

CITY OF COLUMBIA, SOUTH CAROLINA

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

Year Ended June 30, 2018

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, 2018, 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 22, 2019. 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.

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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 from 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

The purpose of this report is 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.

Handwritten signature of Webster Rogano LLP in black ink.

Columbia, South Carolina
January 22, 2019

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, 2018. 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 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 opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

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 major federal programs for the year ended June 30, 2018.

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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. 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.

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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated January 22, 2019, 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 the 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
March 8, 2019

**CITY OF COLUMBIA, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor's/Agency's or Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Economic Development Cluster				
U.S. Department of Commerce				
Economic Adjustment Assistance	11.307		\$ -	\$ 1,771,752
Total U.S. Department of Commerce			-	1,771,752
Total Economic Development Cluster			-	1,771,752
Community Development Block Grant Cluster				
U.S. Department of Housing and Urban Development				
Community Development Block Grants/Entitlement Grants	14.218		57,508	906,122
Total U.S. Department of Housing and Urban Development			57,508	906,122
Total Community Development Block Grant Cluster			57,508	906,122
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	2JC17005	-	595
State and Community Highway Safety	20.600	2JC18005	-	3,138
State and Community Highway Safety	20.600	PT2017HS0817	-	30,101
State and Community Highway Safety	20.600	PT2018HS0818	-	131,562
Total CFDA #20.600 and total U.S. Department of Transportation			-	165,396
Total Highway Safety Cluster			-	165,396
Total Clusters				2,843,270
Other Programs				
U.S. Department of Agriculture				
Soil and Water Conservation	10.902		-	9,997
Total U.S. Department of Agriculture			-	9,997
U.S. Department of Housing and Urban Development				
Community Development Block Grants/State's program	14.228		-	2,096,626
HOME Investment Partnerships Program	14.239		-	183,417
Housing Opportunities for Persons with AIDS	14.241		-	1,253,859
Total U.S. Department of Housing and Urban Development			-	3,533,902
U.S. Department of Justice				
Pass through programs from:				
South Carolina Department of Public Safety				
Edward Byrne Memorial Justice Assistance Grant	16.738	1G15030	-	15,200
Edward Byrne Memorial Justice Assistance Grant	16.738	1G14051	-	48,334
Total CFDA #16.738			-	63,534
Crime Victim Assistance	16.575	1V16015	-	28,537
Subtotal Pass through SC Department of Public Safety			-	92,071

(Continued)

CITY OF COLUMBIA, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Justice (Continued)				
Public Safety Partnership and Community Policing Grants	16.710		\$ -	\$ 208,253
Public Safety Partnership and Community Policing Grants	16.710		-	608,676
Total CFDA 16.710			-	816,929
Project Safe Neighborhoods	16.609		-	1,457
Equitable Sharing Program	16.922		-	132,958
Subtotal Direct U.S. Department of Justice			-	951,344
Total U.S. Department of Justice			-	1,043,415
U.S. Department of Transportation				
Pass through programs from:				
South Carolina Emergency Management Agency				
Hazardous Materials Training and Planning Grants	20.703	HM-HMP-0566-16-01	-	13,500
Hazardous Materials Training and Planning Grants	20.703	HM-HMP-0566-16-02	-	7,838
Total CFDA #20.703 and Total U.S. Department of Transportation			-	21,338
U.S. Department of the Treasury				
Equitable Sharing	21.016		-	21,569
Total U.S. Department of the Treasury			-	21,569
U.S. Department of Health and Human Services				
Pass through programs from:				
South Carolina Department of Health & Environmental Control				
Affordable Care Act: ELC and EIP Cooperative Agreements	93.521	EQ-8-142	-	27,870
Total U.S. Department of Health and Human Services			-	27,870
U.S. Department of Homeland Security				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)				
Hazard Mitigation Grant	97.036		-	2,058,156
Hazard Mitigation Grant	97.039		-	115,468
Staffing for Adequate Fire and Emergency Response	97.083		-	558,332
Subtotal Direct U.S. Department of Homeland Security			-	2,731,956
Pass through programs from:				
South Carolina State Law Enforcement Division				
Homeland Security Grant Program	97.067	16SHSP29	-	148
Homeland Security Grant Program	97.067	17SHSP28	-	7,698
Homeland Security Grant Program	97.067	16SHSP19	-	262
Homeland Security Grant Program	97.067	17SHSP18	-	2,135
Homeland Security Grant Program	97.067	16SHSP37	-	2,029
Total CFDA #97.067			-	12,272
Total U.S. Department of Homeland Security			-	2,744,228
Total Other Programs				7,402,319
Total Expenditures of Federal Awards				<u>\$ 10,245,589</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, 2018

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, 2018, 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 (\$1,921,275) plus, (2) the cash and investment balance in the revolving loan fund as of year-end (\$655,016) plus, (3) administrative expenses paid out of RLF income during the year ended June 30, 2018 (\$47,533) plus, (4) the unpaid principal of all loans written off during the year ended June 30, 2018 (\$233,840). 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 (\$1,771,752), 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 Edward Byrne Memorial Justice Assistance Grant program, the City of Columbia matched \$7,060 in total compensation for the year ended June 30, 2018, 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 \$215,916 in total compensation for the year ended June 30, 2018, 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, 2018**

I. Summary of Auditors' Results

Financial Statements

- a) Type of auditor's report: Unmodified
- b) Internal control over financial reporting:
 - 1) Material weaknesses identified? No
 - 2) Significant deficiencies identified? None Reported
- c) Noncompliance material to the financial statements noted? No

Federal Awards

- a) Internal control over major federal programs:
 - 1) Material weaknesses identified? No
 - 2) Significant deficiencies identified? None Reported
- b) Type of auditor's report issued on compliance for major federal programs: Unmodified
- c) Audit findings that are required to be reported in accordance with 2 CFR 200.516 (a)? No
- d) Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant Cluster
14.228	Community Development Block Grants/State's Program
14.241	Housing Opportunities for Persons with AIDS
16.710	Public Safety Partnership and Community Policing Grants

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

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, 2018**

Section II Findings – Financial Statements

FINDING 2017-001: Account Analysis

Condition: This finding was a material weakness stating that the City understated an expenditure account by \$860,935.

Recommendation: The auditor recommended that journal entries be more closely reviewed by supervisory personnel prior to approving entries to be posted to the financial accounting system.

Current status: Supervisory personnel closely review journal entries prior to their posting. No similar findings were noted in the 2018 audit.

FINDING 2017-002: Account Classification

Condition: This finding was a material weakness stating that the City misclassified a \$3,000,000 short-term financing source as an “other financing source” rather than a fund liability.

Recommendation: The auditor recommended that significant and unusual transactions should be more closely reviewed by supervisory personnel prior to the transaction being posted to the financial accounting system.

Current status: Significant and unusual transactions are closely reviewed by supervisory personnel and discussed with external experts as needed to ensure appropriate reporting. No similar findings were noted in the 2018 audit.

FINDING 2017-003: Fund Classification

Condition: This finding was a material weakness stating that the City recorded material transactions expected to be reimbursed with grant funds in the incorrect fund.

Recommendation: The auditor recommended that transactions should be more closely reviewed by responsible individuals prior to approving the transaction to be entered in the financial accounting system.

Current status: An expenditure-by-expenditure line item review was performed with various fund accountants to ensure expenditures were reported in the appropriate funds. No similar findings were noted in the 2018 audit.

FINDING 2017-004: Capital Asset Recording

Condition: This finding was a significant deficiency stating that the City failed to record two assets meeting capitalization requirements.

Recommendation: The auditor recommended that capital assets should be recorded in the correct fund initially rather than waiting until year-end to do so.

Current status: Capital assets are recorded in the correct fund periodically, not only at year-end. No similar findings were noted in the 2018 audit.

FINDING 2017-005: Timely Account Reconciliations

Condition: The finding was a significant deficiency stating that intra-entity account balances between the primary government and a component unit were not reconciled as of year-end.

Recommendation: The auditor recommended that account balances should be reconciled timely.

Current status: Reconciliations are performed on a monthly basis. No similar findings were noted in the 2018 audit.

**CITY OF COLUMBIA, SOUTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2018**

Section III Findings – Federal Awards

FINDING 2017- 006: U.S. Department of Housing and Urban Development - Community Development Block Grant CFDA Number 14.218

Condition: This finding was a material weakness stating that the City funded *Autos for Opportunities* as one of its Community Development Block Grant activities and expended \$52,753 for this activity during the year ended June 30, 2017.

Recommendation: The auditor recommended additional training on the technical requirements of the award. Management concurred with the recommendation and scheduled additional grant training.

Current Status: Additional grant training was attended by grant personnel. No similar findings were noted in the 2018 audit.

FINDING 2017-007: U. S. Department of Agriculture - Emergency Watershed Protection Program CFDA Number 10.923 and U. S. Department of Justice - Public Safety Partnership and Community Policing Grants CFDA Number 16.710

Condition: This finding was a material weakness stating the City had overstated the amount of federal expenditures reported on the Schedule of Expenditures of Federal Awards due to including City funded expenditures on the schedule.

Recommendation: The auditor recommended completing a checklist during the preparation of the Schedule of Expenditures of Federal Awards.

Current Status: No similar findings were noted in the 2018 audit.