



*Office of the Chief Internal Auditor*

## ***Audit Report***

*South Carolina Department of  
Transportation Implementation of  
2006 Legislative Audit Council  
Report Recommendations*

*December 4, 2008*

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**Office of the Chief Internal Auditor  
Examination of SCDOT Corrective Action Taken in  
Response to the Legislative Audit Council Report of November, 2006**

December 4, 2008

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# ***Transmittal Letter***



***OFFICE OF THE CHIEF INTERNAL AUDITOR***

December 4, 2008

Commission of the South Carolina Department of Transportation

The Honorable Lawrence K. Grooms, Chairman  
South Carolina Senate Transportation Committee

The Honorable Hugh K. Leatherman, Sr., Chairman  
South Carolina Senate Finance Committee

The Honorable Phillip D. Owens, Chairman  
South Carolina House Education and Public Works Committee

The Honorable Daniel T. Cooper, Chairman  
South Carolina House Ways and Means Committee

Dear Gentlemen:

The Office of the Chief Internal Auditor has completed our performance audit of corrective action taken by SCDOT in response to the Legislative Audit Council's report, [A Management Review of the South Carolina Department of Transportation](#), dated November 2006. In accordance with Section 57-1-360, we are transmitting to you this report on our performance audit.

We conducted this performance audit in accordance with generally accepted governmental auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Please don't hesitate to contact us if you have any questions or comments.

Respectfully submitted,

Robert W. Wilkes, Jr., CPA  
Chief Internal Auditor

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## *Executive Summary and Conclusions*

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## Executive Summary and Conclusions

The Chief Internal Auditor was established as an independent entity within the South Carolina Department of Transportation (SCDOT) under Act 114 signed by the Governor on June 27, 2007. The Chief Internal Auditor reports directly to the Audit Committee of the South Carolina Department of Transportation Commission without supervision by any employee of the Department. The Audit Committee completed its selection of a Chief Internal Auditor and approved The Office of the Chief Internal Auditor, budget, organizational chart, staff, bylaws, and charter by August 21, 2008. The Audit Committee also approved an annual audit plan that included a performance audit of corrective action taken in response to the Legislative Audit Council's A Management Review of the South Carolina Department of Transportation, dated November 2006. We began our examination in August 2008. In this report, we are providing this executive summary as well as detailed descriptions of audit procedures performed and conclusions for each of the forty-four Legislative Audit Council (LAC) recommendations.

Our audit objective was to determine if SCDOT provided an adequate written response and if SCDOT had in fact implemented the stated recommendations. We tested the detailed responses provided by the Secretary of Transportation utilizing various data storage systems as well as original documents. We examined approximately five hundred documents. Unrestricted access to the agency records was granted, and the non-statistical sampling methods referred to in the Detailed Audit Findings involved a variety of professional methods as deemed appropriate for the audit objective. We conducted individual as well as group interviews with over five percent of the SCDOT headquarters personnel. These individuals represent a variety of levels of authority and a cross section of the administrative and operational functions. As such, we are confident that our conclusions about SCDOT's response to the review by the LAC are adequately supported.

The overall intent of the response by SCDOT was to incorporate the recommendations of the LAC without modification. We found that the LAC recommendations were being incorporated in the daily processes and procedures followed at SCDOT. The department views the recommendations as an opportunity to rethink procedures and to strengthen internal controls especially in the area of consultant contracts. The department continues to use the recommendations to improve procedures and completed the third management implementation review in September 2008.

Our performance audit focused on ten general areas. Three of these areas or twenty-one of the LAC recommendations were directly related to contracts. The majority of these contract recommendations concerned pre-construction consultant contracts. SCDOT addressed these recommendations by rewriting and significantly strengthening Department Directive Number 41. The latest revision was implemented July 30, 2008 and provides better segregation of duties during contract acquisition and administration. It is our conclusion that this directive addresses the LAC concerns and, by testing, we found that SCDOT is following this directive.

The other seven areas of recommendations are also being implemented. Strengthened internal controls exist over temporary employment and the number of employees has been reduced to thirty-nine. Environmental issues are addressed with only one outstanding issue with the South Carolina Department of Health and Environmental Control and none with the Environmental Protection Agency. Capital improvements are sent to the Budget and Control Board as required. Event planning has improved internal control as well as newly imposed restrictions that allow events to be hosted by SCDOT only when it is cost effective and purely educational. All SCDOT vehicles have state government license tags.

Cost savings are being consistently pursued. SCDOT has just completed a cost saving suggestion contest. Prior to this contest, through an organized committee effort, twenty-five cost saving measures were identified and are being implemented.

The final area of recommendations concerns performance measurement and reporting. While SCDOT has complied with the recommendations, it has continued to improve the information reported to the public through a Dashboard on its website. Currently, SCDOT is addressing a major overhaul of the Dashboard performance measures, which should be completed by December 31, 2008.

**In summary, it is our opinion that the South Carolina Department of Transportation has successfully implemented corrective action to address the forty-four recommendations contained in the Legislative Audit Council Report of November 2006.**

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## *Detailed Audit Findings*

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## Detailed Audit Findings

The numbered items are the Legislative Audit Council's findings from the November 2006 Management Review of the South Carolina Department of Transportation.

**1. As required by federal regulation and SCDOT policy, SCDOT should negotiate the terms and retain documentation of negotiation for all of its consultant contracts.**

The Office of the Chief Internal Auditor requested documentation from SCDOT concerning twenty consultant contracts that were non-statistically sampled. Twenty-five percent of the projects were basic on-call agreements which do not require negotiations. Of the remaining contracts, fifty-three percent showed savings from the consultant's original proposal. The prices of the remaining contracts were accepted without a formal negotiation meeting because the consultant's proposed price was lower than SCDOT's estimate. While all contracts had documentation, the consistency of the documentation varied and greater standardization is needed.

In summary, SCDOT has improved negotiations through the hiring of a Chief Negotiator and it now retains documentation as required by the revised Directive 41. We conclude that SCDOT is complying with the directive and has successfully incorporated Recommendation 1.

**2. In contracting with consultants, SCDOT should follow accepted practices to provide accountability for contractor performance and minimize costs. These include: • Never accepting contract provisions which would allow the contractor to be paid for services that it did not provide. • Paying contractors only when deliverables have been received. • Managing the frequency of its payments to contractors to maximize funds available for the benefit of the state.**

The Office of the Chief Internal Auditor requested documentation from SCDOT concerning five projects that were non-statistically sampled, three open contracts and two completed contracts. Four of the five projects sampled were adequate in terms and consistent in making payments based on deliverables. The payment frequency was monthly as expected in all five cases. The exception was explained as a short term contract without any required interim deliverables. However, the contract contained an estimate that could have been used for progress payments. The contract should have been clearer and there should have been better support for the payment.

In summary, SCDOT has issued a revised Directive 41 which addresses this recommendation. It appears that SCDOT is *partially* complying with the directive and is having success in incorporating Recommendation 2.

**3. SCDOT's technical advisory groups should submit the highest-scored firms to the selection board.**

The Office of the Chief Internal Auditor requested documentation from SCDOT concerning thirty-two consultant contracts that were non-statistically sampled. While not required on every acquisition, all of the sampled contracts contained evidence that the Technical Advisory Group scored the firms that the group determined to be competent to perform the task. Additionally, each member of the group signed the ranking sheet that was sent to the Selection Board.

In summary, SCDOT has revised Directive 41 and is complying with the directive. SCDOT has successfully incorporated Recommendation 3.

**4. If the criteria used for rating contractors do not include all the factors to be considered, SCDOT should change its ranking criteria to more accurately reflect the evaluation of the firms.**

The Office of the Chief Internal Auditor requested documentation from SCDOT concerning thirty-two consultant contracts that were non-statistically sampled. SCDOT addressed this issue in Directive 41 and continues to refine this process. Directive 41 lists five criteria but allows latitude in the utilization of the five criteria and allows additional criteria to be used. Generally, seven criteria are used. On occasion, an additional criteria has been used if deemed necessary for a certain project.

In summary, SCDOT has revised Directive 41 which provides direction in the utilization of ranking criteria. SCDOT is complying with the directive and has successfully incorporated Recommendation 4.

**5. SCDOT should shorten the time between advertising a project and signing a contract.**

The Office of the Chief Internal Auditor requested documentation from SCDOT concerning thirty-two consultant contracts that were non-statistically sampled. SCDOT has seen longer periods than were cited in the LAC report. The longest period was 373 days. However, the trend is a reduction in time with the last sampled contract taking 151 days including the time required for Commission approval of the final contract.

In summary, SCDOT is continuing to improve the acquisition process and has successfully incorporated Recommendation 5.

**6. SCDOT should improve its cost-estimating process to more accurately determine the projected cost of contracts.**

The Office of the Chief Internal Auditor requested documentation from SCDOT concerning fifteen consultant contracts that were non-statistically sampled. Seventy-three percent of the cost estimates of those sampled were within fifteen percent of the

final contract price. SCDOT indicated that the system continues to accumulate data to improve the estimates and that SCDOT is developing standard units to be used in the bidding process to enhance this data.

In summary, SCDOT has improved the cost-estimating process. SCDOT has successfully incorporated Recommendation 6.

**7. SCDOT should include documentation of commission approval in the selection files.**

The Office of the Chief Internal Auditor requested documentation from SCDOT concerning thirty-two consultant contracts that were non-statistically sampled. SCDOT addressed documentation in Directive 41. Essentially, two approvals are needed from the Commission. An approval is required before the acquisition is advertized and to approve the final contract. We found that all of our sample had the minutes indicating approval for the contract and included the Commission Transmittal Form with senior management's approval. We also found that the final contract approval from the Commission is not in the files. Contract Services will begin including the minutes. However, the Commission minutes are electronically filed and available to all SCDOT employees.

In summary, SCDOT has revised Directive 41 to improve documentation. Adequate internal controls exist to avoid improper payment or contracting. However, additional documentation of the Commission's final contract approval will be included in the contract files in the future. SCDOT is complying with the directive and has, for efficiency purposes, included only the transmittal form in the contract file because the minutes are easily accessible elsewhere. Adjustments will be made, however, to fully incorporate Recommendation 7.

**8. SCDOT should continue to include in its selection files documentation of the reasons for selecting a firm from the on-call list.**

The Office of the Chief Internal Auditor requested documentation from SCDOT concerning ten consultant contracts that were non-statistically sampled from the on-call list. SCDOT addressed negotiation documentation in Directive 41. Nine of the ten sampled were explicit in the reason for the selection. The final selection was based on price and could be adequately deduced to be the reason.

In summary, SCDOT has revised Directive 41 to improve documentation. SCDOT is complying with the directive and has fully incorporated Recommendation 8.

**9. SCDOT should document contract negotiations as required by SCDOT policy.**

The Office of the Chief Internal Auditor requested documentation from SCDOT concerning twenty consultant contracts that were non-statistically sampled. SCDOT addressed contract negotiation documentation in Directive 41. Five of the twenty contracts sampled were basic on-call agreements which do not require pricing. These were for selection of firms to be on the on-call list and not for specific projects. Six of the remaining fifteen contracts required no formal negotiation meeting because the consultant's estimate was lower than SCDOT. The remaining nine contracts contained documentation concerning the contract negotiations.

In summary, SCDOT has revised Directive 41 to improve documentation. SCDOT is complying with the directive and has fully incorporated Recommendation 9.

**10. SCDOT should prepare an independent cost estimate for each proposed contract as required by federal law.**

The Office of the Chief Internal Auditor requested documentation from SCDOT concerning fifteen consultant contracts that were non-statistically sampled. All fifteen of the contracts sampled contained independent cost estimates as addressed in Directive 41.

In summary, SCDOT has revised Directive 41 to improve documentation. SCDOT is complying with the directive and has fully incorporated Recommendation 10.

**11. SCDOT should audit indirect costs rates as required by federal law and American Association of State Highway and Transportation Officials guidelines.**

The Office of the Chief Internal Auditor requested documentation from SCDOT concerning indirect cost audits conducted since January 2007. We sampled eight audit files and found four to have either a letter from another governmental entity or to have contained a review of a Certified Public Accountant's work papers. This represents a fifty percent compliance rate. SCDOT's Contract Assurance Office intends to focus on completed contracts. Two of the eight sampled audits were final audits which contained overhead rates reviewed in compliance with the regulations.

In summary, SCDOT has *partially* complied with Recommendation 11.

**12. SCDOT should develop written, risk-based criteria for determining which contracts will have pre-award and final audits done. SCDOT should also require documentation of why an audit was not requested.**

From the eight audits sampled since January 2007, the Office of the Chief Internal Auditor found that SCDOT performs pre-award audits on all basic agreements and contract modifications greater than \$250,000. Pre-award audits may be performed on contract modifications less than \$250,000 if there are concerns about the contract or the

consultant. SCDOT's Contract Assurance Office developed a written risk assessment module which is being enhanced with quantitative measures that it uses to determine which final audits to perform.

In summary, SCDOT has incorporated Recommendation 12 concerning final audits. SCDOT's Contract Assurance Office currently complies with the LAC report but continues to evaluate the process concerning pre-award audits.

**13. SCDOT should develop audit procedures for pre-award audits that require audit completion prior to the completion of contract negotiations, current information, and documentation of work performed.**

The Office of the Chief Internal Auditor reviewed five pre-award audits and the related contract files and found that the audits were completed prior to the completion of contract negotiations. In all audits sampled, SCDOT's Contract Assurance Office work papers included adequate documentation that served as a basis for the conclusions made. Whenever information was not included in the current work papers, it was included in the consultant's permanent file. The information SCDOT's Contract Assurance Office utilized to make its determination appeared to be adequate and current in all material aspects.

In summary, SCDOT has fully incorporated Recommendation 13.

**14. SCDOT should include specific scope of services when contracting with consultants.**

The Office of the Chief Internal Auditor requested documentation from SCDOT concerning fifteen consultant contracts that were non-statistically sampled. All fifteen of the contracts sampled contained a specific scope of services as addressed in Directive 41.

In summary, SCDOT has revised Directive 41 which addresses this recommendation. SCDOT is complying with the directive and has fully incorporated Recommendation 14.

**15. SCDOT should require that invoices relate all charges to specific contract tasks.**

The Office of the Chief Internal Auditor requested documentation from SCDOT concerning five projects that were non-statistically sampled, three open contracts and two completed contracts. All of the invoices were classified and processed to the correct cost code of the contract. SCDOT manages the reporting of costs in an effective manner.

In summary, SCDOT has issued a revised Directive 41 which addresses this recommendation. SCDOT is complying with the directive and has successfully incorporated Recommendation 15.

**16. SCDOT should hire temporary employees by the most cost-effective means, and avoid paying overhead costs.**

The Office of the Chief Internal Auditor inquired about any temporary employees being hired through a consultant firm. We were told that since the fourth quarter of 2006 no staff augmentations have been done in this manner. Directive 41 addresses this issue and requires justification of the cost and inclusion of the Director of Human Resources in any negotiations before utilizing outside services for staff augmentation.

In summary, SCDOT has revised Directive 41 to comply with Recommendation 16. SCDOT has successfully incorporated this recommendation.

**17. SCDOT should not pay consultants a full overhead rate when its employees are based at SCDOT.**

The Office of the Chief Internal Auditor requested documentation from SCDOT concerning five projects that were non-statistically sampled, three open contracts and two completed contracts. None of the projects tested involved consultants based in the SCDOT offices. We then contacted SCDOT personnel to inquire of any instances where a consultant was housed in SCDOT facilities. We were told that certain construction engineering or inspection personnel may use a field office overhead rate rather than a full home office overhead rate. This rate is developed along federal guidelines.

In summary, SCDOT has issued a revised Directive 41 which addresses this recommendation. SCDOT is complying with the directive and has successfully incorporated Recommendation 17.

**18. SCDOT should not contract with consultants who are found to be not financially capable of performing the contract.**

The Office of the Chief Internal Auditor obtained a list of pre-award audits on which an unfavorable opinion was rendered concerning a consultant's financial ability and its financial system capabilities. We reviewed the contract management system and found an executed agreement with one of the consultants on the list. However, this agreement had been entered into only after another pre-award audit had been performed and given favorable results based upon the nature, scope, and amount of the project.

In summary, SCDOT has fully complied with Recommendation 18.

**19. SCDOT should implement more comprehensive bid analysis techniques to allow it to detect collusion or other improper bidding practices.**

The Office of the Chief Internal Auditor requested documentation from SCDOT concerning bid analysis techniques utilized on three construction contracts during 2008. SCDOT is addressing the specific areas that the LAC review suggested needed

improvement. The system continues to be improved by adding additional historical information. We will continue to monitor this system and utilize it in our fraud detection program.

In summary, SCDOT has incorporated Recommendation 19.

**20. SCDOT should continue to implement its plan to use the results of contractor performance evaluations in determining which contractors are eligible to bid on projects.**

The Office of the Chief Internal Auditor requested documentation from SCDOT concerning performance evaluations on three contractors during 2008. SCDOT has modified the evaluation system that was reported in the LAC review. Low scoring firms are not completely barred from bidding but are disqualified on some projects due to the minimum contractor performance score on these projects. The improvement over the prior system is to eliminate punitive methods and replace them with an improvement methodology that should encourage a larger number of bidders. Low scoring contractors are required to attend a meeting with SCDOT to address the issues that are reducing their scores.

In summary, SCDOT has incorporated Recommendation 20.

**21. SCDOT should ensure that all procurements comply with applicable procurement laws and regulations and that appropriate documentation of each procurement is maintained.**

The Office of the Chief Internal Auditor found no evidence of the practice that led to the LAC finding and recommendation. The most recent procurement audit was completed by the Materials Management Office in April 2008. In its corrective actions, SCDOT stated that all future contracts will be procured in accordance with applicable competitive requirements.

In summary, SCDOT has incorporated Recommendation 21.

**22. SCDOT should follow the procedures outlined in the Memorandum of Understanding between SCDOT and the Federal Highway Administration (FHWA) to ensure that billings submitted to FHWA are accurate and timely and to assure the fiscal integrity of costs incurred in the federal-aid reimbursement program.**

The Office of the Chief Internal Auditor was informed that there is a very small lag time between the billing submissions to FHWA and the actual payment date. We examined a small sample of billings during 2007 and 2008 to review the dates and found SCDOT's statement to be accurate. We were informed that billings were not being improperly classified as advanced construction. We examined the balance of the account for two months in 2008 to see if it was abnormally high and found no exceptions. The Office of the Chief Internal Auditor performed no additional procedures

because SCDOT's billings and overall accounting system and processes have been audited for the year ended June 30, 2008 and received an unqualified opinion.

In summary, SCDOT has improved the billing process outlined in Recommendation 22.

**23. SCDOT should ensure that it complies with environmental laws and regulations at all of its facilities.**

The Office of the Chief Internal Auditor requested documentation from SCDOT concerning environmental compliance. Based on the information we received, SCDOT has continued to improve its compliance with environmental issues. Only one issue was outstanding at the time of the audit. SCDOT takes a strong position that the allegation is false and SCDOT will be cleared.

To avoid possible issues in the future, SCDOT has a Quality Management Team that has increased the review of environmental issues at the various maintenance sheds and yards from one per district to all sheds and yards every two years. Additionally, SCDOT is partnering with the South Carolina Department of Health and Environmental Control (DHEC) on certification relating to underground storage tank operators. The working relationship with DHEC indicates a much more proactive response to environmental issues.

In summary, SCDOT has improved compliance with environmental laws and regulations. SCDOT has successfully incorporated Recommendation 23.

**24. The General Assembly may wish to consider legislation concerning fines between state agencies.**

The Office of the Chief Internal Auditor received documentation from SCDOT concerning proposed legislation recommended by SCDOT for approval. The suggested legislation supported this recommendation. However, the legislation was not passed in the 2007-2008 Legislative Session.

In summary, SCDOT has attempted to comply with Recommendation 24. All efforts by SCDOT have been made and the successful implementation of this recommendation is outside the scope of SCDOT.

**25. SCDOT should continue to implement procedures to ensure that construction contractors comply with contract terms regarding compliance with environmental laws and regulations.**

The Office of the Chief Internal Auditor requested documentation from SCDOT concerning procedures to ensure that contractors comply with environmental laws and regulations and mitigate the damages that result from the contractors' actions. SCDOT has implemented a procedure that requires the prime contractor and the subcontractors that could disturb the Storm Water Pollution Prevention Plan to sign and become co-

permittees on the National Pollution Discharge Elimination System permit. The actual form was developed in conjunction with DHEC. The effect is to have the prime contractor and the subcontractors assume responsibility for their actions. They are required to attend a Storm Water Pollution Prevention Plan session. We tested three contract files and found issues with only one contractor. That contractor had not signed as a co-permittee. In addition, this contractor utilized its own co-permittee form that deleted the reference stating that the subcontractor attended a pre-construction conference on the storm water issues. Another subcontractor struck through the reference to its attendance. SCDOT now requires the contractor to sign the co-permittee agreement. Also, the modifications to the agreement have been brought to the attention of SCDOT.

In summary, SCDOT has implemented procedures to educate and hold contractors and their subcontractors responsible for environmental damages that they cause. SCDOT has successfully incorporated Recommendation 25.

**26. SCDOT should regularly publish data that shows the current status of its performance measures.**

The Office of the Chief Internal Auditor requested documentation from SCDOT concerning the agency's efforts to publish performance measures. SCDOT referred us to the SCDOT's website. Extensive reporting of performance measures are listed on the website. The website will be updated quarterly based on changes to the strategic plan.

In summary, SCDOT has successfully incorporated Recommendation 26.

**27. SCDOT should implement appropriate controls to ensure that its accountability report is accurate.**

The Office of the Chief Internal Auditor requested documentation from SCDOT concerning the agency's efforts to implement controls to ensure the accuracy of SCDOT's accountability report. SCDOT provided documentation that the report is carefully prepared and reviewed by multiple departments. SCDOT believes this process adequately ensures the accuracy of the report.

In summary, SCDOT has successfully incorporated Recommendation 27.

**28. SCDOT should not publish comparative data that is unreliable or misleading.**

The Office of the Chief Internal Auditor requested documentation from SCDOT concerning the use of comparative data. A review of the accountability report showed one instance of a reference to the specified data. However, it was not used for specific comparative purposes but to show a need for funding. SCDOT management plans to eliminate this reference in the future.

In summary, SCDOT has successfully incorporated Recommendation 28.

**29. SCDOT should develop a “dashboard,” accessible to the public, which includes measures that would give the General Assembly, the general public, and other interested parties accurate information regarding the overall effectiveness of the agency at any time.**

The Office of the Chief Internal Auditor requested documentation from SCDOT concerning the publication of performance data in a summarized manner on the internet for public review. SCDOT has produced and continues to improve a Dashboard by utilizing the best practices obtained from other state DOTs. While only two of the measurements on the Dashboard relate specifically to the strategic plan goals, our conclusion is that the public is reviewing the performance of SCDOT because of the website's 364 hits in August 2008 and its 344 hits in September 2008. A complete re-do of the Dashboard to include all strategic plan measurements is due to be completed by the end of December 2008.

In summary, SCDOT continues to improve the dashboard to fully incorporate Recommendation 29.

**30. SCDOT should continue to develop and implement a process by which performance data is regularly reviewed and used by top management in its decision-making process.**

The Office of the Chief Internal Auditor requested information from SCDOT concerning how performance information is utilized in the organization. SCDOT reported that each district has an operating plan which ties to the strategic plan with specific performance measurements. These measurements are reviewed and reported to management at headquarters by the various districts. Additionally, monthly reports called “Engineering Indications” are published which show a comparison of the districts to their budgets. SCDOT utilizes teleconferencing to communicate with district offices to reduce travel costs.

In summary, SCDOT has fully incorporated Recommendation 30.

**31. The General Assembly should amend S.C. Code §10-1-180 to delete the phrase “except the Department of Transportation as for permanent improvements as defined in the state budget.”**

The Office of the Chief Internal Auditor received documentation from SCDOT concerning proposed legislation recommended by SCDOT for approval. The suggested legislation supported this recommendation. However, the legislation was not passed in the 2007-2008 Legislative Session.

In summary, SCDOT has attempted to comply with Recommendation 31. All efforts by SCDOT have been made and the successful incorporation of this recommendation is outside the scope of SCDOT.

**32. SCDOT should comply with regulations for capital improvement project approval and submit the headquarters renovation project for review by the Joint Bond Review Committee as outlined in S.C. Code §2-47-10 et seq.**

The Office of the Chief Internal Auditor requested documentation from SCDOT concerning SCDOT capital improvements approved since January 1, 2007. A list of six capital projects was provided. This list was cross checked with detail available on the South Carolina Budget and Control Board's website. It appears that all capital projects were submitted to the proper external agency for approval.

In summary, SCDOT is complying with the recommendation and has successfully incorporated Recommendation 32.

**33. The SCDOT Commission should approve cost estimates for all capital improvement projects.**

The Office of the Chief Internal Auditor requested documentation from SCDOT concerning capital improvements approved since January 1, 2007. A list of six capital projects was provided. Five of the six projects were included in the Capital Projects Improvement Plan (CPIP) that was approved by the Commission. The sixth project, not included in the CPIP, was properly submitted on an Interim A-1 and approved by the SCDOT Commission. Later, each project was again submitted on a Form A-1 to the Budget and Control Board or the Joint Bond Review Committee. These submittals were also approved by the Commission.

In summary, SCDOT is complying with the recommendation and has successfully incorporated Recommendation 33.

**34. To minimize conference costs, SCDOT should consider central locations for conferences to maximize the use of federal funds.**

The Office of the Chief internal Auditor requested documentation from SCDOT concerning any conferences or events that were either sponsored by SCDOT or were partnered with another organization since November 2006. Of the twenty-nine events that were tested, twenty-one were held in Columbia. Six of the eight events held outside of Columbia were co-partnered by SCDOT and the location was not the sole decision of SCDOT. The remaining two events were adequately justified. One of these two events, a series of regional forums, could have been handled using video conferencing. We recommend that this be considered for future events.

In summary, SCDOT has issued a revised Directive 40 which adequately addresses this recommendation. SCDOT is complying with the directive and has successfully incorporated Recommendation 34.

**35. SCDOT should discontinue its use of private checking accounts to manage funds for agency-sponsored events or conferences and deposit all received funds in the state treasury.**

The Office of the Chief Internal Auditor inquired of SCDOT if all funds connected with the fifteen events that were sponsored by SCDOT utilized state treasury accounts. Ten of the fifteen events were paid from SCDOT budgeted funds and required no separate accounts because receipts and expenses were treated as any other SCDOT transaction. One of the fifteen events was paid by another agency with only miscellaneous office supplies, such as markers, being supplied by SCDOT. One involved participants paying fees directly to the vendor without SCDOT's involvement. The three remaining events should have required a separate account with the State Treasurer. Funds from one of the remaining three events were deposited in an account at the State Treasurer. The remaining two events utilized an old account that has since been closed.

In summary, SCDOT has issued a revised Directive 40 which addresses this recommendation. SCDOT is complying with the directive and has successfully incorporated Recommendation 35.

**36. SCDOT should refrain from soliciting donations from organizations that may pursue contracts with the agency.**

The Office of the Chief Internal Auditor requested documentation from SCDOT concerning donor lists of any conferences or events that were either sponsored by SCDOT or were co-partnered with another organization. The documentation concerning donors of the fourteen events that SCDOT co-partnered was maintained by the primary sponsor and not available. The financial statements for the fifteen events that were sponsored by SCDOT indicated twelve were funded directly by SCDOT budgeted funds or by registration fees. One of the remaining three events received donations from a non-profit that is not a vendor of SCDOT. The other two events (The Annual SC State Highway Conference sponsored by Clemson University and The Adopt-A-Highway Ceremony) had donations from SCDOT vendors. Directive 40 prohibits solicitation of donations from SCDOT vendors. In all cases, we were unable to ascertain if the donations were solicited or were from registration fees of actual participants.

In summary, SCDOT has issued a revised Directive 40 which addresses this recommendation. Clarification may be needed as to whether donations will be accepted even if not solicited. In addition, we recommend reviewing guidelines on registration fees to consider possible conflicts of interest. With two possible exceptions, SCDOT has incorporated Recommendation 36.

**37. SCDOT should replace all non-government license plates with standard state government plates.**

The Office of the Chief Internal Auditor requested documentation from SCDOT concerning their vehicles and the associated license tags. We were granted access to SCDOT's Highway Maintenance Management System which we used to review all vehicles represented as SCDOT utilized vehicles. All vehicles had state government tags.

We visually examined the vehicles specifically utilized by the Deputy Secretaries as well as the Secretary of Transportation. Two of the Deputy Secretaries do not have units specifically assigned for their use. The other two vehicles assigned to the Deputy Secretary and to the Secretary were both examined and did have government tags.

In summary, SCDOT has successfully incorporated Recommendation 37.

**38. SCDOT should have written documentation explaining the relationship of the job duties and responsibilities to the salary for highly-paid temporary employees.**

The Office of the Chief Internal Auditor requested documentation from SCDOT concerning any temporary employee with an annualized salary in excess of \$50,000. SCDOT provided documentation of eleven individuals who were at this rate. On December 12, 2006 in response to the review by the LAC, the Human Resources Director at SCDOT issued a memo requiring a job description for all temporary employees. We found that each temporary employee had a job description that adequately explained their duties.

In summary, SCDOT has incorporated Recommendation 38.

**39. SCDOT should develop a job description for the intern or special assistant to the executive director position.**

The Office of the Chief Internal Auditor inquired about interns or special assistants employed during 2008. We found that the special assistant position is no longer utilized at SCDOT. SCDOT continues to have summer interns, but they are used as a recruitment tool generally for college undergraduates. No interns are assigned specifically to the Secretary of Transportation.

In summary, SCDOT has successfully incorporated Recommendation 39.

**40. SCDOT should comply with human resources regulation 19-700 and not allow temporary employees to work more than one year without a break in service.**

The Office of the Chief Internal Auditor requested documentation from SCDOT concerning current temporary employees. We reviewed the employee files of seventeen temporary employees. We found that two of the seventeen employees were employed in excess of one year. It appears to have been an oversight. One has since been terminated, and the other has been hired as a permanent employee.

In summary, SCDOT has generally incorporated Recommendation 40.

**41. The SCDOT's internal audit department should report directly to the SCDOT Commission in addition to the executive director. The commission should appoint a standing audit committee to oversee the activities of the agency's internal audit department.**

The Chief Internal Auditor was established as an independent entity within the South Carolina Department of Transportation (SCDOT) under Act 114 signed by the Governor on June 27, 2007. The Chief Internal Auditor reports directly to the Audit Committee of the South Carolina Department of Transportation Commission without supervision by any employee of the Department. This entity reports directly to the Commission and is completely independent of SCDOT's operations and the Secretary's authority.

In summary, Recommendation 41 has been fully incorporated.

**42. SCDOT should identify and deactivate unnecessary pagers, especially those assigned to employees who already have a cellular phone.**

The Office of the Chief Internal Auditor requested documentation from SCDOT concerning the progress that had been made on deactivating pagers. 105 pagers were eliminated out of a total of 252. Efforts have also been directed at eliminating dual users, people having cell phones and pagers. SCDOT has developed better control of usage by implementing justification procedures for dual users. There is a continued effort to complete this project which has already shown positive results.

In summary, SCDOT has successfully incorporated Recommendation 42.

**43. SCDOT should consolidate personal computers and avoid issuing multiple computers to the same employee.**

The Office of the Chief Internal Auditor requested documentation from SCDOT concerning the progress that had been made on eliminating the assignment of two computers to one individual. SCDOT provided documentation that twenty-nine computers have been eliminated. Additionally, fifty-four dual users have justified having both a laptop and a desktop computer. Twenty-two users have submitted justification for both computers but await approval. The reports we obtained concern headquarter computers. The procedures at the district level have not been tested because laptop assignments are outside the management of the SCDOT Information Technology Department.

In summary, SCDOT has successfully incorporated Recommendation 43 at SCDOT headquarters. In our planned audit of Information Technology, we will review control procedures at the district level.

**44. SCDOT should share the findings from the cost savings study with satellite offices and ensure that they evaluate their own operations to identify possible areas of additional cost savings.**

The Office of the Chief Internal Auditor requested documentation from SCDOT concerning certain programs involving cost reductions. The focus has been to expand the savings out to the entire SCDOT operation. SCDOT initiated a cost savings contest that was open to all employees. Of the total suggestions, we found that approximately seventy-three percent came from outside the headquarter location. This is a strong indication that the cost savings initiative is agency wide.

In summary, SCDOT has successfully incorporated cost saving initiatives throughout the agency, including satellite offices. Recommendation 44 has been successfully incorporated.

## ***Department Response***



SECRETARY OF TRANSPORTATION  
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December 17, 2008

## CORRECTIVE ACTION PLAN

Robert W. Wilkes, Jr. CPA  
Chief Internal Auditor  
South Carolina Department of Transportation  
955 Park Street  
Columbia, South Carolina, 29201

Dear Mr. Wilkes:

The South Carolina Department of Transportation (SCDOT) respectfully submits the following Corrective Action Plan for the Audit Report concerning the SCDOT implementation of the 2006 Legislative Audit Council (LAC) Report recommendations.

The Plan outlines actions taken, or to be taken, to address the detailed audit findings contained in the audit report prepared by the SCDOT Office of the Chief Internal Auditor (OCIA) dated December 4, 2008. Each LAC audit recommendation and OCIA finding is repeated prior to our response and numbered as in the audit report. SCDOT concurs with all OCIA findings not listed below.

**LAC Recommendation # 1. As required by federal regulation and SCDOT policy, SCDOT should negotiate the terms and retain documentation of negotiation for all of its consultant contracts.**

OCIA Audit Conclusion:

The Office of the Chief Internal Auditor requested documentation from SCDOT concerning twenty consultant contracts that were non-statistically sampled. Twenty-five percent of the projects were basic on-call agreements which do not require negotiations. Of the remaining contracts, fifty-three percent showed savings from the consultant's original proposal. The prices of the remaining contracts were accepted without a formal negotiation meeting because the consultant's proposed price was lower than SCDOT's estimate. While all contracts had documentation, the consistency of the documentation varied and greater standardization is needed.

In summary, SCDOT has improved negotiations through the hiring of a Chief Negotiator and it now retains documentation as required by the revised Directive 41. We conclude

that SCDOT is complying with the directive and has successfully incorporated Recommendation 1.

SCDOT Response:

Documentation varies from file to file and is determined by a number of factors, including type and size of the proposal, and the complexity of negotiations. Because of this, standardization may be challenging to achieve, but SCDOT does include two standard documents in all of the negotiation files. The Record of Negotiation details dates of telephone calls, meetings, cost estimates of both SCDOT and Consultant, and deliberations. In the future, a more detailed explanation of the negotiations will be included. The Contract Services Cover Sheet, submitted by the Chief Negotiator, contains a listing of the documents used during the negotiation phase (justification, in-house estimate, consultant estimate, pre-award audit information, etc.) and serves as a checklist.

**LAC Recommendation # 2. In contracting with consultants, SCDOT should follow accepted practices to provide accountability for contractor performance and minimize costs. These include: • Never accepting contract provisions which would allow the contractor to be paid for services that it did not provide. • Paying contractors only when deliverables have been received. • Managing the frequency of its payments to contractors to maximize funds available for the benefit of the state.**

OCIA Audit Conclusion:

The Office of the Chief Internal Auditor requested documentation from SCDOT concerning five projects that were non-statistically sampled, three open contracts and two completed contracts. Four of the five projects sampled were adequate in terms and consistent in making payments based on deliverables. The payment frequency was monthly as expected in all five cases. The exception was explained as a short term contract without any required interim deliverables. However, the contract contained an estimate that could have been used for progress payments. The contract should have been clearer and there should have been better support for the payment.

In summary, SCDOT has issued a revised Directive 41 which addresses this recommendation. It appears that SCDOT is *partially* complying with the directive and is having success in incorporating Recommendation 2.

SCDOT Response:

SCDOT concurs with the audit finding and intends to address the concerns by a memorandum to staff reinforcing the proper payment processes which include requiring support documentation for all invoices.

**LAC Recommendation # 5. SCDOT should shorten the time between advertising a project and signing a contract.**

OCIA Audit Conclusion:

The Office of the Chief Internal Auditor requested documentation from SCDOT concerning thirty-two consultant contracts that were non-statistically sampled. SCDOT has seen longer periods than were cited in the LAC report. The longest period was 373

days. However, the trend is a reduction in time with the last sampled contract taking 151 days including the time required for Commission approval of the final contract.

In summary, SCDOT is continuing to improve the acquisition process and has successfully incorporated Recommendation 5.

SCDOT Response:

We appreciate the recognition of the downward trend in the time between advertising a project and signing a contract, and continue to improve processes to decrease the time in between.

Subsequent to the timeline established in the LAC Report, Act 114 was passed by the Legislature and provided for additional approvals by the Commission relating to various functions of the agency. Whereas SCDOT Commission approval was previously needed to advertise a project, additional SCDOT Commission approval is now needed prior to entering into a contract. Act 114 also requires projects to be prioritized and ranked and does not specify a grandfather clause for those projects that are already on the table. That caused a delay on some projects going to contract that had already been advertised because staff needed to work out the criteria for project prioritization and apply that criteria to every project already on the table. While implementation of Act 114 did temporarily lengthen the timeline between advertising a project and signing a contract, the agency works as quickly as possible to ensure few delays in the time it takes to execute a contract and are proud of the trend in reduction in time.

**LAC Recommendation # 7. SCDOT should include documentation of commission approval in the selection files.**

OCIA Audit Conclusion:

The Office of the Chief Internal Auditor requested documentation from SCDOT concerning thirty-two consultant contracts that were non-statistically sampled. SCDOT addressed documentation in Directive 41. Essentially, two approvals are needed from the Commission. An approval is required before the acquisition is advertised and to approve the final contract. We found that all of our sample had the minutes indicating approval for the contract and included the Commission Transmittal Form with senior management's approval. We also found that the final contract approval from the Commission is not in the files. Contract Services will begin including the minutes. However, the Commission minutes are electronically filed and available to all SCDOT employees.

In summary, SCDOT has revised Directive 41 to improve documentation. Adequate internal controls exist to avoid improper payment or contracting. However, additional documentation of the Commission's final contract approval will be included in the contract files in the future. SCDOT is complying with the directive and has, for efficiency purposes, included only the transmittal form in the contract file because the minutes are easily accessible elsewhere. Adjustments will be made, however, to fully incorporate Recommendation 7.

SCDOT Response:

We agree and will begin maintaining a copy of Commission approval to execute a consultant agreement in the negotiation files.

**LAC Recommendation # 11. SCDOT should audit indirect costs rates as required by federal law and American Association of State Highway and Transportation Officials guidelines.**

OCIA Audit Conclusion:

The Office of the Chief Internal Auditor requested documentation from SCDOT concerning indirect cost audits conducted since January 2007. We sampled eight audit files and found four to have either a letter from another governmental entity or to have contained a review of a Certified Public Accountant's work papers. This represents a fifty percent compliance rate. SCDOT's Contract Assurance Office intends to focus on completed contracts. Two of the eight sampled audits were final audits which contained overhead rates reviewed in compliance with the regulations.

In summary, SCDOT has *partially* complied with Recommendation 11.

SCDOT Response:

Due to limited resources, we focus our efforts on ensuring we have proper certification of indirect cost rates at the time of final audit. In the case of pre-award audits, we are only approving an indirect rate for estimating purposes. We normally obtain enough information to satisfy ourselves that the proposed rate is reasonable. In the four cases cited, there would have been no real benefit gained by delaying the audit reports until an approval letter was issued by the home state or an indirect cost rate audit could be completed by our staff. We will audit the indirect cost rate during the pre-award audit if there is a valid reason to do so.

The American Association of State Highway and Transportation Officials (AASHTO) Guidelines referred to in the LAC recommendation is the Consultant Audit Guide published by the AASHTO Administrative Subcommittee on Internal and External Audit. We discussed this finding and recommendation with representatives of other State DOTs who developed the referenced audit guide. Based on these discussions, we believe the LAC misinterpreted the requirements of the law as well as the audit guide.

**LAC Recommendation #23. SCDOT should ensure that it complies with environmental laws and regulations at all of its facilities.**

OCIA Audit Conclusion:

The Office of the Chief Internal Auditor requested documentation from SCDOT concerning environmental compliance. Based on the information we received, SCDOT has continued to improve its compliance with environmental issues. Only one issue was outstanding at the time of the audit. SCDOT takes a strong position that the allegation is false and SCDOT will be cleared.

To avoid possible issues in the future, SCDOT has a Quality Management Team that has increased the review of environmental issues at the various maintenance sheds and yards from one per district to all sheds and yards every two years. Additionally, SCDOT

is partnering with the South Carolina Department of Health and Environmental Control (DHEC) on certification relating to underground storage tank operators. The working relationship with DHEC indicates a much more proactive response to environmental issues.

In summary, SCDOT has improved compliance with environmental laws and regulations. SCDOT has successfully incorporated Recommendation 23.

SCDOT Response:

SCDOT continues to place a high priority on environmental stewardship and compliance with environmental laws and regulations. This is evident by the implementation of Engineering Directive Memorandum 39 that went into effect in January of 2008. This memorandum requires that all new maintenance employees receive the necessary training within six months of employment to familiarize them with environmental rules and regulations. Certifications of compliance with this memorandum are due from the districts prior to December 31<sup>st</sup> of each year.

The finding that one issue was outstanding at the time of the audit can best be explained as follows.

On July 23, 2008, an employee of US EPA claims to have observed SCDOT Aiken Maintenance personnel applying herbicide over a bridge located on Dibble Road in Aiken into a tributary to the Sand River in Aiken County, South Carolina. On August 4, 2008, DHEC personnel obtained a copy from the Aiken Maintenance Office of the specimen label for GARLON 3A that was applied on July 23, 2008. DHEC later indicated in their enforcement action that SCDOT failed to follow the MSDS sheets and the SCDOT herbicide manual, which stated that applications should "keep out of streams and domestic water supplies." During that time, an investigator with Clemson University's Department of Pesticide Regulation (DPR) was contacted by DHEC to investigate the incident. The results of that investigation indicated that the SCDOT applied GARLON 3A within the protocol provided in the above listed documents. The DPR found no reason for enforcement action and submitted a report of their investigation. DHEC refused to accept that report, stating they were not bound by the regulations of another regulatory agency and would pursue the matter as a violation of the Pollution Control Act and our MS4 permit, because the SCDOT discharged pollutants directly to waters of the State. SCDOT presented evidence in the initial hearing that the stream in question was a spillway that was dry during the application. The SCDOT operator denies spraying herbicide in the dry stream area. Documented evidence at the site showed that vegetation on the banks of the spillway showed no indication that it had been sprayed, which supports the operator's position. All evidence that was collected proved contrary to DHEC's allegations that SCDOT applied herbicides to waters of the State. It should be noted that legal representation for SCDOT presented in a Memorandum of Law that DHEC can not set aside one set of specific regulations for herbicide application in favor of a vague set of regulations (Pollution Control Act) for the sole purpose of enforcement action. Unfortunately DHEC still has not provided a final determination of the matter.

**LAC Recommendation # 25. SCDOT should continue to implement procedures to ensure that construction contractors comply with contract terms regarding compliance with environmental laws and regulations.**

OCIA Audit Conclusion:

The Office of the Chief Internal Auditor requested documentation from SCDOT concerning procedures to ensure that contractors comply with environmental laws and regulations and mitigate the damages that result from the contractors' actions. SCDOT has implemented a procedure that requires the prime contractor and the subcontractors that could disturb the Storm Water Pollution Prevention Plan to sign and become co-permittees on the National Pollution Discharge Elimination System permit. The actual form was developed in conjunction with DHEC. The effect is to have the prime contractor and the subcontractors assume responsibility for their actions. They are required to attend a Storm Water Pollution Prevention Plan session. We tested three contract files and found issues with only one contractor. That contractor had not signed as a co-permittee. In addition, this contractor utilized its own co-permittee form that deleted the reference stating that the subcontractor attended a pre-construction conference on the storm water issues. Another subcontractor struck through the reference to its attendance. SCDOT now requires the contractor to sign the co-permittee agreement. Also, the modifications to the agreement have been brought to the attention of SCDOT.

In summary, SCDOT has implemented procedures to educate and hold contractors and their subcontractors responsible for environmental damages that they cause. SCDOT has successfully incorporated Recommendation 25.

SCDOT Response:

The referenced contract in the above finding included co-permittee language in the agreement and by the contractor signing the contract, they were considered as being a co-permittee. On June 19, 2008 Director of Construction Office issued direction to all field offices to obtain a signed co-permittee agreement on all current and future projects. The official project files in the field contain a signed agreement. Although the modified forms did not contain language regarding attendance of a pre-construction conference, the subcontractors still signed and agreed to the terms of the co-permittee agreement/contractor certification.

**LAC Recommendation #29. SCDOT should develop a "dashboard," accessible to the public, which includes measures that would give the General Assembly, the general public, and other interested parties accurate information regarding the overall effectiveness of the agency at any time.**

OCIA Audit Conclusion:

The Office of the Chief Internal Auditor requested documentation from SCDOT concerning the publication of performance data in a summarized manner on the internet for public review. SCDOT has produced and continues to improve a Dashboard by utilizing the best practices obtained from other state DOTs. While only two of the measurements on the Dashboard relate specifically to the strategic plan goals, our conclusion is that the public is reviewing the performance of SCDOT because of the website's 364 hits in August 2008 and its 344 hits in September 2008. A complete re-do

of the Dashboard to include all strategic plan measurements is due to be completed by the end of December 2008.

In summary, SCDOT continues to improve the dashboard to fully incorporate Recommendation 29.

SCDOT Response:

As a result of the initial LAC recommendations, a dashboard of performance data was created that reflected key strategic plan initiatives. Since that time the Strategic plan has been updated. As the report indicates, the Department is in the process of updating the dashboard and adding items that are relative to the current strategic plan. The dashboard report is a "living" report that we anticipate will undergo updates and revisions on a periodic basis to reflect current initiatives, policies, and goals as established for the agency by the Legislature, Commission and Secretary.

**LAC Recommendation # 34. To minimize conference costs, SCDOT should consider central locations for conferences to maximize the use of federal funds.**

OCIA Audit Conclusion:

The Office of the Chief internal Auditor requested documentation from SCDOT concerning any conferences or events that were either sponsored by SCDOT or were partnered with another organization since November 2006. Of the twenty-nine events that were tested, twenty-one were held in Columbia. Six of the eight events held outside of Columbia were co-partnered by SCDOT and the location was not the sole decision of SCDOT. The remaining two events were adequately justified. One of these two events, a series of regional forums, could have been handled using video conferencing. We recommend that this be considered for future events.

In summary, SCDOT has issued a revised Directive 40 which adequately addresses this recommendation. SCDOT is complying with the directive and has successfully incorporated Recommendation 34.

SCDOT Response:

We agree and will continually monitor Directive 40 for proper implementation. The series of regional forums referenced above have been discontinued, but management still encourages the use of video conferencing whenever possible and the Event Planning Committee has been directed to review requests for training events to determine if they can be held using video conferencing.

**LAC Recommendation # 36. SCDOT should refrain from soliciting donations from organizations that may pursue contracts with the agency.**

OCIA Audit Conclusion:

The Office of the Chief Internal Auditor requested documentation from SCDOT concerning donor lists of any conferences or events that were either sponsored by SCDOT or were co-partnered with another organization. The documentation concerning donors of the fourteen events that SCDOT co-partnered was maintained by the primary sponsor and not available. The financial statements for the fifteen events that were sponsored by SCDOT indicated twelve were funded directly by SCDOT budgeted funds

or by registration fees. One of the remaining three events received donations from a non-profit that is not a vendor of SCDOT. The other two events (The Annual SC State Highway Conference sponsored by Clemson University and The Adopt-A-Highway Ceremony) had donations from SCDOT vendors. Directive 40 prohibits solicitation of donations from SCDOT vendors. In all cases, we were unable to ascertain if the donations were solicited or were from registration fees of actual participants.

In summary, SCDOT has issued a revised Directive 40 which addresses this recommendation. Clarification may be needed as to whether donations will be accepted even if not solicited. In addition, we recommend reviewing guidelines on registration fees to consider possible conflicts of interest. With two possible exceptions, SCDOT has incorporated Recommendation 36.

SCDOT Response:

We agree and will strongly monitor Directive 40 for total compliance.

Two of the three events above referencing sponsors occurred before the Commission formally adopted a policy on solicitation of sponsors – they were an Adopt-A-Highway Annual Awards Ceremony and a Safe Routes to Schools event. In both cases, the donations were solicited and not part of registration fees. The third event was the Highway Safety Conference, and those donations were solicited by Clemson University and did not come out of registration fees.

Secretary Limehouse has verbally instructed staff that donations for agency events and conferences will not be accepted but we agree with Internal Audit's recommendation that written clarification is needed. Management will also consider the recommendation by Internal Audit to review guidelines relating to registration fees to ensure there are no conflicts of interest.

**LAC Recommendation # 43. SCDOT should consolidate personal computers and avoid issuing multiple computers to the same employee.**

OCIA Audit Conclusion:

The Office of the Chief Internal Auditor requested documentation from SCDOT concerning the progress that had been made on eliminating the assignment of two computers to one individual. SCDOT provided documentation that twenty-nine computers have been eliminated. Additionally, fifty-four dual users have justified having both a laptop and a desktop computer. Twenty-two users have submitted justification for both computers but await approval. The reports we obtained concern headquarter computers. The procedures at the district level have not been tested because laptop assignments are outside the management of the SCDOT Information Technology Department.

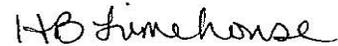
In summary, SCDOT has successfully incorporated Recommendation 43 at SCDOT headquarters. In our planned audit of Information Technology, we will review control procedures at the district level.

SCDOT Response:

The Office of Information Technology Services has requested lists from the District Offices of employees who have been assigned more than one computer and is reviewing the lists to determine if justification has been provided and approved for each dual assignment. This monitoring will continue to be handled by the headquarters office of ITS.

Thank you for the opportunity to respond to your review.

Sincerely,



H. B. Limehouse Jr.  
Secretary of Transportation

HBL/wbn  
cc: SCDOT Deputy Secretaries