

SOUTH CAROLINA DEPARTMENT OF TRANSPORTATION

SUPPLEMENTAL FEDERAL FINANCIAL
ASSISTANCE REPORTS

YEAR ENDED JUNE 30, 2009

State of South Carolina



Office of the State Auditor

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RICHARD H. GILBERT, JR., CPA
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November 12, 2009

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, 2009, 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, 2009, issued by Scott McElveen, L.L.P., Certified Public Accountants, dated October 13, 2009.

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, 2009**

Federal Grantor / Program Title	Federal CFDA Number	Total Federal Expenditures	Expenditures To Sub-recipients
Direct Programs:			
U.S. Department of Transportation			
Highway Planning and Construction	20.205	466,273,452	12,353,727
Highway Planning and Construction - American Recovery & Reinvestment Act	20.205	979,107	—
Federal Transit - Capital Investment Grants	20.500	4,287,220	4,287,220
Federal Transit - Metropolitan Planning Grants	20.505	103,821	103,821
Formula Grants for Other Than Urbanized Areas	20.509	10,815,631	9,584,876
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	2,097,458	1,811,549
Job Access and Reverse Commute	20.516	785,073	694,586
New Freedom Program	20.521	345,976	243,869
Total Direct Programs		485,687,738	29,079,648
Totals		485,687,738	29,079,648

SOUTH CAROLINA DEPARTMENT OF TRANSPORTATION
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

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, 2008 through June 30, 2009. 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, the 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, 2009, which collectively comprise the Department's basic financial statements and have issued our report thereon dated October 15, 2009. 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 opinion 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* 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 *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Department's ability to initiate, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Department's financial statements that is more than inconsequential will not be prevented or detected by the Department's internal control. We consider deficiencies 2009-1 through 2009-5 described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Department's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that the deficiency 2009-1 described above is a material weaknesses.

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 or other matters that are required to be reported under *Government Auditing Standards*.

The Department's response to the findings 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 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 McElveen, L.L.P.

Columbia, South Carolina
October 15, 2009

**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 compliance of 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, 2009. 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 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, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with *OMB Circular A-133* and which is described in the accompanying schedule of findings and questioned costs as item 2009-6.

Internal Control over Compliance

The management of the Department is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Department's internal control over compliance with 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, 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 internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2009-6 to be a significant deficiency.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We do not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

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, 2009, and have issued our report thereon dated October 15, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *OMB Circular A-133* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Department's response to the findings 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 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 McElveen, L.L.P.

Columbia, South Carolina
October 15, 2009

SOUTH CAROLINA DEPARTMENT OF TRANSPORTATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2009

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: x yes no
- Significant deficiencies identified not considered to be material weaknesses? x yes no
3. Noncompliance material to the Financial Statements noted? yes x no

Federal Awards

4. Internal control over major programs:
- Material weaknesses identified: yes x no
- Significant deficiency identified not considered to be a material weakness? x yes 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)? x yes no
7. Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
20.205	Highway Planning and Construction
20.509	Formula Grants for Other than Urbanized Areas
20.500	Federal Transit – Capital Investment Grants
Transit Services Program Cluster:	
20.513	Capital Assistance Program for Elderly Persons And Persons with Disabilities
20.516	Job Access & Reverse Commute
20.521	New Freedom Program

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

SOUTH CAROLINA DEPARTMENT OF TRANSPORTATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2009

Section II – Internal Controls over Financial Reporting

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

2009-1 Improve Capital Asset Capitalization Controls

Condition:

The Department included several items in repairs and maintenance expense that should have been capitalized under the Department's capital asset capitalization policy in the current year. Due to the lack of capitalization of the repairs and maintenance costs, capital assets were understated by approximately \$137,000,000 and maintenance costs were overstated by \$137,000,000.

Cause:

The Department did not properly analyze repairs and maintenance expenses.

Effect:

An adjustment was made during the current year to remove \$137,000,000 in maintenance costs that were incorrectly classified as expenses during the current year.

Criteria:

Generally accepted accounting principles require the proper classification and evaluation of capital assets and repairs as well as a review process for these areas.

Recommendation:

We recommend that the Department implement a review process for the determination and setup of capital or expense projects in the accounting system before the year-end close, rather than waiting for the projects to close to commence review. Repairs and maintenance projects that qualify for capitalization according to the Department's policy should be reclassified to capital assets from repairs and maintenance expense at the end of each year.

Conditions Considered to be Significant Deficiencies but Not Material Weaknesses

2009-2 Review and Reconciliation of Participation Revenues and Receivables Schedule to the Financial Statements

Condition:

The Department provided the auditors with an internally prepared participation agreement schedule (the “schedule”). This schedule is used to record the receivables, revenue, and deferred revenue related to participation by various third-parties in the payment of infrastructure and maintenance projects. The schedule provided to us was not reviewed or reconciled to the Department’s financial statements or trial balance.

Cause:

The schedule was prepared by a member of management, but not reviewed or reconciled to the financial statements prior to being finalized.

Effect:

The financial statements could potentially be significantly misstated.

Criteria:

Good internal controls require that all schedules supporting amounts included in the financial statements be reviewed and reconciled to amounts reported in the Department’s financial statements or trial balance.

Recommendation:

We recommend that the Department consider improving its quality control process relating to the participation agreement schedule. This process should include reconciling this schedule to the adjusted trial balance and resulting financial statements and the reconciliation should be reviewed and documented by the reviewer’s initials and date reviewed.

2009-3 Business Contingency Plan

Condition:

The Department has not adopted a business contingency plan for the whole organization.

Cause:

The Department has not had the resources available to focus on preparing a business contingency plan.

Effect:

The Department's business could be significantly interrupted or destroyed without a business contingency plan in place in case of emergency or disaster.

Criteria:

Proper business practices and internal controls indicate that all entities develop an entity-wide business contingency plan to deal with unusual circumstances.

Recommendation:

The Department should adopt a full business contingency plan for the entire agency for emergency and disaster situations. The plan should be tested yearly to ensure the organization recovers its business functions timely under unusual conditions. Business contingency planning and testing should be an ongoing objective in the Department's risk assessment process and should be appropriately documented. This plan could be part of the Department's overall risk assessment program.

Findings Related to General Computer Controls

2009-4 IT Security Policy

Condition:

The Department has not adopted a full policy regarding IT security policies and procedures. This is also noted as a recommendation in the report of network vulnerability analysis written by Layer 3 Communications LLP.

Cause:

The Department has not developed such policies due to time constraints.

Effect:

The Department's employees could be informed of misleading and out-dated information without formalized and documented IT security policies and procedures. Management could be missing undefined IT security objectives and risk assessments.

Criteria:

General information technology controls indicate that the IT department should have a full policy suite regarding IT security policies and procedures.

Recommendation:

The IT department should adopt a full policy suite, which should define information security objectives and contain IT policies and procedures regarding IT security administration, physical security, access to programs and data, and network security, in order to better manage risks and educate common users. Once the policies and procedures are formalized, the IT department should update all policies and procedures at least annually to make sure all the information is accurate and up-to-date.

2009-5 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 review and it is 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. The IT department should 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 joint effort and objectives 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.

Section III- Federal Award Findings and Questioned Costs

2009-6 Improve Subrecipient Monitoring and Communication impacting CFDA Numbers 20.205

Condition:

The Department is not identifying the CFDA title and number to its subrecipients at the time of the award.

Cause:

The Department does not have adequate controls in place to ensure that the Federal guidelines are followed involving the communication of the CFDA number to the entities receiving the pass through award.

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 §.400(d) in a timely manner:

- *Award Identification* – At the time of the award, identifying to the subrecipient the Federal award information (e.g., CFDA title and number, award name, name of Federal agency) and applicable compliance requirements.

Recommendation:

The Department has made significant improvements in their subrecipient monitoring from prior year. However, we recommend that on all award documents to subrecipients that the CDFA title and number are included in correspondence.

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, 2008. We found that adequate corrective action was taken for all of the management letter comments, findings and questioned costs except for items 2008-1 and 2008-4, which have been repeated above as comments 2009-2 and 2009-6, respectively.



South Carolina
Department of Transportation

CORRECTIVE ACTION PLAN

November 4, 2009

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, 2009.

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 McElveen, LLP dated October 14, 2009 (financial statements and GAS Report) and November 4, 2009 (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

2009-1 Improve Capital Asset Capitalization Controls

Condition:

The Department included several items in repairs and maintenance expense that should have been capitalized under the Department's capital asset capitalization policy in the current year. Due to the lack of capitalization of the repairs and maintenance costs, capital assets are understated by approximately \$137,000,000 and maintenance costs were overstated by \$137,000,000.

Recommendation:

We recommend that the Department implement a review process for the determination and setup of capital or expense projects in the accounting system before the year-end close, rather than waiting for the projects to close to commence review. Repairs and maintenance projects that qualify for capitalization according to the Department's policy should be reclassified to capital assets from repairs and maintenance expense at the end of each year.

Corrective Action:

The Department agrees with the recommendation. Accounting will run an annual infrastructure/maintenance report in early June of each year. This report will be reviewed by Accounting management and staff and necessary reclassifications will be made. This process will ensure that projects are accurately classified and properly expensed in the correct fiscal year.

Conditions Considered to be Significant Deficiencies but not Material Weaknesses

2009-2 Review and Reconciliation of Participation Revenues and Receivables Schedule to the Financial Statements

Condition:

The Department provided the auditors with an internally prepared participation agreement schedule (the "schedule"). This schedule is used to record the receivables, revenue, and deferred revenue related to participation by various third-parties in the payment of infrastructure and maintenance projects. The schedule provided to us was not reviewed or reconciled to the Department's financial statements or trial balance.

Recommendation:

We recommend that the Department consider improving its quality control process relating to the participation agreement schedule. This process should include reconciling this schedule to the adjusted trial balance and resulting financial statements and the reconciliation should be reviewed and documented by the reviewer's initials and date reviewed.

Corrective Action:

The reconciliation between the schedule and the trial balance was prepared for the fiscal year 2009 audit prior to several adjusting entries. The posting of the entries did affect the reconciliation. In the future all adjusting entries affecting the participation schedule, revenues, deferred revenues, and receivables will be taken into account on the reconciliation. The schedule will continue to be prepared by a member of management and will be reviewed by an additional member of the management staff.

2009-3 Business Contingency Plan

Condition:

The Department has not adopted a business contingency plan for the whole organization.

Recommendation:

The Department should adopt a full business contingency plan for the entire agency for emergency and disaster situations. The plan should be tested yearly to ensure the organization recovers its business functions timely under unusual conditions. Business contingency planning and testing should be an ongoing objective in the Department's risk assessment process and should be appropriately documented. This plan could be part of the Department's overall risk assessment program.

Corrective Action:

The Department concurs with the recommendation. The Department has an effective contingency plan for the IT functions but not the agency as a whole. The Department will begin discussions with management to establish teams to look at the various Departmental functions and develop disaster or contingency recovery actions for each of the major functions.

2009-4 IT Services Policy

Condition:

The Department has not adopted a full policy regarding IT security policies and procedures. This is also noted as a recommendation in the report of network vulnerability analysis written by Layer 3 Communications LLP.

Recommendation:

The IT Department should adopt a full policy suite, which should define information security objective and contain IT policies and procedures regarding IT security administration, physical security, access to programs and data, and network security, in order to better manage risk and educate common users. Once the policies and procedures are formalized, the IT Department should update all policies and procedures at least annually to make sure all the information is accurate and up-to-date.

Corrective Action:

IT Services will develop a full Security Suite that defines and formalizes all security objectives and IT policies regarding security administration, physical security, access to programs and data, and network security. Once this suite is in place, IT Services will update it annually.

2009-5 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 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.

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 the application owners or their representative performs periodic review of user access rights for in-scope applications, in order to be certain that all users (including terminated employees and transfers) have appropriate access rights. This joint effort and objectives 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).

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.

Corrective Actions:

IT Services will perform annual reviews of user access to computer room and other sensitive data storage locations. IT Services will work with individual System Administrators to ensure that proper maintenance is taking place in managing System Security files and that annual audits are performed. IT Services will work with Internal Audit to ensure that database access is appropriately restricted, and to resolve the network vulnerability issues identified in the consultant's report are satisfied.

Federal Award Findings **and** Questions Costs

Condition Considered to be Significant Deficiency **but** Not a Material Weakness

2009-6

Condition:

The Department is not identifying the CFDA title and number to its subrecipients at the time of the award.

Recommendation:

The Department has made significant improvements in their subrecipient monitoring from prior year. However, we recommend that on all award documents to subrecipients that the CFDA title and number are included in correspondence.

Corrective Action:

The Department concurs with the recommendation and will begin to include the CFDA title and number on the initial agreement and correspondence. The Department will also inform any current recipients of the CFDA title and number.



Angela R. Feaster, CGFO
Controller, SCDOT

Cc: Scott McElveen, LLC
Robin W. Wilkes Jr., CPA, Director of Internal Audit