U.S. Department of Labor

Office of Inspector General—Office of Audit

SINGLE AUDIT QUALITY CONTROL REVIEW

QUALITY CONTROL REVIEW OF THE SINGLE AUDIT OF THE SOUTH CAROLINA DEPARTMENT OF EMPLOYMENT AND WORKFORCE FOR THE FISCAL YEAR ENDED JUNE 30, 2022

DATE ISSUED: NOVEMBER 6, 2026
REPORT NUMBER: 24-26-005-50-598

U.S. Department of Labor

Office of Inspector General
Washington, DC 20210

November 6, 2026

INSPECTOR GENERAL'S REPORT

Marek Laco
Acting Assistant Secretary
for Employment and Training Administration
U.S. Department of Labor
200 Constitution Avenue NW
Washington, D.C. 20210

Jake Sherbert
Chief Financial Officer
South Carolina Department of Employment and Workforce
1550 Gadsden Street
Columbia, South Carolina 29201

Dear Mr. Laco and Mr. Sherbert:

The purpose of this report is to formally advise you of the results of a Quality Control Review (QCR) the U.S. Department of Labor (DOL) Office of Inspector General (OIG) conducted on the single audit of the South Carolina Department of Employment and Workforce, completed by Scott and Company LLC ("the Firm") under the Office of Management and Budget's (OMB) Title 2 C.F.R. Part 200 (Uniform Guidance)[1] for the fiscal year ended June 30, 2022.

Our objective was to determine whether the audit was conducted in accordance with applicable standards, including generally accepted government auditing standards (GAGAS) and generally accepted auditing standards (GAAS), and met the requirements of OMB Uniform Guidance.

We determined the single audit report and audit work performed generally met the requirements of GAGAS, GAAS, and OMB Uniform Guidance. However, we

[1] Title 2 C.F.R. § 200.0 through § 200.521

found the Employment and Training Administration must ensure compliance with audit deadlines. We also found the Firm:

- needs to verify that federal programs and totals are properly presented in the Schedule of Expenditures of Federal Awards (SEFA);
- made numerical and typographical errors in an audit finding;
- needs to evaluate the status of prior audit findings, which is essential to confirm that corrective actions were effectively implemented, thereby reducing risk, ensuring accountability, maintaining compliance, and allowing auditors to assess whether issues have been resolved or are recurring; and
- needs to document procedures performed to determine whether the summary schedule of prior audit findings was accurately and completely portrayed.

We have discussed these matters with the Employment and Training Administration and the Firm's management, and they are taking corrective actions. Details on the results of our review are provided in the Enclosure. We appreciate the cooperation and courtesies the Employment and Training Administration and the Firm extended to us during the review.

Sincerely,



Sean Gilkerson
Acting Assistant Inspector General
for Audit

Enclosure

cc: Latonya Torrence
Chief, Division of Resolution and Closeout
Office of Grants Management
Employment and Training Administration

Chantel Sollers
Audit Liaison
Office of Grants Management
Employment and Training Administration

Gregory Hitchcock
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Richard Bhola, CPA
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Enclosure

Quality Control Review
Single Audit of the South Carolina
Department of Employment and Workforce
for the Fiscal Year Ended June 30, 2022
(24-26-005-50-598)

DOL OIG conducted a QCR of the single audit of the South Carolina Department of Employment and Workforce (DEW) for the fiscal year ended June 30, 2022. A QCR is performed to provide evidence of the reliability of the single audit to the auditors of federal agency financial statements, such as those required by the Chief Financial Officers Act of 1990. The DOL major programs[2] covered by the single audit conducted by the Firm were unemployment insurance (UI) and the Workforce Innovation and Opportunity Act (WIOA) cluster[3] (see Table).

Table: Scope of the OIG's QCR

DOL Major Programs Reviewed	Assistance Listing Numbers	DOL Major Funds Reported as Expended
Unemployment Insurance	17.225	$95,995,397
Unemployment Insurance – Administration	17.225	$49,907,965
WIOA Cluster – Adult Program, Youth Activities, and Dislocated Worker Formula Grants	17.258 17.259 17.278	$33,747,732
Total DOL Major Program Funds Reported as Expended		**$179,651,094**

Source: DEW's June 30, 2022, Schedule of Expenditures of Federal Awards

For the fiscal year ended June 30, 2022, DEW reported federal expenditures of $194,505,206, consisting of DOL funds totaling $194,135,713 and non-DOL

[2] Major programs are critical to the single audit process, as they are the programs for which the Firm performs additional internal control testing and issues a compliance opinion as part of the single audit.
[3] A cluster of programs means a grouping of closely related programs that share common compliance requirements. A cluster of programs must be considered as one program for determining major programs.

funds totaling $369,493. The scope of the OIG's QCR was UI and the WIOA cluster, equaling $179,651,094 of the $194,135,713 in total DOL funds.[4]

The single audit is an organization-wide audit or examination of a non-federal entity that expends $750,000 or more of federal assistance received for its operations.

Usually conducted annually, a single audit has three main objectives:

1. perform an audit of the entity's financial statements and report on a separate Schedule of Expenditures of Federal Awards in relation to the entity's financial statements;

2. conduct a compliance audit of federal awards expended during the year as a basis for issuing additional reports on compliance related to major programs and on internal control over compliance; and

3. follow up on prior audit findings by performing procedures to determine whether the auditee has accurately and completely reported the status of those findings—including whether corrective actions were implemented—in the summary schedule of prior audit findings.

RESULTS

We determined the single audit report and audit work performed generally met the requirements of GAGAS, GAAS, and OMB Uniform Guidance. However, we found the Employment and Training Administration must ensure compliance with audit deadlines. We also found the Firm:

- needs to verify that federal programs and totals are properly presented in the SEFA;

- made numerical and typographical errors in an audit finding;

- needs to evaluate the status of prior audit findings, which is essential to confirm that corrective actions were effectively implemented, thereby reducing risk, ensuring accountability, maintaining compliance, and

[4] The remaining $14,484,619 in DOL funds were used for non-major DOL programs, which were not tested by the Firm as part of the single audit.

allowing auditors to assess whether issues have been resolved or are recurring; and

- needs to document procedures performed to determine whether the summary schedule of prior audit findings was accurately and completely portrayed.

The Employment and Training Administration Must Ensure Compliance with Single Audit Deadlines

The Firm's report(s) were received by DEW on September 18, 2025, and the Federal Audit Clearinghouse accepted DEW's single audit for the fiscal year ended June 30, 2022 on December 11, 2025.

Title 2 C.F.R. § 200.512(a)(1) requires non-federal entities to submit the data collection form and reporting package within 30 calendar days after receipt of the auditor's report(s) or 9 months after the end of the audit period (whichever is earlier). However, the data collection form and reporting package were accepted by the Federal Audit Clearinghouse 84 Days after the receipt of the Firm's report(s) and over 3 years after the end of the audit period. DEW's single audit corrective action plan also acknowledges that the fiscal year 2023 and fiscal year 2024 single audits have not been completed, and the fiscal year 2025 single audit has not yet commenced.

Single audits submitted this late substantially undermine the usefulness to federal agencies, oversight bodies, and the public. The Firm stated that this is not an auditor issue but a DEW financial management issue with staffing gaps, resource constraints, and adjustments. This response suggests a systemic financial management issue rather than an isolated incident, underscoring the need for prompt corrective action. We met with the Employment and Training Administration to discuss timeliness concerns associated with DEW's single audit reporting. The Employment and Training Administration's Atlanta Regional Office identified the same concern through a monitoring review.

Title 2 C.F.R. § 200.513(c)(1) states the federal awarding agency must ensure that audits are completed and reports are received in a timely manner. As such, our recommendation to ETA should be treated with urgency commensurate with the seriousness of a multi-year lapse in federally mandated single audit reporting.

The Firm Needs to Verify Federal Programs and Totals are Properly Presented in the SEFA

The SEFA, which was prepared by DEW and is considered supplementary information to the financial statements, is also a key part of the reporting package as required by OMB Uniform Guidance. DEW incorrectly included the WIOA National Emergency Grants and expenditures in the WIOA cluster on the SEFA. This resulted in the WIOA cluster total being overstated by $132,777. DEW also listed the total U.S. Department of Labor expenditures twice with different amounts. In addition, DEW separately listed the administration of UI as a subcomponent of UI.

Title 2 C.F.R. 200.510(b)(3) states that, at a minimum, the schedule must provide total federal awards expended for each individual program and the assistance listing number or other identifying information when the assistance listing number information is not available. For a cluster of programs, the schedule must also provide the total for the cluster.

The Firm did not verify the federal programs and totals on the SEFA were properly presented by DEW. When federal programs are not properly totaled and presented on the SEFA, the lack of verification does not provide for uniform report presentation or allow users to more efficiently and effectively use the data contained on the SEFA. In addition, the SEFA serves as the primary basis for the Firm to determine which programs will be audited as part of the single audit. As a result, the Firm erroneously classified WIOA National Emergency Grants within the WIOA cluster and incorrectly identified them as a major program in the Schedule of Findings and Questioned Costs and on the Data Collection Form. WIOA National Emergency Grants were not part of the unmodified opinion and were not audited as a major program by the Firm.

The Firm Made Numerical and Typographical Errors in an Audit Finding

The Firm's finding 2022-001 concerning UI stated that, based on total benefit payments of $179.4 million, the extrapolated fraud amount was $9 million. However, later in the same finding, it stated under the likely questioned costs section that the total benefit payments were "$179.4 thousand" and the likely fraud was $10 million.

Based on the sample results, the correct fraud figure is $9 million, not $10 million, and the correct base amount is $179.4 million, not "$179.4 thousand." As a result, any DOL oversight officials relying on the likely questioned costs section received materially incorrect information.

Title 2 C.F.R. § 200.516(a)(3) and (b)(7), require information to be presented with accuracy sufficient for federal agencies to assess program risk. The Firm's Quality Management Policies and Procedures state it is the Firm's policy that all compilation, review, audit, and attestation (including forecasts and projections) engagements be properly planned, performed, supervised, reviewed, documented, and reported or communicated in accordance with the requirements of professional standards, regulatory and legal requirements, and the Firm. The Firm stated that the $10 million was an oversight and the "thousand" versus "million" was a typographical error.

The Firm Needs to Evaluate the Status of Prior Audit Findings and Document Procedures

We found the Firm needed to evaluate the status of prior audit findings to determine whether DEW had fully corrected, partially corrected, or not corrected (repeated) the findings, or whether findings were no longer valid. In addition, the Firm needed to document the procedures performed to determine whether the summary schedule of prior audit findings was complete and accurate. When the status of prior audit findings is not evaluated and documented, it can affect the auditee's risk designation in future audits and can mislead funding decisions.

According to Title 2 C.F.R. § 200.511(b), the summary schedule of prior audit findings must report the status of all audit findings included in the prior audit schedule of findings and questioned costs. In addition, Title 2 C.F.R. § 200.511(b) and 2 C.F.R. § 200.514(e) state that the auditor must follow up on prior audit findings to determine whether the auditee has taken corrective action and accurately reported the status of those findings, including the disposition of any questioned costs.

The Firm acknowledged that it did not document the status of prior audit findings but gathered updates from management that were used to assess the status of prior audit findings. The Firm considered these responses in its current testing. The Firm stated that it will document this process in a separate working paper.

OIG'S RECOMMENDATIONS

We recommend the Assistant Secretary for Employment and Training:

1. Mandate that the South Carolina Department of Employment and Workforce prioritize completing and submitting the delinquent single audits for fiscal years 2023, 2024, and 2025 to the Federal Audit Clearinghouse.

We recommend the Firm reissue the single audit report and:

2. Work with the South Carolina Department of Employment and Workforce to verify federal programs and totals are properly presented in the Schedule of Expenditures of Federal Awards.

3. Remove major program references to the WIOA's National Emergency Grants from the Schedule of Findings and Questioned Costs and the Data Collection Form.

4. Correct the audit finding's numerical and typographical errors.

5. Evaluate the status of prior audit findings and document procedures.

Employment and Training Administration's Response

The Employment and Training Administration recognized the critical importance of submitting single audits to the Federal Audit Clearinghouse on time and concurred with recommendation 1. The Employment and Training Administration's response is contained in Appendix B.

Firm's Response

The Firm agreed with recommendations 2 through 5. The Firm will be implementing corrective actions to address these recommendations by December 31, 2026. The Firm's response is contained in Appendix C.

Appendices

APPENDIX A: SCOPE AND METHODOLOGY

Scope

We performed a QCR of the Firm's single audit of DEW's financial statements, Schedule of Expenditures of Federal Awards, reports required by GAGAS, and OMB Uniform Guidance for the fiscal year ended June 30, 2022. Our QCR of the Firm's single audit covered $179,651,094 in DOL major program federal expenditures for UI and the WIOA cluster. We performed our work onsite at the Firm's office in Columbia, South Carolina.

Methodology

We reviewed the single audit report using the Council of Inspectors General on Integrity and Efficiency's (CIGIE) "Guide for Desk Reviews of Single Audit Reports" and reviewed the supporting audit documentation using CIGIE's "Guide for Quality Control Reviews of Single Audits." These guides were developed to ensure compliance with the requirements of OMB Uniform Guidance (including the compliance supplement), GAGAS, and the American Institute of Certified Public Accountants' (AICPA) Audit Guide on Government Auditing Standards and Single Audits.

We also reviewed the financial statements, compliance, and internal control reporting; Schedule of Expenditures of Federal Awards; and Schedule of Findings and Questioned Costs. In addition, we held discussions with the Firm to complete the required review steps.

Specifically, we reviewed:

- Auditor Qualifications,
- Independence,
- Professional Judgment/Due Professional Care,
- Quality Control,
- Fieldwork,
- Schedule of Federal Awards,
- Determination of Major Federal Programs,
- Schedule of Findings and Questioned Costs,
- Summary of Prior Audit Findings,
- Financial Statement Risk Assessment,
- Financial Statement Identification and Evaluation of Audit Findings,
- Communication of Financial Statement Audit Findings,

- Compliance with AICPA Standards,
- Considerations Related to Audit of Major Federal Program,
- Sampling - Major Federal Program (Internal Control and Compliance),
- Testing of Internal Control Over Compliance, and
- Testing for Compliance with Direct and Material Compliance Requirements.

We also reviewed the Firm's peer review applicable to the period of the audit.

Criteria

- OMB Uniform Guidance, Title 2 C.F.R. Part 200
- OMB Compliance Supplement
- AICPA Audit Guide on Government Auditing Standards and Single Audits
- GAAS
- GAGAS

Prior Relevant Coverage

DOL OIG previously conducted a QCR of Scott and Company LLC's single audit of DEW for the year ended June 30, 2021.[5] That 2023 QCR concluded the single audit report and underlying audit work did not meet the requirements of GAGAS, GAAS, and OMB Uniform Guidance and identified deficiencies in three principal areas:

1. **planning and testing of the UI program**, including:

    a. an inappropriately moderate—rather than high—overall risk assessment, particularly for the Pandemic Unemployment Assistance (PUA) component,

    b. absent documentation of sample universes and sampling methodologies, and

    c. inadequate testing across the UI program's nine distinct benefit payment streams;

[5] Quality Control Review Single Audit of South Carolina Department of Employment and Workforce for the Year Ended June 30, 2021, Report No. 24-23-003-50-598 (September 26, 2023), available at: https://www.oig.dol.gov/public/reports/oa/2023/24-23-003-50-598.pdf

2. **internal controls over the PUA program**, which the Firm had not reported as a deficiency despite the program's reliance on claimant self-certification and its documented susceptibility to improper payments and fraud; and

3. **presentation of the SEFA**, which improperly included U.S. Department of the Treasury and U.S. Department of Homeland Security program expenditures under the DOL section, overstating DOL federal expenditures by $39,021,241.

The 2023 QCR resulted in seven recommendations to the Firm, directing it to re-perform planning and testing of the UI program, document sampling universes and methodologies, re-evaluate the risk assessment level, inquire about prior audit findings per AAG-GAS 6.35, report the PUA internal control deficiency, correct the SEFA classification, and revise and reissue the single audit report. The Firm concurred with the substance of these findings and made corrective actions.

Because we are relying on this prior QCR as the basis for scoping our current review, we confirmed that:

- the Firm reissued the single audit report as represented and within the timeframe committed to;

- the re-performed UI planning and testing, revised risk assessment, and expanded sampling adequately address the deficiencies identified in the 2023 QCR;

- the Firm made prior audit finding inquiries;

- the PUA internal control deficiency was reported in the reissued report as recommended; and

- the SEFA misclassification was corrected, and DOL federal expenditures are now accurately stated.

APPENDIX B: EMPLOYMENT AND TRAINING ADMINISTRATION'S RESPONSE

U.S. Department of Labor

Employment and Training Administration
200 Constitution Avenue, N.W.
Washington, D.C. 20210

October 23, 2026

MEMORANDUM FOR: SEAN GILKERSON
Acting Assistant Inspector General for Audit

FROM: MAREK LACO
Acting Assistant Secretary for Employment and Training

SUBJECT: Response to Draft Report – *Quality Control Review of the Single Audit of the South Carolina Department of Employment and Workforce for the Fiscal Year Ended June 30, 2022*, Report Number: 24-26-005-50-598

The U.S. Department of Labor's Employment and Training Administration (ETA) appreciates the opportunity to respond to the above-referenced draft report from the Office of Inspector General (OIG) regarding concerns arising from the quality control review of the single audit of the South Carolina Department of Employment and Workforce (SCDEW) for the Fiscal Year ended June 30, 2022, completed by Scott and Company LLC.

Please find below the OIG's recommendation addressed to ETA in the draft report, followed by ETA's response to the recommendation.

Recommendation 1: Mandate that the South Carolina Department of Employment and Workforce prioritize completing and submitting the delinquent single audits for fiscal years 2023, 2024, and 2025 to the Federal Audit Clearinghouse.

ETA Response: ETA concurs with this recommendation. ETA recognizes the critical importance of timely submission of single audits to the Federal Audit Clearinghouse (FAC).

As documented in ETA's monitoring report previously provided to the OIG, ETA formally notified SCDEW of this deficiency on April 18, 2025, and recommended that all single audits be submitted to the FAC promptly. On October 13, 2026, ETA requested an update on the status of the outstanding single audits. ETA will require SCDEW to submit monthly progress reports that contain a clear timetable for completing and submitting the overdue single audits to the FAC. Further, ETA will monitor SCDEW's progress through monthly oversight meetings and evaluate the need for technical assistance or other appropriate actions needed to address any barriers to completion.

The Administrator for the Office of Grants Management is responsible for the implementation of this recommendation.

APPENDIX C: FIRM'S RESPONSE

SCOTT COMPANY

September 28, 2026

Laura B. Nicolosi
Assistant Inspector General for Audit
Office of Inspector General
U.S. Department of Labor
Washington, DC 20210

Re: Response to Quality Control Review of Single Audit Engagement for South Carolina Department of Employment and Workforce for the year ended June 30, 2022

We appreciate the opportunity to review and respond to the observations included in the Quality Control Review report relating to our audit of South Carolina Department of Employment and Workforce for the year ended June 30, 2022. We value the oversight provided through the quality review process and remain committed to performing audits in accordance with Government Auditing Standards, the Uniform Guidance, and applicable professional standards. We carefully evaluated each finding included in the draft report and provided our responses below.

The Firm needs to verify that federal programs and totals are properly presented in the SEFA.

S+C Response - We agree that there was an error in the SEFA and despite the amount being immaterial we understand how it could be misleading. We will adjust the SEFA to remove the WIOA National Emergency Grants (NEG) and expenditures from the WIOA cluster. We will also remove the WIOA NEG from the list of major programs in the schedule of findings and questioned costs as well as the data collection form. This will all be addressed when we reissue our single audit report for fiscal year ended June 30, 2022.

The Firm made numerical and typographical errors in an audit finding.

S+C Response - Management of SC DEW maintained the final version of the financials and was responsible for making changes we highlighted during our review. The typographical error was a result of poor version control. We will work with Management to ensure versions are better tracked as well as ensure our internal control procedures are adhered to before the final report is issued. We will also make these changes when we reissue our single audit report for fiscal year ended June 30, 2022.

The Firm needs to evaluate the status of prior audit findings, which is essential to confirm that corrective actions were effectively implemented, thereby reducing risk, ensuring accountability, maintaining compliance, and allowing auditors to assess whether issues have been resolved or are recurring.

S+C Response - While we evaluated the status of prior audit findings and appropriately documented them in our audit workpapers we agree that it was not correctly presented in the single audit reporting. We will include the status or prior audit findings in the correct format when we reissue the single audit report for fiscal year ended June 30, 2022.

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The Firm needs to document procedures performed to determine whether the summary schedule of prior audit findings was accurately and completely portrayed.

S+C Response - Recommendation acknowledged and will include necessary procedures performed in our audit file before we reissue our single audit report for fiscal year ended June 30, 2022.

OIG Recommendations

We agree with the OIG's recommendations and are currently in the process of making corrections to our single audit report. We plan to recall and reissue the single audit report for the year ended June 30, 2022, by December 31, 2026.

Overall Commitment to Quality

We take the results of this review seriously and view the process as an opportunity to strengthen our audit quality. Our firm's system of quality management is designed to promote compliance with professional standards, and we continuously evaluate opportunities for improvement. Where applicable, we have implemented necessary procedures to address the matters identified in the report. We remain committed to conducting Single Audits that fully comply with the requirements of Generally Accepted Government Auditing Standards (GAGAS), generally accepted auditing standards (GAAS), OMB Uniform Guidance and other applicable professional standards.

We appreciate the professional way the review was conducted and welcome any additional discussion regarding our responses.

Sincerely,

Richard Bhola, CPA
Member, Assurance and Advisory

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