Internal Audit Report

Travel Expenses

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SOUTH CAROLINA OFFICE OF THE STATE AUDITOR

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1. Forward

Authorization

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

Statement of Independence

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

Report Distribution

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

Acknowledgement

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

2. Internal Auditor's Report

July 13, 2026

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

We have completed an assessment of the South Carolina Department of Transportation's (SCDOT's) Travel Expenses. The objective of this assessment was to contribute to the improvement of risk management by evaluating SCDOT's exposure to risks and the controls designed by Management to manage those risks. We performed an independent assessment of the design and effectiveness of internal controls to determine whether those controls effectively manage risk to an acceptable level.

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

Todd Wilkins, CISA

Todd Anson Wilkins

Associate Director of Internal Audit Services

3. Engagement Overview

Background

The Procurement Office operating under the leadership of the Chief Procurement Officer (CPO), functions under the strategic guidance and executive oversight of the Deputy Secretary for Finance and Administration. While the department handles agency-wide contracting, sourcing, and purchasing workflows, the Procurement Office houses a critical administrative governance function by serving as the centralized authority for travel expenses oversight, policy enforcement, and compliance routing across all South Carolina Department of Transportation (SCDOT) personnel.

SCDOT is required to comply with state financial laws, mandates from the State Comptroller General's Office, and the South Carolina Code of Regulations 19-101 to ensure public funds are used in the most efficient and economical manner possible. Through a collaborative workflow split between Procurements front end gatekeeping and Finance's accounts payable processing, this oversight explicitly governs all pre-travel approvals, direct-pay mechanisms, and final post-travel expense reimbursements.

To better control costs and tighten oversight, Management updated the agency's travel policy Departmental Directive 15 (DD15) on January 13, 2025, replacing the previous 2023 version. This update strengthens internal controls by enforcing strict deadlines for submitting travel requests, eliminating "after the fact" approvals for lodging cost that exceed General Services Administration (GSA) maximum rates, and requiring cleaner tracking on payment forms.

To evaluate these operations, the audit team met with key process owners to document procedural steps, reviewed updated travel workflows to identify critical control points, and tested two samples of travel records to verify that policy requirements were met. This concentrated control environment was evaluated across three distinct operational stages.

1. Pre-Travel Verification and Authorization:
2. Emergency Lodging Compliance
3. Post-Travel Reimbursement

Objective

Management's objective with the Travel Expenses activity is to ensure that the agency's updated travel controls and workflows are properly designed and operating effectively to address previously identified risks.

Our objective was to assess the design adequacy and operating effectiveness of controls designed to manage those risks to an acceptable level.

Scope

The scope of this audit engagement comprised a comprehensive review of travel-related transactions across two consecutive fiscal periods to evaluate compliance with agency policies. The Travel Expenses review was organized around two distinct focus areas.

1. Review of Travel Expenses in FY2024- IAS selected and evaluated a sample of travel expense transactions executed during the Fiscal Year 2024 to establish a baseline of compliance under the historical travel framework.
2. Review of Travel Expenses in FY2025- IAS selected and evaluated a sample of travel expense transactions executed during Fiscal Year 2025 to assess compliance with the newly updated travel directives and control points.

Our scope included the dual-departmental activities and processing workflows of both the Procurement Office and the Finance Department across FY2024 and FY2025.

Methodology

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

1. Met with key process owners to develop a process narrative that documents the procedural steps and identifies individuals responsible for those steps.
2. Reviewed updated travel policies, procedures, and workflow documentation to identify key control points such as authorization, booking/reservations, travel approval, reimbursement approval, and documentation.
3. Selected controls for testing based on risk significance and prior investigative findings.
4. Evaluated evidence generated throughout the workflow including approvals, receipts, and system records.

4. Conclusion

Travel Expenses Controls

In our opinion, controls are adequate in design and are operating effectively for reducing risks within the Agency’s risk appetite.

Appendix A - Process Descriptions

Process 1 Pre-Travel Verification and Authorization

The employee seeking travel pre-approval initiates a travel request by compiling a standardized Travel Request Packet. This packet must include essential supporting documentation: a completed Travel Request Form, a conference or training agenda, registration costs, hotel and GSA rates with length of stay, planned airfare costs, meals, mileage, other supporting travel costs, and the specific source of payment. The employee's individual department evaluates business necessity and determines if lodging complies with GSA rates. A GSA exception requires an Approving Authority recommendation to the Secretary of Transportation or includes a documented agreement by the employee to pay the cost difference out of pocket.

The request is routed through the employee's chain of command to their designated Approving Authority such as the Secretary of Transportation, Chief of Staff, Chief Counsel, or relevant Deputy Secretary. For out-of-state travel, the packet must also be routed to the Secretary of Transportation or designee for explicit approval. The Chief Procurement Officer (CPO) or designee must receive the packet at least five business days in advance of the travel date. During the final approval stage, the procurement method such as reimbursement, hotel direct pay, or P-Card is determined and reflected on the approval form. Final agency approval is granted by the CPO or a designee before the employee is authorized to finalize travel plans.

Process 2 Emergency Lodging Compliance

This stage governs the critical lodging logistics required when SCDOT declares an official emergency, such as storm clean-up operations. During these events, the CPO and the Director of Alternative Procurement and Card Services assume direct responsibility for coordinating and executing rapid hotel bookings for responding field crews. This specialized authority ensures public safety by allowing management to bypass standard travel policy restrictions such as the 50-mile geographical boundary, normal travel request pre-approval timelines, and standard GSA maximum lodging rates to help position crews exactly where they are needed most.

Process 3 Post-Travel Reimbursement

This stage governs the final financial reconciliation of travel expenditures after an employee returns from authorized travel. The Finance Division reviews the submitted packet to verify it includes the approved Travel Request Form, complies with standard GSA maximum allowances and contains the required supporting documentation for the specific procurement method utilized.

Travel Reimbursement Claims: Finance checks the Travel Expense Claim Form 586 along with the approved Travel Request form, airfare receipt, hotel folio, registration receipt, and other transportation receipts.

Direct Hotel Payment Contracts: Contracts can only be executed by the Deputy Secretary of Finance and Administration, Chief Procurement Officer, or designee. Finance checks the Form 608 used for Direct Pay Hotel and Registration and verifies that the employee's name, employee SCEIS number, purpose of travel, event location and date are included, approved by signature from their department director, invoice and approved travel request form.

P-Card Practices: Finance checks that the approved Travel Request Form is attached to the monthly P-card statement as supporting documentation.

This verification phase is designed to confirm that processed expenses match an authorized pre-travel request, comply with standard GSA rates, and adhere to established meal per diem allowances.

Appendix B - Risk Scoring Matrix

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

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

Appendix C - Risk Appetite

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

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