

SOUTH CAROLINA DEPARTMENT OF TRANSPORTATION

SUPPLEMENTAL FEDERAL FINANCIAL  
ASSISTANCE REPORTS

YEAR ENDED JUNE 30, 2010

# State of South Carolina



## Office of the State Auditor

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RICHARD H. GILBERT, JR., CPA  
DEPUTY STATE AUDITOR

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December 2, 2010

The Honorable Mark Sanford, Governor  
and  
Members of the South Carolina Transportation Commission  
South Carolina Department of Transportation  
Columbia, South Carolina

The Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* and the Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards of the South Carolina Department of Transportation for the fiscal year ended June 30, 2010, were issued by Scott McElveen, L.L.P., Certified Public Accountants, under contract with the South Carolina Office of the State Auditor. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with the basic financial statements of the South Carolina Department of Transportation for the fiscal year ended June 30, 2010, issued by Scott McElveen, L.L.P., Certified Public Accountants, dated September 30, 2010.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA  
Deputy State Auditor

RHGjr/cwc

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**SOUTH CAROLINA DEPARTMENT OF TRANSPORTATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDING JUNE 30, 2010**

<b>Federal Grantor / Program Title</b>	<b>Federal CFDA Number</b>	<b>Total Federal Expenditures</b>	<b>Expenditures To Sub-recipients</b>
Direct Programs:			
<b>U.S. Department of Transportation</b>			
Highway Planning and Construction	20.205	\$ 459,754,871	\$ 3,924,454
Highway Planning and Construction - American Recovery & Reinvestment Act - ARRA	20.205	208,905,632	—
Federal Transit - Capital Investment Grants	20.500	1,174,248	1,174,248
Federal Transit - Capital Investment Grants - American Recovery & Reinvestment Act - ARRA	20.500	6,043,440	6,043,440
Federal Transit - Metropolitan Planning Grants	20.505	205,280	205,280
Formula Grants for Other Than Urbanized Areas	20.509	10,229,193	8,567,948
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513*	1,757,622	686,294
Job Access and Reverse Commute	20.516*	854,180	772,662
New Freedom Program	20.521*	680,617	680,617
Alternatives Analysis	20.522	131,810	131,810
Total Direct Programs		689,736,893	22,186,753
Indirect Programs:			
<b>Federal Emergency Management Agency</b>			
Passed Through SC Emergency Preparedness Public Assistance Grants	83.544	20,500	—
Totals		\$ 689,757,393	\$ 22,186,753

**SOUTH CAROLINA DEPARTMENT OF TRANSPORTATION**  
**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2010**

**1. Basis of Presentation:**

The information in the Schedule of Expenditures of Federal Awards is presented in accordance with the requirements of *OMB Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations* (as amended).

The financial information shown in the Schedule of Expenditures of Federal Awards reflects amounts recorded by the South Carolina Department of Transportation during its fiscal year July 1, 2009 through June 30, 2010. This information is presented on the accrual basis of accounting.

**Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters based  
on an Audit of Financial Statements Performed in Accordance with  
*Government Auditing Standards***

Mr. Richard H. Gilbert, Jr., CPA,  
Deputy State Auditor  
State of South Carolina  
Columbia, South Carolina

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the South Carolina Department of Transportation (the "Department") as of and for the year ended June 30, 2010, which collectively comprise the Department's basic financial statements and have issued our report thereon dated September 30, 2010. Our report was modified to include a reference to other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Connector 2000 Association, Inc., as described in our report on the Department's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency 2010-01 described in the accompanying schedule of findings and questioned costs to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies 2010-01 through 2010-03 described in the accompany schedule of findings and questioned costs to be significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The Department's response to the material weakness identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Department's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the South Carolina Office of the State Auditor, the Governor of the State of South Carolina, commission members, and management of the Department, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Scott and Company LLP*

Columbia, South Carolina  
November 29, 2010

**Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control  
Over Compliance in Accordance with OMB Circular A-133**

Mr. Richard H. Gilbert, Jr., CPA,  
Deputy State Auditor  
State of South Carolina  
Columbia, South Carolina

Compliance

We have audited the South Carolina Department of Transportation (the "Department") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The Department's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Department's management. Our responsibility is to express an opinion on the Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program identified in the accompanying schedule of findings and questioned costs occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Department's compliance with those requirements.

In our opinion, the Department complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2010-04 and 2010-05.

## Internal Control over Compliance

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Department's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-04 and 2010-05 to be significant deficiencies.

## **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Department as of and for the year ended June 30, 2010, and have issued our report thereon dated September 30, 2010. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our

opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The Department's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Department's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the South Carolina Office of the State Auditor, the Governor of the State of South Carolina, commission members, management of the Department, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Scott and Company LLP*

Columbia, South Carolina  
November 29, 2010

**SOUTH CAROLINA DEPARTMENT OF TRANSPORTATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2010**

**Section I—Summary of Auditors' Results**

**Financial Statements**

- |    |   |                                 |
|----|---|---------------------------------|
| 1. | Type of auditor's report issued:  | Unqualified Opinion             |
| 2. | Internal control over financial reporting:                                    |                                 |
|    | Material weakness identified:   | <u>  x  </u> yes <u>    </u> no |
|    | Significant deficiencies identified not considered to be material weaknesses? | <u>  x  </u> yes <u>    </u> no |
| 3. | Noncompliance material to the Financial Statements noted?                     | <u>    </u> yes <u>  x  </u> no |

**Federal Awards**

- |    |   |                                 |
|----|---|---------------------------------|
| 4. | Internal control over major programs:   |                                 |
|    | Material weaknesses identified:   | <u>    </u> yes <u>  x  </u> no |
|    | Significant deficiency identified not considered to be a material weakness?                                       | <u>  x  </u> yes <u>    </u> no |
| 5. | Type of auditor's report on compliance for major programs:  | Unqualified Opinion             |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? | <u>  x  </u> yes <u>    </u> no |
| 7. | Identification of major programs:   |                                 |

<u>CFDA Number</u>	<u>Name of Federal Program</u>
20.205	Highway Planning and Construction
20.205ARRA	Highway Planning and Construction – American Recovery & Reinvestment Act
20.500	Federal Transit – Capital Investment Grants
20.500ARRA	Federal Transit – Capital Investment Grants- American Recovery & Reinvestment Act

- |    |   |                                 |
|----|---|---------------------------------|
| 8. | Dollar threshold used to be distinguished between Type A and Type B Programs: | \$3,000,000                     |
| 9. | Auditee qualified as low-risk auditee?  | <u>    </u> yes <u>  x  </u> no |

## **Section II – Internal Controls over Financial Reporting**

### **Condition Considered to be a Material Weakness and/or Violation of State Law, Rule, or Regulation**

*2010-1 Cash Reconciliations not Prepared and Reviewed in a Timely Manner.*

#### **Condition:**

The cash reconciliations for the months of January 2010 through June 2010 were not prepared or reviewed until September 2010. This is not considered to be timely preparation and review of reconciliations.

#### **Cause:**

There was lack of oversight by the finance department.

#### **Effect:**

If reconciliations are not prepared in a timely manner, errors could carry forward from month to month or year to year without detection, and the Department's year-end financial statements could be misstated.

#### **Criteria:**

Reconciliations should provide significant assurance that transactions are processed correctly both in the agency's accounting system and in STARS. State law requires that monthly reconciliations be performed and signed and dated by the preparer. In addition it requires that the reconciliations be reviewed and approved in writing by an appropriate agency official other than the preparer in a timely manner.

#### **Recommendation:**

Agency personnel should perform monthly reconciliations between the agency's accounting records and the balances recorded on STARS reports in a timely manner. Upon completion, the preparer should sign and date the reconciliation. Once the reviewer has reviewed the reconciliation, they should sign and date it. All reconciliations should be prepared and reviewed within thirty days of the month end for which the reconciliation is prepared.

## **Conditions Considered to be Significant Deficiencies but Not Material Weaknesses**

### **Findings Related to General Computer Controls**

#### **2010-02 Access to Program and Data (Physical Security and Logical Security)**

##### **Condition:**

The computer room located in the basement of the Department's building is secured by a card reader security system. However, there is no process in place to ensure that computer room access is reviewed for appropriateness on a periodic basis.

In addition, although certain application data owners perform a periodic review of user access rights for certain applications, other application data owners have not yet established a plan of periodic review of user access rights for all in-scope applications to ensure all users (including terminated employees and transfers) have appropriate access rights.

The IT Department also informed us that the internal audit department performs database access rights reviews on an as-needed basis when performing audits.

Also, network vulnerability analysis and testing are performed by an outside consultant every two years. The most recent one was performed by Layer 3 Communications, LLC. A report called "Vulnerability Analysis" was produced as a result. This report provides recommendations on issues discovered during the assessment. However, there is lack of management response and remediation plan regarding the issues noted in the report.

##### **Cause:**

The IT Department does not have a periodic recertification process for computer room access. In addition, the IT Department does not have an adequate review process for all in-scope applications regarding user access rights.

In addition, the IT Department does not have adequate resources to perform periodic database access rights reviews and they are currently performed by the internal audit department on an as-needed basis.

The IT Department also does not have a formalized remediation plan for the recommendations prescribed by the outside consultant regarding network vulnerability detected due to time constraints.

##### **Effect:**

Unauthorized users may have access to computer room, applications, database, network and perimeter to disclose, modify, and damage data. All access rights may be inappropriately restricted without periodical recertification.

**Criteria:**

General computer controls indicate that a formal recertification process that reviews user access listing to the computer room, all in-scope applications, and database. In addition, the internal audit department should perform database access rights reviews on an annual basis. The IT Department should also have a remediation plan and process to resolve the network vulnerability issues identified in the consultant's report.

**Recommendation:**

The IT Department management should perform periodic review of the user access listing to ensure all current users are authorized to access the computer room and other sensitive data storage locations.

The IT Department also needs to work with various application owners to ensure that application owners or their representative performs periodic review of user access rights for all in-scope applications, in order to be certain that all users (including terminated employees and transfers) have appropriate access rights. This effort should be a part of entity's strategic planning and risk assessment process.

In addition, we also suggest that the IT Department work closely with the internal audit department to ensure that database access rights are systematically reviewed at least once a year to make sure database access is appropriately restricted (including privileged rights).

The IT Department also needs to establish a remediation plan and possible timeline to resolve the network vulnerability issues identified in the consultant's report.

*2010-03 Access to Program and Data (Programmer's Access to Production Environment)*

**Condition:**

Through inquiry and inspection of programmers' production security profile, there are 27 programmers who can access the production environment by running a program. The programmers can approve their own program changes when they request migration to production environment. In addition, some program changes lack documentation as far as what the change is and the purpose of the change.

**Cause:**

This area of risk had not been considered by the Department, and therefore, the appropriate controls had not been put into place.

**Effect:**

Programmers can access the production environment by running a malicious program without proper approval and review.

**Criteria:**

General computer controls indicate that access to production environment should be restricted to fewer programmers. Programmers cannot approve their own changes. Every program change should have proper documentation.

**Recommendation:**

Access to production environment should be restricted to fewer programmers for each separate functional group. Programmers' changes need to be approved by supervisor or supervisor's designated person. The supervisors' changes need to be approved by a person at the same level or above. We recommend a policy be implemented for the proper documentation supporting system changes.

**Section III- Federal Award Findings – Considered to be Significant Deficiencies but not Material Weaknesses**

*2010-04 Improve Subrecipient Monitoring and Communication impacting CFDA Number 20.205.ARRA*

**Condition:**

The Department is not notifying the first tier sub-recipient receiving ARRA funding, that they must register to the Central Contractor Registration (“CCR”) to obtain a Dun and Bradstreet Data Universal Numbering System (“DUNS”) number.

**Cause:**

The Department does not have adequate controls in place to ensure that the Federal guidelines are followed involving the communication of the registration to the CCR for first tier sub-recipients receiving ARRA funding.

**Effect:**

The Department is not in compliance with the A-133 Federal requirements for subrecipient monitoring.

**Criteria:**

The Department did not meet the following governing requirements (OMB Circular A-133)

- *Central Contractor Registration* – Identifying to first-tier subrecipients the requirement to register in the Central Contractor Registration, including obtaining a DUNS number, and maintain the currency of that information (Section 1512(h) of ARRA, and 2 CFR section 176.50(c)).

**Recommendation:**

We recommend the Department contact the first tier subrecipient and notify them to register to the CCR to obtain a DUNS number. Subsequent to our finding, the Department made contact with the first tier subrecipient to notify them of this requirement.

2010-05 Improve Subrecipient Monitoring Impacting CFDA Number 20.500.ARRA

**Condition:**

The Department did not perform a compliance and oversight review for one subrecipient.

**Cause:**

The Department has an all encompassing list of subrecipients for the Mass Transit Department. One of the subrecipients was not included on the list due to oversight.

**Effect:**

The Department is not in compliance with the A-133 Federal requirements for subrecipient monitoring.

**Criteria:**

The Department did not meet the following governing requirement (OMB Circular A-133)

- *During-the-Award Monitoring* – Monitoring the subrecipient’s use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

**Recommendation:**

We recommend that the Department add the subrecipient to the their list for compliance and oversight review and then have another individual review the list to make sure it is all-inclusive.

**Summary Schedule of Prior Audit Findings:**

During the current year audit, we reviewed the status of corrective action taken on the Financial Statement Findings and Federal Award Findings and Questioned Costs as reported in our prior year’s reports on internal control and compliance of the Department dated October 15, 2009. We found that adequate corrective action was taken for all of the management letter comments, findings and questioned costs except for items 2009-05, which has been repeated above as comment 2010-02.



South Carolina  
Department of Transportation

## CORRECTIVE ACTION PLAN

November 29, 2010

Richard H. Gilbert, Jr., CPA  
Deputy State Auditor  
Office of the State Auditor  
1401 Main Street, Suite 1200  
Columbia, SC 29201

Dear Mr. Gilbert,

The South Carolina Department of Transportation respectfully submits the following Corrective Action Plan for the year ended June 30, 2010.

The Plan outlines actions taken, or to be taken, to address each significant deficiency and material weakness contained in the audit report prepared by Scott and Company dated October 15, 2010 (financial statements and GAS Report) and November 29, 2010 (OMB Circular A-133 Report).

The Department takes the recommendations of the Auditor seriously and views them as an opportunity to make improvements in controls and reporting. Each audit recommendation is repeated prior to our response and numbered as in the audit report.

### **Financial Statement Findings**

#### **Condition Considered to be Significant Deficiency and a Material Weakness**

##### **2010-01 Cash Reconciliations not Prepared and Reviewed in a Timely Manner**

#### **Condition:**

The cash reconciliations for the months of January 2010 through June 2010 were not prepared or reviewed until September 2010. This is not considered to be timely preparation and review of reconciliations.

#### **Recommendation:**

Agency personnel should perform monthly reconciliations between the agency's accounting records and the balances recorded on STARS reports in a timely manner. Upon completion, the preparer should sign and date the reconciliation. Once the reviewer has reviewed the reconciliation, they should sign and date it. All reconciliations should be prepared and reviewed within thirty days of the month end for which the reconciliation is prepared.

#### **Corrective Action:**

SCDOT agrees with the recommendation to timely reconcile the various cash accounts to the CG STARS reports. Various employees within the accounting division have been trained on the completion of the reconciliation which is due by the 20<sup>th</sup> of the month for the previous month. Management will take a more active role in monitoring the reconciliations and will continue to sign and date once completed. This will ensure management is aware of the time to complete the reconciliations.

## Conditions Considered to be Significant Deficiency but Not Material Weaknesses

### 2010-02 Access to Programs and Data (Physical Security and Logical Security)

#### **Condition:**

The computer room located in the basement of the Department's building is secured by a card reader security system. However, there is no process in place to ensure that computer room access is reviewed for appropriateness on a periodic basis.

In addition, although certain application data owners perform a periodic review of user access rights for certain applications, other application data owners have not yet established a plan of periodic review of user access rights for all in-scope applications to ensure all users (including terminated employees and transfers) have appropriate access rights.

The IT Department also informed us that the internal audit department performs database access rights reviews on an as-needed basis when performing audits.

Also, network vulnerability analysis and testing are performed by an outside consultant every two years. The most recent one was performed by Layer 3 Communications, LLC. A report called "Vulnerability Analysis" was produced as a result. This report provides recommendations on issues discovered during the assessment. However, there is a lack of management response and remediation plan regarding the issues noted in the report.

#### **Recommendation:**

The IT Department management should perform periodic review of the user access listing to ensure all current users are authorized to access the computer room and other sensitive data storage locations.

The IT Department also needs to work with various application owners to ensure that application owners or their representative performs periodic review of user access rights for all in-scope application, in order to be certain that all users (including terminated employees and transfers) have appropriate access rights. This effort should be a part of the entity's strategic planning and risk assessment process.

In addition, we also suggest that the IT Department work closely with the internal audit department to ensure that database access rights are systematically reviewed at least once a year to make sure database access is appropriately restricted (including privileged rights).

#### **Corrective Action:**

IT Management will perform quarterly reviews of the user access listing to ensure all current users are authorized to access the computer room and other sensitive data storage locations.

IT will work with individual system Administrators to ensure that security audits are being performed at least once a year to make sure all users have appropriate access rights.

IT will work with Internal Audit to ensure that database access rights are systematically reviewed at least once a year to make sure database access is appropriately restricted (including privileged rights).

IT Services will complete the remediation plan and implement the recommendations by June 2011.

2010-03 Access to Programs and Data (Programmer's Access to Production Environment)

**Condition:**

Through inquiry and inspection of programmers' production security profile, there are 27 programmers who can access the production environment by running a program. The programmers can approve their own program changes when they request migration to production environment. In addition, some program changes lack documentation as far as what the change is and the purpose of the change.

**Recommendation:**

Access to production environment should be restricted to fewer programmers for each separate functional group. Programmer's changes need to be approved by supervisor or supervisor's designated person. The supervisors' changes need to be approved by a person at the same level or above. We recommend a policy be implemented for the proper documentation supporting system changes.

**Corrective Action:**

Software that controls the submission and management of production activities will be modified to prevent self-approval of requests. Requests submitted by team members will be approved by next level of direct supervision or next available level of peer supervision. Requests submitted by team leaders will be approved by the Software Support Group team leader or available peer supervisor.

Access to production environment will be changed so only the top two management tiers below the Software Support Group team leader have the ability to access the production environment outside of the normal end-user application.

Enforcement of program documentation will be monitored by next level supervisors and approved before programs are moved into production along with issuance of clearly defined expectations and requirements for documenting object modifications within the object itself.

**Federal Award Findings**

**Conditions Considered to be Significant Deficiencies but not Material Weaknesses**

2010-04 Improve Subrecipient Monitoring and Communications impacting CFDA Number 20.205.ARR

**Condition:**

The Department is not notifying the first tier sub-recipient receiving ARRA funding, that they must register for the Central Contractor Registration ("CCR") to obtain a Dun and Bradstreet Data Universal Numbering System ("DUNS") number.

**Recommendation**

We recommend the Department contract the first tier Subrecipient and notify them to register to the CCR to obtain a DUNS number. Subsequent to our finding, the Department made contact with the first tier Subrecipient to notify them of this requirement.

**Corrective Action:**

As noted above, SCDOT had addressed this finding noted in the audit report prior to the issuance of the final report. We deem no additional action is required.

2010-05 Improve Subrecipient Monitoring Impacting CFDA Number 20.500.ARR

**Condition:**

The Department did not perform a compliance and oversight review for one Subrecipient.

**Recommendation:**

We recommend that the Department add the Subrecipient to their list for compliance and oversight review and then have another individual review the list to make sure it is all-inclusive.

**Corrective Action:**

The Department has added the Subrecipient to the list and will have the list reviewed periodically by other to ensure the list is accurate and up-to-date.

Sincerely,



Angela R. Feaster, CGFO  
Deputy Secretary Finance & Administration