

CITY OF COLUMBIA, SOUTH CAROLINA

**Reports Required by *Government Auditing Standards*
and the Uniform Guidance**

Year Ended June 30, 2017

CITY OF COLUMBIA, SOUTH CAROLINA
Columbia, South Carolina

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**Independent Auditors' 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**

Honorable Mayor and City Council
City of Columbia, South Carolina
Columbia, South Carolina

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Columbia, South Carolina**, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Columbia, South Carolina's basic financial statements and have issued our report thereon dated January 23, 2018. Our report includes a reference to other auditors who audited the financial statements of the Midlands Authority for Conventions, Sports and Tourism, as described in our report on the City of Columbia, South Carolina'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 of the financial statements, we considered the City of Columbia, South Carolina's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Columbia, South Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Columbia, South Carolina's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described as item numbers 2017-001, 2017-002, 2017-003 in the accompanying schedule of findings and questioned costs to be material weaknesses.

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A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described as item numbers 2017-004 and 2017-005 in the accompanying schedule of findings and questioned costs to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Columbia, South Carolina'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*.

City of Columbia, South Carolina's Response to Findings

The City of Columbia, South Carolina's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Columbia, South Carolina's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

This report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City of Columbia, South Carolina's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Columbia, South Carolina
January 23, 2018

Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Honorable Mayor and City Council
City of Columbia, South Carolina
Columbia, South Carolina

Report on Compliance for Each Major Federal Program

We have audited the **City of Columbia, South Carolina's** (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2017. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 City'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 qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the City's compliance.

Basis for Qualified Opinion on the Community Development Block Grants/Entitlement Grants Program

As described in the accompanying schedule of findings and questioned costs, the City did not comply with the requirements regarding CFDA Number 14.218 Community Development Block Grants/Entitlement Grants Program as described in finding number 2017-006 for allowable activities. Compliance with such requirement is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

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Qualified Opinion on the Community Development Block Grants/Entitlement Grants Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Community Development Block Grants/Entitlement Grants Program for the year ended June 30, 2017.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item number 2017-007. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item numbers 2017-006 and 2017-007, that we consider to be material weaknesses.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated January 23, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We did not audit the financial statements of Midlands Authority for Conventions, Sports, and Tourism, a discretely presented component unit of the City. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Midlands Authority for Convention, Sports, and Tourism is based solely on the report of the other auditors. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material aspects in relation to the basic financial statements as a whole.



Columbia, South Carolina
January 23, 2018

**CITY OF COLUMBIA, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor's/Agency's or Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Economic Development Cluster				
U.S. Department of Commerce				
Economic Adjustment Assistance	11.307		\$ -	\$ 1,731,337
Total U.S. Department of Commerce			-	1,731,337
Total Economic Development Cluster			-	1,731,337
Community Development Block Grant Cluster				
U.S. Department of Housing and Urban Development				
Community Development Block Grants/Entitlement Grants	14.218		134,110	1,223,556
Total U.S. Department of Housing and Urban Development			134,110	1,223,556
Total Community Development Block Grant Cluster			134,110	1,223,556
Highway Safety Cluster				
U.S. Department of Transportation				
Pass through programs from:				
South Carolina Department of Public Safety				
State and Community Highway Safety	20.600	PT2016HS0816	-	31,800
State and Community Highway Safety	20.600	PT2017HS0817	-	91,922
State and Community Highway Safety	20.600	2JC16005	-	4,417
State and Community Highway Safety	20.600	2JC17005	-	4,214
Total CFDA #20.600 and U.S. Department of Transportation			-	132,353
Total Highway Safety Cluster			-	132,353
Total Clusters				3,087,246
Other Programs				
U.S. Department of Agriculture				
Soil and Water Conservation	10.902		-	2,500
Emergency Watershed Protection Program	10.923		-	885,700
Total U.S. Department of Agriculture			-	888,200
U.S. Department of Housing and Urban Development				
Community Development Block Grants - Disaster Recovery	14.228		-	774,896
HOME Investment Partnerships Program	14.239		-	2,674,938
Housing Opportunities for Persons with AIDS	14.241		1,454,162	1,489,572
Total U.S. Department of Housing and Urban Development			1,454,162	4,939,406
U.S. Department of Justice				
Pass through programs from:				
South Carolina Department of Public Safety				
Crime Victim Assistance	16.575	1V15147	-	17,677
Crime Victim Assistance	16.575	1V16015	-	115,108
Richland County Sheriff's Department				
Edward Byrne Memorial Justice Assistance Grant	16.738	1G15019	-	28,108
Edward Byrne Memorial Justice Assistance Grant	16.738	1G15030	-	67,993
Subtotal Pass through U. S. Department of Justice			-	228,886

(Continued)

CITY OF COLUMBIA, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Justice (Continued)				
Project Safe Neighborhoods	16.609		\$ -	\$ 1,693
Public Safety Partnership and Community Policing Grants	16.710		-	461,532
Edward Byrne Memorial Justice Assistance Grant	16.738		-	206,263
Subtotal Direct U.S. Department of Justice			-	669,488
Total U.S. Department of Justice			-	898,374
U.S. Department of Transportation				
Pass through programs from:				
South Carolina Emergency Management Agency Hazardous Materials Training and Planning Grants	20.703	HM-HMP-0477-15-01	-	9,692
Total Pass through South Carolina Emergency Management Agency and U.S. Department of Transportation			-	9,692
U.S. Environmental Protection Agency				
Brownsfield Assessment and Cleanup Cooperative Agreements	66.818		-	46,902
Total U.S. Environmental Protection Agency			-	46,902
U.S. Department of Homeland Security				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		-	4,500,517
Assistance to Firefighters Grant	97.044		-	138,406
Staffing for Adequate Fire and Emergency Response	97.083		-	269,004
Subtotal Direct U.S. Department of Homeland Security			-	4,907,927
Pass through programs from:				
South Carolina State Law Enforcement Division				
Homeland Security Grant Program	97.067	15SHSP47	-	5,429
Homeland Security Grant Program	97.067	15SHSP46	-	337
Homeland Security Grant Program	97.067	15SHSP17	-	34,650
Homeland Security Grant Program	97.067	15SHSP30	-	15,662
Homeland Security Grant Program	97.067	14SHSP36	-	106,871
Homeland Security Grant Program	97.067	16SHSP29	-	3,645
Homeland Security Grant Program	97.067	16SHSP37	-	27,286
Total CFDA #97.067 and Subtotal Pass through South Carolina State Law Enforcement Division			-	193,880
Total U.S. Department of Homeland Security			-	5,101,807
Total Other Programs				11,884,381
Total Expenditures of Federal Awards				\$ 14,971,627

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Columbia (the City) for the year ended June 30, 2017, and is presented on the modified accrual basis of accounting. The information presented on this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements. For purposes of the schedule, federal programs include all federal awards and procurement relationships entered into directly between the primary government, the City, and the federal government, and sub-grants from non-federal organizations made under federally sponsored agreements. Because the Schedule presents only a selected portion of the operations of the City of Columbia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Columbia.

2. Summary of Significant Accounting Policies for Federal Award Expenditures

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The City has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

4. Economic Adjustment Assistance Loan Program (CFDA Number 11.307)

The City of Columbia maintains revolving loan funds pursuant to an Economic Development Administration Loan Grant of the U.S. Department of Commerce grant #04-39-03312 and CFDA #11.307. The accounts for these loan funds are reported in the basic financial statements under the Redevelopment Program Fund. The amount reported on the Schedule of Expenditures of Federal Awards is calculated in accordance with the EDA's final rule issued on January 27, 2010, and published in the *Federal Register* (75 FR 4529). This rule requires that each EDA RLF grant be calculated as follows: (1) Balance of RLF loans outstanding at year-end (\$2,091,881) plus, (2) the cash and investment balance in the revolving loan fund as of year-end (\$678,329) plus, (3) administrative expenses paid out of RLF income during the year ended June 30, 2017 (\$22,269) plus, (4) the unpaid principal of all loans written off during the year ended June 30, 2017 (none). The federal participation rate for the Economic Adjustment Assistance grant is 62.00%. The federal share of the RLF is the sum of the preceding four items multiplied by the federal participation rate percentage (\$1,731,337), which is reported as the amount of expenditures of the Economic Adjustment Assistance program on the Schedule of Expenditure of Federal Awards.

5. Matching

Under the Emergency Watershed Protection program, the City of Columbia matched \$226,557 in total construction costs for the year ended June 30, 2017, in addition to the federal share of expenditures in the accompanying schedule of expenditures of federal awards.

Under the Public Safety Partnership and Community Policing Grant program, the City of Columbia matched \$78,996 in total compensation for the year ended June 30, 2017, in addition to the federal share of expenditures in the accompanying schedule of expenditures of federal awards.

6. Contingencies

The City of Columbia receives funds under various federal grant programs and such awards are to be expended in accordance with the provisions of the various grants. Compliance with the grants is subject to audit by various government agencies which may impose sanctions in the event of non-compliance. Management believes that they have complied with all aspects of the various grant provisions and the results of adjustments, if any, relating to such audits would not have any material financial impact.

**CITY OF COLUMBIA, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

I. Summary of Auditors' Results

Financial Statements

- | | |
|--|------------|
| (a.) Type of auditor's report: | Unmodified |
| (b.) Internal control over financial reporting: | |
| 1) Material weaknesses identified? | Yes |
| 2) Significant deficiencies identified? | Yes |
| (c.) Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | |
|--|---|
| (a.) Internal control over major federal programs: | |
| 1) Material weaknesses identified? | Yes |
| 2) Significant deficiencies identified? | No |
| (b.) Type of auditor's report issued on compliance for major federal programs: | 14.218 Qualified
10.923 Unmodified
14.228 Unmodified
14.241 Unmodified
16.710 Unmodified
97.036 Unmodified |
| (c.) Audit findings that are required to be reported in accordance with 2 CFR 200.516 (a)? | Yes |
| (d.) Identification of major federal programs: | |

CFDA Numbers

Name of Federal Program or Cluster

10.923	Emergency Watershed Protection
14.218	Community Development Block Grant Cluster
14.228	Community Development Block Grant – Disaster Recovery
14.241	Housing Opportunities for Persons with AIDS
16.710	Public Safety Partnership and Community Policing
97.036	Disaster Grants – Public Assistance

- | | |
|---|-----------|
| (e.) Dollar threshold used to distinguish type A and type B programs: | \$750,000 |
| (f.) Auditee qualified as a low risk auditee? | No |

**CITY OF COLUMBIA, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

II. Findings Relating to the Basic Financial Statements Reported in Accordance with *Government Auditing Standards*

Material Weaknesses:

Finding 2017-001 Account Analysis

Condition: The balance in account 403-658650 for the year ended June 30, 2017, was understated by \$860,935.

Criteria: Generally accepted accounting principles require that significantly all expenses/expenditures be recorded at the time the obligation or transaction is incurred.

Cause: The account balance was understated due to City accounting personnel incorrectly transferring construction in progress transactions incurred during the year ended June 30, 2016, and reported on the governmental activities statement of net position as of June 30, 2016, as construction in progress, an asset. When closing the project in the year ended June 30, 2017, the City incorrectly reduced expenditures incurred in the capital projects fund rather than reducing the balance of construction in progress recorded in the governmental activities fund by \$860,935.

Effect: Current year expenditures in the capital projects fund were understated by \$860,935.

Recommendation: Journal entries should be more closely reviewed by supervisory personnel prior to approving the entry to be posted to the financial accounting system.

Views of Responsible Officials and Planned Corrective Action: Due to needing a prior year correction, an entry was made to reduce capital outlay and construction in progress. After analysis of this entry, it was decided to record a transfer rather than record a reduction in expenditures. The Accountants will closely review journal entries prior to submitting to the Deputy Finance Director or the Finance Director's designee for approval and entry into the financial accounting system.

Finding 2017-002 Account Classification

Condition: During the year ended June 30, 2017, the City of Columbia issued a \$3,000,000 general obligation bond anticipation note. When the funds were received, the proceeds were recorded in account number 404-580003, an "other financing sources" object code, in the miscellaneous projects fund.

Criteria: Generally accepted accounting principles applicable to governmental entities requires that all debt issued with a maturity date less than one year from the issuance date be recorded on the fund balance sheet rather than on the statement of revenues, expenditures and changes in fund balance unless there is a completed plan in place to replace the short term debt with debt that has a maturity date of greater than one year.

Cause: Administrative oversight.

Effect: The amount of other financing sources was overstated by \$3,000,000, and the amount of liabilities was understated by a like amount.

**CITY OF COLUMBIA, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

II. Findings Relating to the Basic Financial Statements Reported in Accordance with *Government Auditing Standards* (Continued)

Material Weaknesses (Continued):

Finding 2017-002 Account Classification (Continued)

Recommendation: Significant and unusual transactions should be more closely reviewed by supervisory personnel prior to the transaction being recorded in the financial accounting system.

Views of Responsible Officials and Planned Corrective Action: The BAN was issued with a term of 06/20/17 – 06/20/18 a year and a day. The presumption was it was long-term and recorded as such. Future issuance of a BAN would be recorded as a liability, and if the issuance is within several months of year end, it would be reclass as long-term. Management agrees that significant and unusual transaction will be more closely reviewed by the accountant doing the entry and the Treasurer prior to transactions being recorded in the financial accounting system.

Finding 2017-003 Fund Classification

Condition: Approximately \$519,300 in stormwater expenses expected to be reimbursed with grant funds were recorded in the general fund. Approximately \$3,980,200 in water and sewer expenses expected to be reimbursed with grant funds was recorded in the general fund.

Criteria: Generally accepted accounting principles require transactions be recorded in the proper fund.

Cause: Administrative oversight.

Effect: General fund revenues and expenditures, as well as stormwater revenue and expenses, were misstated by approximately \$519,300. General fund revenues and expenditures, as well as water and sewer expenses, were misstated by approximately \$3,980,200.

Recommendation: Transactions should be more closely reviewed by responsible individuals prior to approving the transaction to be entered in the financial accounting system.

Views of Responsible Officials and Planned Corrective Action: During the fiscal year, all FEMA expenses are charged to a general fund account. During the year end process, it was determined some of these expenses were for water and sewer projects and should be reported as such. Entries were made to classify expenses properly. Management agrees that transaction should be more closely reviewed by the accountant. The Deputy Finance Director or the Finance Directors designee will verify prior to approving transactions to be entered in the financial accounting system.

Analyses of FEMA expenses will be done quarterly by the accountant to ensure that expenses are properly classified.

**CITY OF COLUMBIA, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

II. Findings Relating to the Basic Financial Statements Reported in Accordance with *Government Auditing Standards* (Continued)

Significant Deficiencies:

Finding 2017-004 Capital Asset Recording

Condition: The City failed to transfer two capital assets acquired during the year ended June 30, 2017, recorded as an expense in the fleet management fund to the general fund prior to closing the general ledger.

Criteria: City policy requires all items with a value of \$5,000 or greater and an estimated useful life in excess of one year be capitalized.

Cause: The City records all assets acquired with capital lease proceeds in the fleet management fund at the time of acquisition. As part of the year-end closing process, capital expenditure accounts in the fleet management fund are analyzed to determine the assets that should be transferred to other departments. City accounting personnel failed to identify these two assets and transfer them or capitalize them in the fleet management fund.

Effect: Expenses in the fleet management fund were overstated by \$102,979.

Recommendation: Capital assets should be recorded in the correct fund initially rather than waiting until year-end to do so.

Views of Responsible Officials and Planned Corrective Action: The assets identified were purchased using general government funds for use by the fleet services division. They were later recorded as government fixed assets. Management agrees that capital assets should be recorded in the correct fund initially rather than waiting to year-end. The Fixed Asset accountant will be reviewing these every month to ensure they are being properly recorded. The Deputy Finance Director or the Finance Director's designee will verify for accuracy before being posted.

Finding 2017-005 Timely Account Reconciliations

Condition: The balance recorded in the City of Columbia's general ledger account – Due from Component Units – as of June 30, 2017, was not reconciled with the amount recorded by Columbia Housing Development Corporation in their general ledger account – Due to the City of Columbia.

Criteria: Generally accepted accounting principles require that account balances between the primary government and a component unit with the same fiscal year-end should equal or provide a reconciliation of the difference.

Cause: Administrative oversight.

Effect: Not reconciling differences timely can delay the issuance of the financial statements.

Recommendation: Account balances should be reconciled timely.

**CITY OF COLUMBIA, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

II. Findings Relating to the Basic Financial Statements Reported in Accordance with *Government Auditing Standards* (Continued)

Significant Deficiencies (Continued):

Finding 2017-005 Timely Account Reconciliations (Continued)

Views of Responsible Officials and Planned Corrective Action: The Component Units provide the City with monthly financial statements. These statements will be reviewed by the accountant responsible for this area to ensure that the City's general ledger account – Due from Component Units – reconciles with the Component Units financial statements.

At year end an additional step will be taken by the Deputy Finance Director or the Finance Director's designee to ensure all line items are reconciled. The City will provide each Component Unit their due from amounts for their verification.

III. Findings and Questioned Costs Relating to Federal Awards

Noncompliance:

Finding 2017-006 Allowable Activities Community Development Block Grant Cluster

Federal Agency: U. S. Department of Housing and Urban Development

Program: Community Development Block Grant CFDA Number 14.218

Condition: The City funded *Autos for Opportunities* as one of its CDBG activities and expended \$52,753 for this activity during the year ended June 30, 2017.

Criteria: 24 CFR Part 570.207 (b)(1)(iii) *Furnishings and Personal Property* states that the purchase of equipment, fixtures, motor vehicles, furnishings, or other personal property not an integral structural fixture is generally ineligible. 2 CFR 200.421 defines advertising costs and states that the only allowable advertising costs are those which are solely for program outreach and other specific purposes necessary to meet the requirements of the federal award (2 CFR 200.421 (b)(4)).

Cause: The City funded an activity that was not an allowable Community Development Block Grant activity.

Questioned Costs: Known questioned costs of \$12,396. Likely questioned costs of \$52,753.

Effect: Material noncompliance with award requirements.

Recommendation: Grant manager should receive additional training on the technical requirements of the award.

**CITY OF COLUMBIA, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

III. Findings and Questioned Costs Relating to Federal Awards (Continued)

Noncompliance (Continued):

Finding 2017-006 Allowable Activities Community Development Block Grant Cluster (Continued)

Views of Responsible
Officials and Planned
Corrective Action:

The City included the Autos for Opportunity program in the 2016 Action Plan as a direct response to the 2015 Flood Disaster addressing the unmet needs in which flooded transportation became an immediate barrier to employment opportunities for low-moderate income persons. The 2016 Action Plan was reviewed and approved by HUD prior to the City awarding funds to the program. The same review and approval process was followed for the 2017 Action Plan in which HUD notified the City that the program ineligible. During the 2016 Consolidated Annual Performance and Evaluation Report (CAPER) review, HUD determined the City would have to repay the funds spent during the during the 2016 fiscal year for the project. The City reimbursed the funding; program funds were spent only after HUD approved the Action Plan. While this public service program was designed to assist low-moderate persons with transportation unmet needs, the City will no longer use CDBG dollars for this program.

Planned Corrective Actions include 1) provide additional detailed program/project information with all proposed Action Plans, 2) receive documented technical assistance on proposed program/projects from HUD Regional Office Staff prior to submission of Action Plan, and 3) provide City staff with additional training for advanced CDBG and other related grants.

Finding 2017-007 Preparation of Schedule of Expenditures of Federal Awards

Federal Agencies:

U. S. Department of Agriculture and U. S. Department of Justice

Programs:

Emergency Watershed Protection Program CFDA Number 10.923
Public Safety Partnership and Community Policing Grants CFDA Number 16.710

Condition:

The City incorrectly included \$305,553 (\$226,557 for the Emergency Watershed Protection Program and \$78,996 for the Public Safety Partnership and Community Policing Grant) of expenditures funded with City funds on the initial Schedule of Federal Expenditures prepared for the year ended June 30, 2017. This resulted in the federal expenditures reported on the schedule of federal expenditures to be overstated.

Criteria:

Uniform Guidance requires the City to prepare a schedule of expenditures of federal awards that includes total federal expenditures for each individual federal program for the period covered by the financial statements.

Cause:

Administrative oversight.

Questioned Costs:

None.

Effect:

Noncompliance with Uniform Guidance requirements.

**CITY OF COLUMBIA, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

III. Findings and Questioned Costs Relating to Federal Awards (Continued)

Noncompliance (Continued):

Finding 2017-007 Preparation of Schedule of Expenditures of Federal Awards (Continued)

Recommendation: City personnel preparing the Schedule of Expenditures of Federal Awards should consider completing a checklist during the preparation of the Schedule of Expenditures of Federal Awards which would increase the chance they would detect incorrect data included in the schedule.

Views of Responsible Officials and Planned Corrective Action: The total expenditures for two grants were initially reported on the schedule of expenditures of federal awards. Those grants were partially funded with funds other than federal dollars. The accountant doing the reconciliation will be responsible for verifying the information prior to being submitted to the Deputy Finance Director or the Finance Directors designee, who will review prior to submitting the schedule. We will be refining our worksheet preparation process prior to the end of this fiscal year. We will include instructions on how to complete the schedule.

**CITY OF COLUMBIA, SOUTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2017**

There were no prior year audit findings.