

CITY OF COLUMBIA, SOUTH CAROLINA
Reports on Internal Control and Compliance
Year Ended June 30, 2014

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, 2014, 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 December 22, 2014. 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.

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. 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.

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. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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'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
December 22, 2014

**Independent Auditors' Report on Compliance for Each Major Program and on
Internal Control over Compliance Required by OMB Circular A-133**

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 Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Columbia, South Carolina's major federal programs for the year ended June 30, 2014. The City of Columbia, South Carolina'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 requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Columbia, South Carolina'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 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 City of Columbia, South Carolina'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Columbia, South Carolina's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Columbia, 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 major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of the City of Columbia, South Carolina 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 of Columbia, South Carolina'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 OMB Circular A-133, 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 of Columbia, South Carolina'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 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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 of Columbia, South Carolina as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Columbia, South Carolina's basic financial statements. We have issued our report thereon dated December 22, 2014, 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. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the 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 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.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Webster Rogus LLP

Columbia, South Carolina
December 22, 2014

**CITY OF COLUMBIA, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-Through Grantor's/Agency's or Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Commerce			
Direct			
Economic Adjustment Assistance	11.307		\$ 1,502,227
U.S. Department of Housing and Urban Development			
Direct			
Community Development Block Grants/Entitlement Grants	14.218		1,005,786
HOME Investment Partnerships Program	14.239		1,406,705
Housing Opportunities for Persons with AIDS	14.241		1,559,621
Subtotal Direct Programs U.S. Department of Housing and Urban Development			3,972,112
Pass through programs from:			
South Carolina State Housing Authority Neighborhood Stabilization Program	14.228	08-NSP104	18,013
Total U.S. Department of Housing and Urban Development			3,990,125
U.S. Department of Justice			
Direct			
Public Safety Partnership and Community Policing Grants	16.710		22,161
ARRA - Public Safety Partnership and Community Policing Grants	16.710		235,952
Subtotal CFDA # 16.710			258,113
Edward Byrne Memorial Justice Assistance Grant	16.738		163,479
Total U.S. Department of Justice			421,592
U.S. Department of Transportation			
Pass through programs from:			
South Carolina Department of Transportation State and Community Highway Safety	20.600	N/A	139,021
South Carolina Office of the Adjutant General HHEP Training Grant	20.703	HM-HMP-0334-13-01-00	3,396
Total U.S. Department of Transportation			142,417
U.S. Department of Health and Human Services			
Pass through programs from:			
South Carolina Department of Health and Environmental Control Midland Public Health Region Cooperative Agreement	93.074		189,765

(Continued)

CITY OF COLUMBIA, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor's/Agency's or Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Homeland Security			
Direct			
Assistance to Firefighters Grant	97.044		<u>\$ 294,703</u>
Pass through programs from:			
South Carolina State Law Enforcement Division			
Homeland Security Grant Program	97.067	10SHSP39	78,078
Homeland Security Grant Program	97.067	12SHSP11	50,000
Homeland Security Grant Program	97.067	11SHSP90	856
Homeland Security Grant Program	97.067	13SHSP28	15,949
Homeland Security Grant Program	97.067	11SHSP18	22,769
Homeland Security Grant Program	97.067	11SHSP10	6,981
Homeland Security Grant Program	97.067	12SHSP04	22,304
Homeland Security Grant Program	97.067	11SHSP93	22,210
Homeland Security Grant Program	97.067	13SHSP23	19,114
Homeland Security Grant Program	97.067	10MMRS01	579
Homeland Security Grant Program	97.067	11MMRS01	<u>281,693</u>
Subtotal Pass through U.S. Department of Homeland Security			<u>520,533</u>
Total U.S. Department of Homeland Security			<u>815,236</u>
Total Expenditures of Federal Awards			<u><u>\$ 7,061,362</u></u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

**CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014**

1. Basis of Presentation:

The Schedule of Expenditures of Federal Awards has been prepared on the modified accrual basis of accounting. The information presented on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. 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 of Columbia, South Carolina, and the federal government and sub-grants from non-federal organizations made under federally sponsored agreements.

2. EDA Grants:

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. Outstanding loan balances at June 30, 2014, equal \$1,374,655. The cash and investment balance in the revolving loan fund is \$1,172,079 as of June 30, 2014. Principal balances of loans written off during the year ended June 30, 2014, equaled \$3,897. Administrative expenses paid out of these funds for the year ended June 30, 2014, were \$23,438. The federal participation rate for the Economic Adjustment Assistance grant is 58.36%. The sum of the preceding four items multiplied by the federal participation rate percentage equals \$1,502,227, which is reported as the amount of expenditures of the Economic Adjustment Assistance program on the Schedule of Expenditure of Federal Awards.

3. Subrecipient:

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows:

<u>Federal Granting Agency</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Department of Housing and Urban Development	14.218	\$ 135,375

**CITY OF COLUMBIA, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014**

I - Summary of Auditors' Results

1. The auditors' report expresses an unmodified opinion on the financial statements of the City of Columbia, South Carolina.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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*. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of the City of Columbia, South Carolina, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133. No material weaknesses are reported.
5. The auditors' report on compliance for the major federal award programs for the City of Columbia, South Carolina expresses an unmodified opinion on all major federal programs.
6. No audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs included:
 - Community Development Block Grants/Entitlement Grants - CFDA Number 14.218
 - HOME Investment Partnerships Program – CFDA Number 14.239
 - Housing Opportunities for Persons with AIDS – CFDA Number 14.241
8. The threshold used for distinguishing between Type A and Type B programs was \$300,000.
9. The City of Columbia, South Carolina did not qualify as a low risk auditee.

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

None

III – Findings and Questioned Costs Relating to Federal Awards

None

CITY OF COLUMBIA, SOUTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2014

All Major Programs

Finding 2013-002 Report Submission

Condition: The City did not submit the data collection form within the earlier of thirty days after receipt of the auditor report or nine months after the end of the audit period.

Recommendation: It was recommended the City enhance its year-end closing and financial reporting policies and procedures in order that the required reports are able to be timely filed.

Current Status: The recommendation was adopted. No similar finding was noted in 2014.