



Office of the Chief Internal Auditor

Audit Report

Employee Vendor Match

January 14, 2015

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Transmittal Letter



OFFICE OF THE CHIEF INTERNAL AUDITOR

January 14, 2014

Commission of the South Carolina Department of Transportation

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

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

The Honorable Merita A. Allison, Chairman
South Carolina House Education and Public Works Committee

The Honorable W. Brian White, Chairman
South Carolina House Ways and Means Committee

Dear Distinguished Legislators:

The Office of the Chief Internal Auditor has completed the Employee Vendor Match Audit in accordance with Section 57-1-360. Based on our draft report dated December 18, 2014, the Office of the Secretary of Transportation submitted its response to our office regarding the audit findings and is attached to this report.

We conducted this audit in accordance with Generally Accepted Governmental Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for these findings and conclusions.

Please contact us if you have any questions or comments.

Respectfully submitted,

Paul B. Townes, CPA
Chief Internal Auditor
Office of the Chief Internal Auditor

AUDIT REPORT

BACKGROUND

Pursuant to the Article 7 Rules of Conduct, 19-701.06 Ethics Act, and the SCDOT Employment Outside State Government/Seeking to Hold Political Office Policy, and the approved audit plan, the Office of the Chief Internal Auditor (OCIA) at the South Carolina Department of Transportation (SCDOT) conducted a review of the Employee and Vendor Match for the period from January 2011 to November 2014.

Employees with the South Carolina Department of Transportation (SCDOT) who wish to engage in outside employment must obtain prior approval from management. In accordance with SCDOT's "Employment Outside of State Government" policy outside employment is defined as services provided to any non-state government employer or self-employment. Employees are specifically instructed to submit Form HR-6 to their immediate supervisor to obtain such approval.

OBJECTIVES

The Office of the Chief of Internal Auditor (OCIA) of the South Carolina Department of Transportation (SCDOT) conducts an employee address to vendor payment address match as one measure to test compliance with the "Employment Outside of State Government" policy.

SCOPE AND METHODOLOGY

The scope of this audit was limited to the review of SCDOT employee files and vendor transaction files based upon a common address match in SCEIS. Employees were all active employees as of October 22, 2014. The Vendor list included all vendor transactions from the transactions recorded in SCEIS from implementation in 2011 to October 16, 2014.

Our audit methodology included:

- Research of applicable SCDOT policy,
- Identification of employee/vendor matches,
- Review of selected documents,
- Interviews of SCDOT personnel.

Statistics & Testing

The following was noted:

- We reviewed 5,098 vendor records and 4,331 employee records.
- We noted 1,606 possible matches.
- Each possible match was reviewed.
- We eliminated 1,596 false positives for various reasons such as:
 - same address, same employee name, and different vendor number
 - same address and different employee name
 - same address, different vendor name, and different number
 - same address and same employee name
 - same address, same employee name, and different vendor number
- 10 matches with the same addresses, different vendor name and employee name were identified for further review. It should also be noted that the 10 matches were composed of 5 employee records and 5 vendor records.

Of the 10 matches identified for further review the following was noted:

- OCIA was able to obtain Form HR-6 for one employee who provides outside janitorial services. It was also determined that the janitorial services are provided in a different assigned work area resulting in no conflict of interest.
- A review of additional SCEIS documentation showed the vendor contact individuals were not SCDOT employees for 2 of the 10 matches. The vendors provided landscaping and starter repair services.
- Additional SCEIS records reveal that a SCDOT employee invoiced SCDOT for services rendered prior to their employment date.
- The previous address of one SCDOT employee shared the same address as a SCDOT grant vendor. It was determined that the employee's address required an update.

The following conclusions were noted:

- OCIA noted several instances in which the contact person on the invoice shared the surname with a SCDOT employee. SCDOT Human Resource should consider expanding the HR-6 Form to include a conflict of interest statement.
- OCIA found one instance in which the employee did not notify Human Resources of a change of address. Human Resources should verify the address of potential new hires and instruct employees to submit notification for a change in address.

Findings and Recommendations

Finding 1

OCIA noted several instances in which the contact person on the invoice shared the surname with a SCDOT employee. SCDOT Human Resource should consider expanding the HR-6 Form to include a conflict of interest statement. SCDOT current conflict of interest regulation does not extend to conflict of interests arising from family members who engage in trade or conduct business with the South Carolina Department of Transportation (SCDOT).

Recommendation 1

OCIA is recommending the inclusion of the following language to the HR-6 Form:

I further acknowledge that I do not have a family relationship, as defined in Regulation 19-701.06 of the Ethics Act, with anyone engaged in trade or conducting business with the South Carolina Department of Transportation (SCDOT).

The Form should also describe areas in which conflict may arise:

Conflicts of interest may arise in the relations of any SCDOT employees with any of the following third parties:

- 1. Persons and firms supplying goods and services to SCDOT.**
- 2. Persons and firms from whom SCDOT leases property and equipment.**
- 3. Persons and firms with whom SCDOT is dealing or planning to deal in connection with the gift, purchase or sale of real estate, securities, or other property.**
- 4. Donors and others supporting SCDOT.**
- 5. Agencies, organizations and associations which affect the operations of SCDOT.**
- 6. Family members, friends, and other employees.**

Finding 2

OCIA found an instance in which the employee did not notify Human Resources of a change of address. The SCDOT revised David's Rule in May of 2008 to emphasize the importance of maintaining current emergency contact information. David's Rule in part requires an annual update of the Emergency Contact Form during the annual employee review process as well when any such information changes.

Recommendation 2

Human Resources should remind all supervisors and employees to adhere to the policy directives established in David's Rules specifically to maintain current address and emergency contact information. The reminder should be specifically, emphasized during the annual review process in the instructions to the reviewers.

Department Response



South Carolina
Department of Transportation

Secretary of Transportation
Janet P. Oakley
(803) 737-1312 Fax (803) 737-2038

MEMORANDUM

To: Paul Townes, Chief Auditor
From: Janet P. Oakley, Secretary of Transportation
Date: January 9, 2015
Re: Employee Vendor Match Audit

A handwritten signature in black ink that reads "Janet P. Oakley". The signature is written in a cursive style with a large initial "J".

We are in receipt of the audit of the Employee Vendor Match Audit performed by your office. Attached are our responses to the recommendations presented in the report.

Your staff and the Human Resources Office have worked closely during this audit. We appreciate your input and recommendations. Please note that Human Resources is not the approval authority on the Request For Approval of Employment Outside State Government/ Seeking to Hold a Political Office Form. Human Resources' responsibility is maintaining the form in the employee's personnel file.

We will continue to monitor our processes and look for areas of improvement as we move forward.

Attachments

cc: Mary Gail Monts Chamblee, Director of Human Resources

955 Park Street
Columbia, South Carolina
29201

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OCIA Employee Vendor Match Audit Findings & Recommendations

Recommendation 1

OCIA is recommending the inclusion of the following language to the HR-6 Form:

I further acknowledge that I do not have a family relationship, as defined in Regulation 19-701.06 of the Ethics Act, with anyone engaged in trade or conducting business with the South Carolina Department of Transportation (SCOOT).

The Form should also describe areas in which conflict may arise:

Conflicts of interest may arise in the relations of any SCOOT employees with any of the following third parties:

1. Persons and firms supplying goods and services to SCOOT.
2. Persons and firms from whom SCOOT leases property and equipment.
3. Persons and firms with whom SCOOT is dealing or planning to deal in connection with the gift, purchase or sale of real estate, securities, or other property.
4. Donors and others supporting SCOOT.
5. Agencies, organizations and associations which affect the operations of SCOOT.
6. Family members, friends, and other employees.

Response:

Human Resources will update the HR-6 form to include a statement that is consistent with the Code of Conduct to be issued by the Governor's Office.

Recommendation 2

Human Resources should remind all supervisors and employees to adhere to the policy directives established in David's Rules specifically to maintain current address and emergency contact information. The reminder should be specifically, emphasized during the annual review process in the instructions to the reviewers.

Response:

Each SCOOT New Hire Onboarding Packet includes the David's Rule/Employee Emergency Contact Form which must be completed by all Department new hires. This form is placed in the employee's personnel file. Employees are encouraged to make any changes to their emergency contacts on the MySCEmployee website. All State employees have access to this website and SCEIS provides online training on how to maintain information on the site. Supervisors will also review the Emergency Contact form with employees during the employee's annual review meeting.