



Internal Audit Report

Office of Public Transit Vehicle Titles

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2024



1. Executive Summary

Objective

Management's objective is to ensure that the South Carolina Department of Transportation (SCDOT) is compliant with the FTA rules and regulations and appropriately documents and securely maintains records. IAS' objective is to provide assurance that controls in place over the security and maintenance of vehicle titles are effective and adequate.

Background

The Office of Intermodal & Freight Programs operates as part of South Carolina Department of Transportation's (SCDOT) Office of Public Transit (OPT), serving as a support unit to SCDOT. Per the Federal Transit Administration (FTA) Programs State Management Plan for SCDOT, the Office of Public Transit defines capital asset as an item purchased with OPT-administered funds with a purchase price of \$5,000 or greater and a useful life of at least one year.

As an asset that falls under this plan, the Office of Public Transit is responsible for maintaining the Vehicles Titles and that the vehicle titles are verified and secure.

Per the FTA, the title or deed to all capital assets purchased with OPT-administered federal funds shall be maintained by SCDOT until the useful life of the property has been met and no federal interest exists. As lienholder of the asset, SCDOT allows for the release of the vehicle to the subrecipient in accordance with the FTA State Management Plan for SCDOT.

Conclusion

Observations, recommendations, and management action plans are developed and discussed with SCDOT Executive Leaders. This information is not included in this report due to the confidential nature of information security and is closed to public release by SC Code of Laws Section 30-4-20 (c).

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2. Forward

Authorization

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

Statement of Independence

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

Report Distribution

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

Acknowledgment

We wish to thank members of management and staff in the Office of Intermodal & Freight Programs for their cooperation in assessing risks and developing actions to improve internal controls and enhance operating performance.

Lead Auditor

Pamela Johnson
Manager

Reviewer

Mark LaBruyere
Director of Internal Audit Services

Auditor

Daniel Perez
Auditor



3. Internal Auditor's Report

July 26, 2024

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

We have completed risk and control assessment of the South Carolina Department of Transportation's (SCDOT's) OPT Vehicle Title activity. The objective of this assessment was to contribute to the improvement of risk management by evaluating SCDOT's exposure to risks and the controls designed by Management to manage those risks. Our engagement included one aspect:

- Develop and perform limited procedures to provide assurance that SCDOT has possession of bus titles for the related transit agencies.

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

George L. Kennedy, III, CPA
State Auditor

4. Engagement Overview

Background

The Office of Public Transit (OPT) operates as part of South Carolina Department of Transportation's (SCDOT) Intermodal and Freight Programs, serving as a support unit to SCDOT. Per the Federal Transit Administration (FTA) Programs State Management Plan for SCDOT, the Office of Public Transit defines capital asset as an item purchased with OPT-administered funds with a purchase price of \$5,000 or greater and a useful life of at least one year.

As an asset that falls under this plan, the Office of Intermodal & Freight is responsible for maintaining the Vehicles Titles and that the vehicle titles are verified and secure.

Per the FTA, the title or deed to all capital assets purchased with OPT-administered federal funds shall be maintained by SCDOT until the useful life of the property has been met and no federal interest exists. As lienholder of the asset, SCDOT allows for the release of the vehicle to the subrecipient in accordance with the FTA State Management Plan for SCDOT.

Objective

IAS' objective is to provide assurance that controls in place over the security and maintenance of vehicle titles are effective and adequate.

Scope

IAS limited its scope to the maintenance of records in relation to vehicles at transit subrecipients.

Methodology

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

1. We created a process narrative that documented the steps in the process and the individuals responsible for those steps based on a walkthrough.
2. We tested key controls associated with the bus title verification activity. Testing included inquiry, observation, inspection of documentation, and re-performance of process steps.
3. We developed, as needed, observations based on the assessments of controls which are not adequately designed and/or operating effectively.
4. We collaborated with Management to develop action plans to improve control design and/or operating effectiveness.
5. We collaborated with Management to identify opportunities and developed action plans for improving performance.
6. The engagement primarily focused on risk management, and any matters that represented opportunities for process improvement were shared with Management.

5. Conclusion

Observations and Recommendations

We collaborated with the Office of Public Transit to develop the observations and recommendations for remediating any discovered deficiency. IAS and SCDOT Executive Leaders discussed these observations and recommendations.

Development of Management Action Plans

We facilitated Management's development of action plans for each observation to improve control design with practical, cost-effective solutions. These improvements, if effectively implemented, are expected to reduce the overall risk exposure to an acceptable level (i.e. within the SCDOT's risk appetite).

We will follow up with Management on the implementation of the proposed actions on an ongoing basis and provide SCDOT leadership with periodic reports on the status of management action plans and whether those actions are effectively and timely implemented to reduce risk exposure to an acceptable level.

Reporting of Confidential Information

Due to the confidential nature of the information security, the observations, recommendations, and management action plans are not included in this report. This information is not considered or deemed "public record" in accordance with the SC Freedom of Information Act pursuant to SC Code of Laws Section 30-4-20 (c) which states that information relating to security plans and devices proposed, adopted, installed, or utilized by a public body, other than amounts expended for adoption, implementation, or installation of these plans or devices is required to be closed to the public and is not considered to be made open to the public under the provisions of this act.