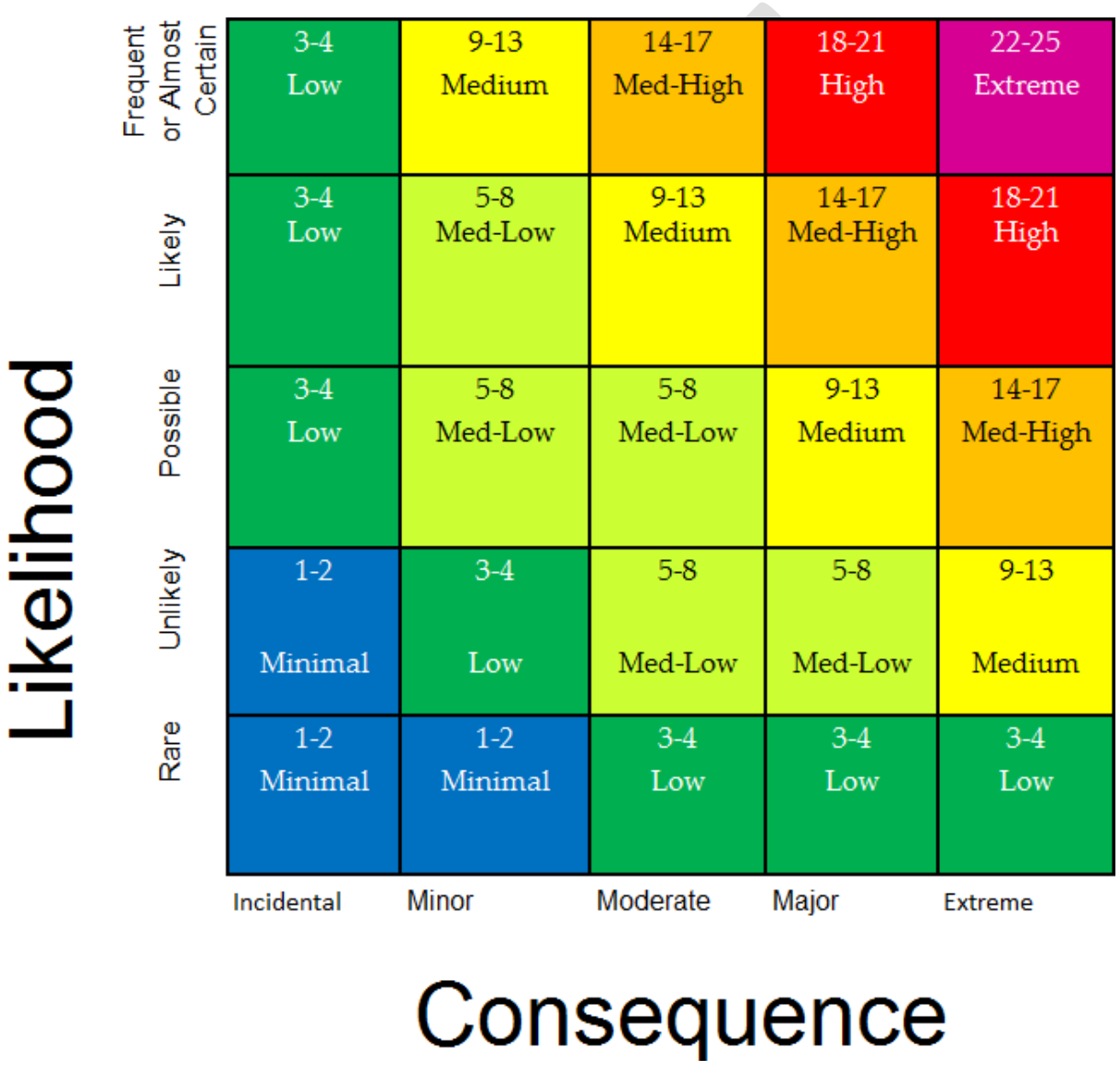
MAP Owner:	Chief Procurement Officer – Project Delivery
Division:	Procurement
Scheduled Date:	July 1, 2022

DRAFT

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.



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

DRAFT

DRAFT

P-Card Monthly Monitoring

Sample of 50 Transactions Reviewed per Month

Quarter Ended December 2020

Issue Type	Issue	October		November		December	
		# of Issues	# of Trans-actions	# of Issues	# of Trans-actions	# of Issues	# of Trans-actions
Compliance	1. Unallowable Use of P-Card	*	*	0	0	0	0
Internal Controls	2. Untimely Reconciliation and/or Approval (within 5 days of statement receipt)	*	*	8	7	24	20
	3. Missing Date for Documenting Reconciliation Timeliness	*	*	3	3	7	7
	4. Incomplete Reconciliation Checklist	*	*	1	1	0	0
	5. Missing or Delayed Approval Signature	*	*	17	14	2	2
	6. Other Documentation Errors	*	*	2	2	1	1

* Monthly monitoring did not start until November 2020

Procurement Card Monthly Monitoring

Sample sizes: January – 50, February & March – 25
Quarter Ended March 2021

Issue Type	Issue	January		February		March	
		# of Issues	# of Trans-actions	# of Issues	# of Trans-actions	# of Issues	# of Trans-actions
Compliance	1. Unallowable Use of P-Card	0	0	0	0	0	0
Internal Controls	2. Untimely Reconciliation and/or Approval (within 5 business days of statement receipt)	7	7	0	0	4	4
	3. Missing Date for Documenting Reconciliation Timeliness	25	23	3	3	1	1
	4. Incomplete Reconciliation Checklist	0	0	0	0	0	0
	5. Missing or Delayed Approval Signature	4	4	8	8	1	1
	6. Other Documentation Errors	0	0	0	0	0	0

DRAFT

Procurement Card Monthly Monitoring

Sample size: 25

Quarter Ended June 2021

Issue Type	Issue	April		May		June	
		# of Issues	# of Trans-actions	# of Issues	# of Trans-actions	# of Issues	# of Trans-actions
Compliance	1. Unallowable Use of P-Card	0	0	0	0	1	1
Internal Controls	2. Untimely Reconciliation and/or Approval (within 5 business days of statement receipt)	1	1	7	6	5	5
	3. Missing Date for Documenting Reconciliation Timeliness	1	1	0	0	0	0
	4. Incomplete Reconciliation Checklist	0	0	0	0	0	0
	5. Missing or Delayed Approval Signature	3	3	1	1	0	0
	6. Other Documentation Errors	0	0	0	0	0	0

Procurement Card Monthly Monitoring

Sample size: 25

Quarter Ended September 2021

Issue Type	Issue	July		August		September	
		# of Issues	# of Trans-actions	# of Issues	# of Trans-actions	# of Issues	# of Trans-actions
Compliance	1. Unallowable Use of P-Card	0	0	0	0	0	0
Internal Controls	2. Untimely Reconciliation and/or Approval (within 5 business days of statement receipt)	4	4	1	1	1	1
	3. Missing Date for Documenting Reconciliation Timeliness	0	0	1	1	0	0
	4. Incomplete Reconciliation Checklist	0	0	0	0	0	0
	5. Missing or Delayed Approval Signature	0	0	1	1	1	1
	6. Other Documentation Errors	0	0	0	0	0	0

Procurement Card Monthly Monitoring

Sample size: 25

Quarter Ended December 2021

Issue Type	Issue	October		November		December	
		# of Issues	# of Trans-actions	# of Issues	# of Trans-actions	# of Issues	# of Trans-actions
Compliance	1. Unallowable Use of P-Card	0	0	0	0	*	*
Internal Controls	2. Untimely Reconciliation and/or Approval (within 5 business days of statement receipt)	4	4	1	1	*	*
	3. Missing Date for Documenting Reconciliation Timeliness	0	0	0	0	*	*
	4. Incomplete Reconciliation Checklist	0	0	0	0	*	*
	5. Missing or Delayed Approval Signature	0	0	0	0	*	*
	6. Other Documentation Errors	0	0	0	0	*	*

* IAS's Monthly monitoring ended in November 2021.

SCDOT Commission
Recommendation Transmittal Form
For Audit Committee Meeting: May 19, 2022

Agenda Item Type: Audit Item

Initial Commission Approval:	Annual Presentation of Compliance with Internal Audit Standards

Annual Presentation of Compliance with Internal Audit Standards

Recommendation:

Annual Presentation of Compliance with Internal Audit Standards

Background: Annual Presentation of Compliance with Internal Audit Standards

Presented by: **Mark LaBruyere**

Annual Presentation of Compliance with Internal Audit Standards

SOUTH CAROLINA OFFICE OF THE STATE AUDITOR

Required Communication (Standards)

Standard 1000

- Periodic review of Audit Charter
- Revisions to the Audit Charter

Standard 1000
Standard 1010
Standard 1110
Standard 1312
Standard 1320
Standard 1322
Standard 2020
Standard 2060
Standard 2440
Standard 2600

Required Communication (Standards)

Standard 1010

- Discuss the following:
  - Definition of Internal Auditing
  - Code of Ethics
  - The Standards

Standard 1000
Standard 1010
Standard 1110
Standard 1312
Standard 1320
Standard 1322
Standard 2020
Standard 2060
Standard 2440
Standard 2600

Required Communication (Standards)

Standard 1110

- Confirm at least annually the organizational independence of the internal audit activity.

Standard 1000
Standard 1010
Standard 1110
Standard 1312
Standard 1320
Standard 1322
Standard 2020
Standard 2060
Standard 2440
Standard 2600

Required Communication (Standards)

Standard 1312

- The form and frequency of external assessment
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest

Standard 1000
Standard 1010
Standard 1110
Standard 1312
Standard 1320
Standard 1322
Standard 2020
Standard 2060
Standard 2440
Standard 2600

Required Communication (Standards)

Standard 1320

- Communicate the results of the quality assurance and improvement program.

Standard 1000
Standard 1010
Standard 1110
Standard 1312
Standard 1320
Standard 1322
Standard 2020
Standard 2060
Standard 2440
Standard 2600

Required Communication (Standards)

Standard 1322

- Disclose any nonconformance with the Definition of Internal Auditing, the Code of Ethics or the Standards and its impact.

Standard 1000
Standard 1010
Standard 1110
Standard 1312
Standard 1320
Standard 1322
Standard 2020
Standard 2060
Standard 2440
Standard 2600

Required Communication (Standards)

Standard 2020

- Communicate internal audit plans and resource requirements, including significant interim changes and impact of any resource limitations

Standard 1000
Standard 1010
Standard 1110
Standard 1312
Standard 1320
Standard 1322
Standard 2020
Standard 2060
Standard 2440
Standard 2600

Required Communication (Standards)

Standard 2060

- Report on performance relative to audit plan
- Report on significant risk exposures and control issues, including fraud risks, governance issues, and other matters

Standard 1000
Standard 1010
Standard 1110
Standard 1312
Standard 1320
Standard 1322
Standard 2020
Standard 2060
Standard 2440
Standard 2600

Required Communication (Standards)

Standard 2440

- Communicate governance, risk management, and control issues identified during consulting engagement whenever significant

Standard 1000
Standard 1010
Standard 1110
Standard 1312
Standard 1320
Standard 1322
Standard 2020
Standard 2060
Standard 2440
Standard 2600

Required Communication (Standards)

Standard 2600

- Communicate management's acceptance of risks which are unacceptable to the organization

Standard 1000
Standard 1010
Standard 1110
Standard 1312
Standard 1320
Standard 1322
Standard 2020
Standard 2060
Standard 2440
Standard 2600

End of Presentation

Presented by: Mark LaBruyere

Quarterly Status of Internal Audits

SOUTH CAROLINA OFFICE OF THE STATE AUDITOR

INTERNAL AUDIT STATUS REPORT - As of April 30, 2022

Key: On Time within Phase | Behind < 6 mos. | Behind > 6 mos. | Completed | On Hold | Canceled

Ref. No.	Engagement	Audit Objective	Engagement Type	Phase of Work: Planning	Fieldwork	IAS Director Report Review (Metric: 0-14, 15-30, 31+)	# of Days	Mgmt Report Review and MAP Development (Metric: 0-60, 61-120, 121+)	# of Days	Present to Audit Committee	Notes
Operational Engagements											
2019-6	P-Card Monthly Monitoring	To determine that the Agency is in compliance with its P-card program, controls are effective, and that P-cards are used properly.	Control Effectiveness				1	1897 Hrs	17	May 2022	Interim Presentations to Audit Committee 2021 & March 2022; Final Presentation May 2022
2021-3	P-card Program Annual Audit	To begin in 2021 as per agreement with SCDOT based on MMO audit report. This is included on the IAS Charter.	Control Effectiveness				1	406 Hrs	17	May 2022	Fiedwork Testing Completed; Final Presentation May 2022
2021-4	Federal Billing System Selection and Implementation Management	Consulting engagement focused on analyzing effective decision-points for technology system selection and implementation.	Advisory		177 Hrs		0		0		Started 7/1/2021;
2021-5	Asset Management System - IT Selection and Implementation	Consulting engagement focused on analyzing	Advisory	64 Hrs			0		0		Started 9/1/2021

INTERNAL AUDIT STATUS REPORT - As of April 30, 2022

Key: On Time within Phase | Behind < 6 mos. | Behind > 6 mos. | Completed | On Hold | Canceled

Ref. No.	Engagement	Audit Objective	Engagement Type	Phase of Work: Planning	Fieldwork	IAS Director Report Review (Metric: 0-14, 15-30, 31+)	# of Days	Mgmt Report Review and MAP Development (Metric: 0-60, 61-120, 121+)	# of Days	Present to Audit Committee	Notes
2022-1	Bridge Load Rating and Inspection	Provide assurance that the coordination of departments responsible for this activity effectively plan, monitor, and execute bridge health strategies to mitigate risk.	Control Effectiveness		626 Hrs		0		0	Dec 2022	Started 1/4/2022; Fieldwork Began March 2022.
2022-3	Pavement Mgmt - Data Quality	Provide assurance that qualitative data on the condition of SCDOT's pavement inventory is complete, accurate, and timely.	Control Effectiveness	44 Hrs			0		0	Dec 2022	Started March 2022
2022-6	Contract Assurance	Facilitate management's identification of residual risks that may be beyond the organization's risk appetite and identification of key controls for major inherent risks. Where necessary, management will propose controls to mitigate residual risks beyond risk	Advisory	52 Hrs			0		0	Sep 2022	Started March 2022

INTERNAL AUDIT STATUS REPORT - As of April 30, 2022

Key: On Time within Phase | Behind < 6 mos. | Behind > 6 mos. | Completed | On Hold | Canceled

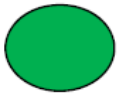
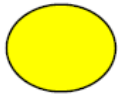
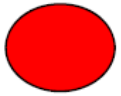
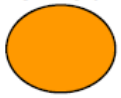
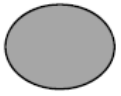
Ref. No.	Engagement	Audit Objective	Engagement Type	Phase of Work: Planning	Fieldwork	IAS Director Report Review (Metric: 0-14, 15-30, 31+)	# of Days	Mgmt Report Review and MAP Development (Metric: 0-60, 61-120, 121+)	# of Days	Present to Audit Committee	Notes
2022-7	Alternative Delivery Risk Management	Provide assurance that risks associated with administering and monitoring project delivery align with contracts, are tied to a risk owner (SCDOT or contractor), and are managed with effective controls.	Control Effectiveness	33 Hrs			0		0	Sep 2022	Started March 2022

INTERNAL AUDIT STATUS REPORT - As of April 30, 2022

Key: On Time within Phase | Behind < 6 mos. | Behind > 6 mos. | Completed | On Hold | Canceled

Ref. No.	Engagement	Audit Objective	Engagement Type	Phase of Work: Planning	Fieldwork	IAS Director Report Review	# of Days	Mgmt Report Review and MAP Development	# of Days	Present to Audit Committee	Notes
IT Engagements						Metric: 0-14, 15-30, 31+		Metric: 0-60, 61-120, 121+			
2021-2	Identity and Access Management for DMZ/SCDOT external users (VTE and EPPS)	Evaluate/assess how DMZ/SCDOT external/extranet users accounts are managed.	Control Effectiveness		590 Hrs		0		0	Dec 2022	Combine into one engagement for efficiency gains. Started 1/11/21; Fieldwork began 3/10/21; Fieldwork completed April 2022
	Identity and Access Management for privileged users	Evaluate/assess how privileged users accounts are: 1. administered - strategy, policies/procedures, and operations, 2. provisioned - access granted, monitored, and removed, and 3. enforced - controls to deter, prevent, and detect inappropriate use of resource.									
	Identity and Access Management for NTS external users (Site Manager, Project Wise, & SharePoint)	Evaluate/assess how privileged users accounts are managed.									

INTERNAL AUDIT STATUS REPORT - As of April 30, 2022

Key: On Time within Phase  Behind < 6 mos.  Behind > 6 mos.  Completed On Hold  Canceled 

Ref. No.	Engagement	Audit Objective	Engagement Type	Phase of Work							Notes
				Planning	Fieldwork	IAS Director Report Review	# of Days	Mgmt Report Review and MAP Development	# of Days	Present to Audit Committee	
IT Engagements						Metric: 0-14, 15-30, 31+		Metric: 0-60, 61-120, 121+			
2022-4	Facility Physical Security	Evaluation of the physical security controls at agency facilities to determine if controls are designed adequately and operating effectively.	Assurance	119 hrs						Dec 2022	Started engagement 3/3/2022. Scope created and samples selected April 2022.

End of Presentation

Presented by: Mark LaBruyere
Todd Wilkins

Follow Up on Management Action Plans

SOUTH CAROLINA OFFICE OF THE STATE AUDITOR

Follow Up on Management Action Plans – Operational (Through 3/31/22)

- Covers 7 audit reports issued between March 2019 and March 2022

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	7							7
Medium	9	2		1		6/30/21	7/31/22	12
Medium-Low	4	4		1		12/31/21	12/31/24	9
Performance Opportunities	19	9	2	6	1	9/30/20 through 12/31/25	9/30/22 through 6/1/23	37
Totals	39	15	2	8	1			65

End of Presentation

Data Management

0	0	6
Off Track	At Risk	On Track

Targeted to complete data inventory by end of fiscal year

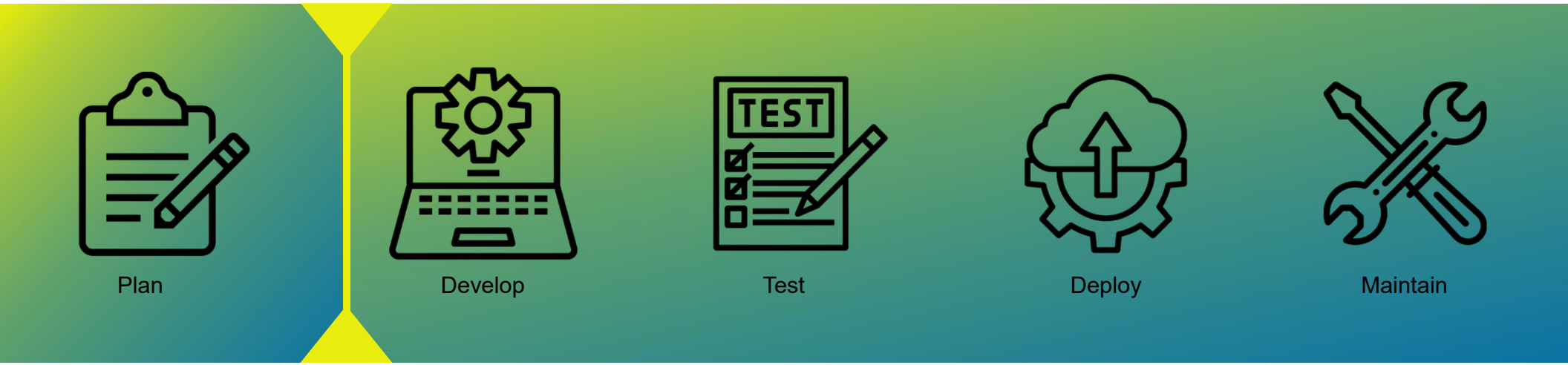
64.9% complete

575 total datasets identified

- 15 restricted datasets identified
- 56 confidential datasets identified

Develop data management policies and procedures
Conduct data inventory and make inventory accessible agency-wide through a defined method
Identify data literacy topics and priorities for awareness plan based on roles
Enhance down-stream data confidence
Develop a strategic plan for data management
Define and report on data management baseline metrics

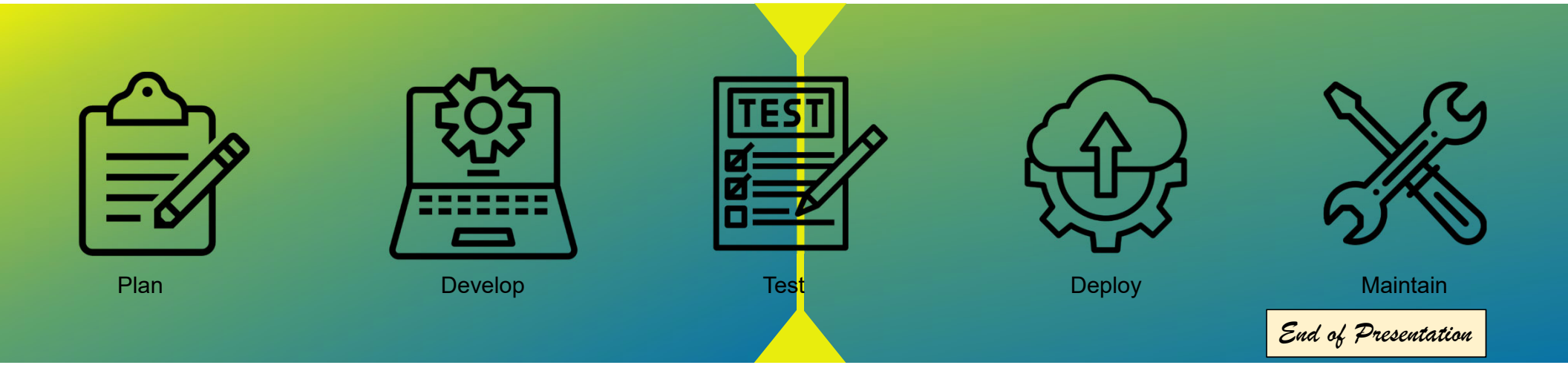
Progress



IT Governance

0	0	5
Off Track	At Risk	On Track

2 – Completed Pathways

Perform/ develop IT strategic plan in Fiscal Year (FY) 21-22
Identify additional organization structures to be considered
TASC approval of IT strategic plan for FY21-22
Identify various measurements to track for IT performance
Develop/ create performance index for IT Performance

Progress