

**CITY OF COLUMBIA, SOUTH CAROLINA**  
**Reports on Internal Control and Compliance**  
**Year Ended June 30, 2015**

**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, 2015, 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 29, 2015. 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. We consider the deficiency described in item 2015-001 to be a significant deficiency.

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### 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and questioned costs as item 2015-002. This instance of noncompliance is not deemed to be material to the financial statements but we believe it should be brought to the attention of those charged with governance.

### The City's Response to Findings

The City's response to the 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 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 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.

A handwritten signature in blue ink that reads "Webster Rogus LLP". The signature is written in a cursive, flowing style.

Columbia, South Carolina  
December 29, 2015

**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, 2015. 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, 2015.

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### 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 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. 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, 2015, and the related notes to the financial statements, which collectively comprise the City of Columbia, South Carolina's basic financial statements. We issued our report thereon dated December 29, 2015, 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.



Columbia, South Carolina  
December 29, 2015

**CITY OF COLUMBIA, SOUTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2015**

<b>Federal Grantor/Pass-Through Grantor's/Agency's or Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Commerce</b>			
Direct			
Economic Adjustment Assistance	11.307		<u>\$ 1,529,740</u>
<b>U.S. Department of Housing and Urban Development</b>			
Direct			
Community Development Block Grants/Entitlement Grants	14.218		929,192
HOME Investment Partnerships Program	14.239		1,745,377
Housing Opportunities for Persons with AIDS	14.241		<u>1,772,898</u>
Total U.S. Department of Housing and Urban Development			<u>4,447,467</u>
<b>U.S. Department of Justice</b>			
Direct			
Public Safety Partnership and Community Policing Grants	16.710		12,075
ARRA - Public Safety Partnership and Community Policing Grants	16.710		<u>2,977</u>
Subtotal CFDA # 16.710			15,052
Edward Byrne Memorial Justice Assistance Grant	16.738		<u>50,343</u>
Total U.S. Department of Justice			<u>65,395</u>
<b>U.S. Department of Transportation</b>			
Pass through programs from:			
South Carolina Department of Public Safety			
State and Community Highway Safety	20.600	PT2014HS1114	27,900
State and Community Highway Safety	20.600	PT20155HS0815	116,235
State and Community Highway Safety	20.600	2JC14005	16,753
State and Community Highway Safety	20.600	2JC15005	<u>12,095</u>
Total U.S. Department of Transportation			<u>172,983</u>
<b>U.S. Environmental Protection Agency</b>			
Direct			
Brownsfield Assessment and Cleanup Cooperative Agreements	66.818		<u>167,085</u>
<b>U.S. Department of Health and Human Services</b>			
Pass through programs from:			
South Carolina Department of Health and Environmental Control			
Midland Public Health Region Cooperative Agreement	93.074	5U90TP000551-03	53,920
LRADAC			
Block Grants for Prevention and Treatment of Substance Abuse	93.959		<u>1,840</u>
Total U.S. Department of Health and Human Services			<u>55,760</u>

(Continued)

**CITY OF COLUMBIA, SOUTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)  
YEAR ENDED JUNE 30, 2015**

<b>Federal Grantor/Pass-Through Grantor's/Agency's or Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Homeland Security</b>			
Direct			
Assistance to Firefighters Grant	97.044		<u>\$ 88,693</u>
Pass through programs from:			
South Carolina State Law Enforcement Division			
Homeland Security Grant Program	97.067	12SHSP11	119,894
Homeland Security Grant Program	97.067	13SHSP28	14,051
Homeland Security Grant Program	97.067	11SHSP18	8,918
Homeland Security Grant Program	97.067	11SHSP10	35,283
Homeland Security Grant Program	97.067	13SHSP23	18,007
Homeland Security Grant Program	97.067	14SHSP31	5,891
Homeland Security Grant Program	97.067	14SHSP36	<u>7,788</u>
Subtotal Pass through U.S. Department of Homeland Security			<u>209,832</u>
Total U.S. Department of Homeland Security			<u>298,525</u>
Total Expenditures of Federal Awards			<u>\$ 6,736,955</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, 2015**

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**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, 2015, equal \$1,648,085. The cash balance in the revolving loan fund is \$967,444 as of June 30, 2015. There were no principal balances of loans written off during the year ended June 30, 2015. Administrative expenses paid out of these funds for the year ended June 30, 2015, were \$5,685. 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 \$1,529,740, 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	\$ 93,151
Department of Housing and Urban Development	14.241	<u>1,746,816</u>
Total Department of Housing and Urban Development		<u>\$ 1,839,967</u>

**CITY OF COLUMBIA, SOUTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015**

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**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. 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 program tested as a major program included:
  - HOME Investment Partnerships Program – CFDA Number 14.239
8. The threshold used for distinguishing between Type A and Type B programs was \$300,000.
9. The City of Columbia, South Carolina qualified as a low risk auditee.

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

**Finding 2015-001**

**Criteria:** Section 6-1-730 of the South Carolina Code of Laws states revenues generated from the collection of hospitality taxes must be used solely for the following purposes:

1. Tourism-related buildings;
2. Tourism-related cultural, recreational, and historic facilities;
3. Beach access and re-nourishment;
4. Highways, roads, streets, and bridges providing access to tourist destinations;
5. Advertising and promotions related to the development of tourism;
6. Water and sewer infrastructure to serve tourism related demand.

The City's application for hospitality tax funding further restricts what hospitality tax revenue can be used for. The application and the City's website specifically identify expenditures for food and beverages as ineligible expenditures. Expenditures for salaries of any kind are to be determined on an individual basis.

**Condition:** During our testing of compliance with Section 6-1-730 of the South Carolina Code of Laws and the City's published guidelines on eligible expenditures of hospitality tax revenues we noted instances of food and beverage expenditures as well as salaries being reimbursed.

**CITY OF COLUMBIA, SOUTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015**

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**Context:** During our testing of compliance with Section 6-1-730 of the South Carolina Code of Laws we judgmentally selected five organizations that received hospitality tax revenue funds. Of these five organizations selected for testing, one was reimbursed for expenditures for food and beverages as well as salaries and salary related expenditures.

**Effect:** Ineligible expenditures may have been reimbursed.

**Cause:** Administrative oversight and insufficient internal controls.

**Recommendation:** We recommend the City enhance its internal controls to ensure that the City complies with Section 6-1-730 of the South Carolina Code of Laws and its own published policies and procedures relating to the use of hospitality tax revenues.

**Views of responsible officials and planned corrective actions:** The City will require that receipts be included in the paperwork submitted to accounting so that the expenses to be reimbursed can be reviewed prior to being reimbursed.

**Finding 2015-002**

**Criteria:** The City's procurement policy requires the completion of a properly approved purchase order prior to any procurement action. The City's policy further requires any expected expenditure in excess of \$50,000 be approved by City Council prior to any procurement action.

**Condition:** Through our audit procedures over the City's 2015 financial statements, we noted a procurement transaction that was not properly approved and lacked the required documentation.

**Context:** During our testing of the water and sewer construction projects, we noted an invoice that had been approved for payment during July 2015 where the service had been performed during the year ended June 30, 2015. The invoice lacked a properly completed and approved purchase order. Since the amount of the invoice exceeded \$50,000, it would have required approval by City Council.

**Effect:** As the invoice or an approved purchase order was not entered into the financial accounting system, it was not taken into account during the year end closing process. Once the unrecorded invoice was discovered, adjustments were required to be made to the accounting records. This caused a delay in the preparation of various supporting documentation needed for the 2015 audit of the City as well as delaying the preparation of the 2015 financial statements.

**Cause:** Administrative oversight and insufficient internal controls.

**Recommendation:** We recommend the City enhance its internal controls to ensure that the City departments comply with the procurement policy. We recommend all procurement transactions be reviewed by the procurement department.

**Views of responsible officials and planned corrective actions:** The Chief Financial Officer and the Finance Director intend to meet with City departments and explain the importance of timely processing.

**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, 2015**

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There were no prior year audit findings.