

CITY OF COLUMBIA, SOUTH CAROLINA
Reports on Internal Control and Compliance
Year Ended June 30, 2013

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, 2013, 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 16, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2013-001 that we consider to be a significant deficiency.

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*.

The City of Columbia, South Carolina's Response to the Finding

The City of Columbia, South Carolina's response to the finding 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's internal control or 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 16, 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, 2013. 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 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, 2013.

Other Matters

The results of our auditing procedures disclosed one instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2013-002. Our opinion on each major federal program is not modified with respect to this matter.

The City of Columbia, South Carolina's response to the finding 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 compliance and, accordingly, we express no opinion on the response.

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, 2013, 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 January 16, 2014, which contained unmodified opinions on those 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 Rogers LLP

Columbia, South Carolina
January 16, 2014

**CITY OF COLUMBIA, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

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		\$ 1,562,972
U.S. Department of Housing and Urban Development			
Direct			
Community Development Block Grants/Entitlement Grants	14.218		2,241,908
Home Investment Partnerships Program	14.239		254,537
Housing Opportunities for Persons with AIDS	14.241		1,562,535
Empowerment Zone Programs	14.244		167,123
Subtotal Direct Programs U.S. Department of Housing and Urban Development			4,226,103
Pass through programs from:			
South Carolina State Housing Authority Neighborhood Stabilization Program	14.228	08-NSP104	461,537
Total U.S. Department of Housing and Urban Development			4,687,640
U.S. Department of Justice			
Direct			
Public Safety Partnership and Community Policing Grants	16.710		37,563
ARRA - Public Safety Partnership and Community Policing Grants	16.710		587,473
Subtotal CFDA # 16.710			625,036
JAG Program Cluster			
Edward Byrne Memorial Justice Assistance Grant	16.738		117,659
ARRA - Edward Byrne Memorial Justice Assistance Grant	16.804		86,216
Subtotal JAG Program Cluster			203,875
Subtotal Direct Programs U.S. Department of Justice			828,911
Pass through programs from:			
South Carolina Department of Public Safety Title V Delinquency Prevention Program	16.548	N/A	44,134
Bulletproof Vest Partnership Program	16.607	N/A	32,973
Subtotal Pass through Programs U.S. Department of Justice			77,107
Total U. S. Department of Justice			906,018

(Continued)

**CITY OF COLUMBIA, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

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 Transportation			
Pass through programs from:			
South Carolina Department of Transportation State and Community Highway Safety	20.600	N/A	<u>\$ 152,664</u>
U.S. Environmental Protection Agency			
Direct			
ARRA - Brownsfields Assessment and Cleanup Cooperative Agreements	66.818		<u>436</u>
U.S. Department of Energy			
Direct			
ARRA - Energy Efficient and Conservation Block Grant	81.128		<u>168,363</u>
U.S. Department of Homeland Security			
Direct			
Assistance to Firefighters Grant	97.044		91,545
Buffer Zone Protection Program	97.078		26,231
Staffing for Adequate Fire and Emergency Response	97.083		<u>9,004</u>
Subtotal Direct Programs U.S. Department of Homeland Security			<u>126,780</u>
Pass through programs from:			
South Carolina State Law Enforcement Division			
Protective Gear For Bomb Squad	97.067	N/A	11,716
Homeland Security Grant Program	97.067	09MMRS01	113,756
Homeland Security Grant Program	97.067	11SHSP18	57,646
Homeland Security Grant Program	97.067	11SHSP10	25,277
Homeland Security Grant Program	97.067	11SHSP90	14,144
Homeland Security Grant Program	97.067	12SHSP04	13,355
Homeland Security Grant Program	97.067	11SHSP93	2,790
Homeland Security Grant Program	97.067	8SHSP06	136,550
Homeland Security Grant Program	97.067	10MMRS01	293,441
Homeland Security Grant Program	97.067	9SHSP46	<u>88,293</u>
Subtotal Pass through U.S. Department of Homeland Security			<u>756,968</u>
Total U.S. Department of Homeland Security			<u>883,748</u>
Total Expenditures of Federal Awards			<u>\$ 8,361,841</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, 2013**

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, 2013 equal \$1,521,182. The cash and investment balance in the revolving loan fund is \$992,750. Principal balances of loans written off during the year ended June 30, 2013 equaled \$157,911. Administrative expenses paid out of these funds for the year ended June 30, 2013 were \$6,313. 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 \$1,562,972, 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	14.241	\$ 1,515,551

**CITY OF COLUMBIA, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013**

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. One significant deficiency relating to the audit of the financial statements is 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. One significant deficiency in internal control over major federal award programs disclosed during the audit is 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. An audit finding that is required to be reported in accordance with Section 510(a) of OMB Circular A-133 is reported in this Schedule.
7. The programs tested as major programs included:
 - Community Development Block Grants/Entitlement Grants - CFDA Number 14.218
 - Neighborhood Stabilization Program – CFDA Number 14.228
 - Public Safety Partnership and Community Policing Grant – CFDA Number 16.710
 - ARRA – Energy Efficiency and Conservation Block Grant – CFDA Number 81.128
 - Homeland Security Grant Programs - CFDA Number 97.067
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.

CITY OF COLUMBIA, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

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

Finding 2013-001 Signature Plates

Criteria or specific requirement: A deficiency in internal control exists when the design or operation of the 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 significant deficiency is a deficiency, or 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.

Condition: Through our audit procedures over the City's 2013 financial statements, we identified a significant deficiency in internal control associated with the City's cash disbursement process.

Context: During our audit procedures, we reviewed and tested sixty cash disbursements. During the procedures we noted checks that were signed using a signature plate of an individual who was no longer involved in the day to day accounting operations of the City.

Effect: Checks were signed by an individual who was no longer knowledgeable of the day to day accounting operations of the City which significantly decreased the effectiveness of the control.

Cause: Administrative oversight.

Recommendation: We recommend the City enhance its internal control over cash disbursements by only having individuals involved in the day to day operations of the accounting department sign checks. We recommend the City strengthen and/or enforce controls over the use of electronic signature used to sign checks. We further recommend the City update bank signature cards immediately upon a change in employment status of an authorized signer and the related electronic signature should be modified in such a way as to prevent its use.

Views of responsible official and planned corrective action: The City concurs with the finding and will revise its policies and procedures relating to electronic signing of checks.

III – Findings and Questioned Costs Relating to Federal Awards

Finding 2013-002 Report Submission

All Major Programs

Criteria or specific requirement: OMB Circular A-133 requires the data collection form and reporting package to be submitted within the earlier of thirty days after receipt of the auditor's report or nine months after the end of the audit period.

Condition: The City's data collection and the related reporting package were not submitted within the required time frame.

Effect: The City could be subject to various sanctions by the Federal government for not filing the required reports timely.

Cause: The City was unable to timely prepare its year-end financial statements.

Recommendation: We recommend 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 in the future.

**CITY OF COLUMBIA, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013**

Views of responsible official and planned corrective action: The City concurs with the finding and is reviewing various changes to its year-end closing and financial reporting policies and procedures so that the required reports will be timely filed in future periods.

CITY OF COLUMBIA, SOUTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2013

Housing Opportunities for Persons with AIDS CFDA 14.241
Community Development Block Grants/Entitlement Grants CFDA 14.218

Finding 2012-1 Special Reporting

Condition: The City did not submit reports for subawards to subrecipients as required.

Recommendation: The City should have someone knowledgeable of grant reporting requirements review all subawards issued and submit the proper reports.

Current Status: The recommendation was adopted. No similar finding was noted in 2013.