

CITY OF COLUMBIA, SOUTH CAROLINA
SUPPLEMENTAL FEDERAL FINANCIAL
ASSISTANCE REPORTS
FOR THE YEAR ENDED JUNE 30, 2019

SCOTT  COMPANY

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City of Columbia, South Carolina
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identification Number	Expenditures to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Direct Programs				
Soil and Water Conservation	10.902		\$ -	\$ 7,045
Total Direct Program		Total CFDA 10.902	-	7,045
Total U.S. Department of Agriculture			-	7,045
U.S. DEPARTMENT OF COMMERCE				
Direct Programs				
Economic Adjustment Assistance	11.307		-	1,662,119
Total Direct Program		Total CFDA 11.307 - Economic Development Cluster	-	1,662,119
Total U.S. Department of Commerce			-	1,662,119
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Programs				
Community Development Block Grant	14.218		136,073	2,487,207
		Total CFDA 14.218 CDBG - Entitlement Grants Cluster	136,073	2,487,207
Community Block Grants/State's Program	14.228		-	3,937,267
		Total CFDA 14.228	-	3,937,267
HOME Investment Partnership Program	14.239		-	127,599
HOME Investment Partnership Program	14.239		-	1,418,112
		Total CFDA 14.239	-	1,545,711
Housing Opportunities for Persons with AIDS	14.241		-	1,276,892
		Total CFDA 14.241	-	1,276,892
Total Direct Programs			136,073	9,247,077
Total U.S. Department of Housing and Urban Development			136,073	9,247,077
U.S. DEPARTMENT OF THE INTERIOR				
Direct Programs				
Historic Preservation Fund Grants-In-Aid	15.904		-	22,581
Total Direct Program		Total CFDA 15.904	-	22,581
Total U.S. Department of the Interior			-	22,581
U.S. DEPARTMENT OF JUSTICE				
Direct Programs				
Equitable Sharing Program	16.922		-	265,976
		Total CFDA 16.922	-	265,976
Public Safety Partnership and Community Policing Grants	16.710	2011UMWX0167	-	61,752
Public Safety Partnership and Community Policing Grants	16.710	2016UMWX0086	-	610,403
		Total CFDA 16.710	-	672,155
Edward Byrne Memorial Justice Assistance Grant	16.738	2017-DJ-BX-0542	-	79,773
		Total CFDA 16.738	-	79,773
Total Direct Programs			-	1,017,904

*See accompanying notes to the schedule of expenditures of federal awards.
See accompanying independent auditor's report.*

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identification Number	Expenditures to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF JUSTICE (continued)				
Passed through South Carolina Public Safety:				
Project Safe Neighborhoods	16.609	2016-GP-BX-0012	-	157,126
		Total CFDA 16.609	-	157,126
Total Pass-Through South Carolina Public Safety			-	157,126
Passed through South Carolina State Office of Victim Assistance:				
Crime Victim Assistance	16.575	IV18047	-	40,828
		Total CFDA 16.575	-	40,828
Total Pass-Through South Carolina State Office of Victim Assistance			-	40,828
Passed through Richland County:				
Edward Byrne Memorial Justice Assistance Grant	16.738	1G14051	-	16,686
Edward Byrne Memorial Justice Assistance Grant	16.738	1G18009	-	53,933
		Total CFDA 16.738	-	70,619
Total Pass-Through Richland County			-	70,619
Total U.S. Department of Justice			-	1,286,477
U.S. DEPARTMENT OF TRANSPORTATION				
Passed Through South Carolina Public Safety:				
State and Community Highway Safety (FY18 Fifth Circuit)	20.600	2JC8005	-	2,459
State and Community Highway Safety (FY19 Fifth Circuit)	20.600	2JC9005	-	3,465
State and Community Highway Safety FY18	20.600	PT2018HS0818	-	114,148
State and Community Highway Safety FY19	20.600	PT2019HS0919	-	96,996
		Total CFDA 20.600 - Highway Safety Cluster	-	217,068
Total Pass-Through South Carolina Public Safety		Total Highway Safety Cluster	-	217,068
Total U.S. Department of Transportation			-	217,068
U.S. DEPARTMENT OF THE TREASURY				
Direct Programs				
Equitable Sharing	21.016		-	15,741
Total Direct Program		Total CFDA 21.016	-	15,741
Total U.S. Department of the Treasury			-	15,741
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through South Carolina Department of Health and Environmental Control:				
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements	93.521	J0401F600K04	-	518
		Total CFDA 93.521	-	518
Total Pass-Through South Carolina Department of Health and Environmental Control			-	518
Total U.S. Department of Health and Human Services			-	518

See accompanying notes to the schedule of expenditures of federal awards.
See accompanying independent auditor's report

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identification Number	Expenditures to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF HOMELAND SECURITY				
Direct Programs				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		-	21,767
		Total CFDA 97.036	-	21,767
Staffing for Adequate Fire and Emergency Response (SAFER) 2015	97.083	EMW-2015-FH-00523	-	356,418
		Total CFDA 97.083	-	356,418
Total Direct Program			-	378,185
Passed through South Carolina Emergency Management Division:				
Hazard Mitigation Grant	97.039	FEMA-4241-DR-SC	-	1,271,629
		Total CFDA 97.039	-	1,271,629
Total Pass-Through South Carolina Emergency Management Division			-	1,271,629
Passed through South Carolina State Law Enforcement Division:				
Homeland Security Grant Program	97.067	16SHSP29	-	7,235
Homeland Security Grant Program	97.067	17SHSP28	-	7,412
Homeland Security Grant Program	97.067	17SHSP18	-	22,314
		Total CFDA 97.067	-	36,961
Total Pass-Through South Carolina State Law Enforcement Division			-	36,961
Total U.S. Department of Homeland Security			136,073	1,686,775
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 136,073	\$ 14,145,401

See accompanying notes to the schedule of expenditures of federal awards.
See accompanying independent auditor's report.

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

Note A - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of City of Columbia, South Carolina (the “City”) and is presented on the modified accrual basis of accounting. The information in the 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”) and *OMB Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations* (as amended). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the 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.

Note B - Summary of Significant Accounting Policies

1 – The financial information shown in the Schedule of Expenditures of Federal Awards reflects amounts recorded by City during its fiscal year July 1, 2018 through June 30, 2019. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

2 – The City has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

Note C - Economic Adjustment Assistance Loan Program (CFDA Number 11.307)

The City maintains revolving loan funds pursuant to an Economic Development Administration Loan Grant of the U.S. Department of Commerce grant #04-39-03312 and CFDA #11.307. The accounts for these loan funds are reported in the basic financial statements under the Redevelopment Program Fund. The amount reported on the Schedule of Expenditures of Federal Awards is calculated in accordance with the EDA’s final rule issued on January 27, 2010, and published in the Federal Register (75 FR 4529). This rule requires that each EDA RLF grant be calculated as follows: (1) Balance of RLF loans outstanding at year-end (\$2,445,723) plus, (2) the cash and investment balance in the revolving loan fund as of year-end (\$201,945) plus, (3) administrative expenses paid out of RLF income during the year ended June 30, 2019 (\$33,169) plus, (4) the unpaid principal of all loans written off during the year ended June 30, 2019 (\$0). 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 (\$1,662,119), which is reported as the amount of expenditures of the Economic Adjustment Assistance program on the Schedule of Expenditure of Federal Awards.

CITY OF COLUMBIA, SOUTH CAROLINA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

Note D - Matching Costs

Matching costs, i.e. the non-federal share of certain program costs, are not included in the accompanying schedule.

Note E - 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.

**Independent Auditor's 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***

To the Honorable Mayor and City Council
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, and the aggregate remaining fund information, of the City of Columbia, South Carolina (the "City"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Columbia, South Carolina's basic financial statements and issued our report thereon dated February 14, 2020. 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'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'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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*.

City of Columbia'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

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'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.

Scott and Company LLC

Columbia, South Carolina
February 14, 2020

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

To the Honorable Mayor and City Council
City of 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, 2019. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's 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 audit requirements of Title 2 U.S. *Code of 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, 2019.

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 a 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 the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information, of the City as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated February 14, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements and other information discussed above. The accompanying schedule of expenditures of federal awards is presented for purposes 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 respects 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Scott and Company LLC

Columbia, South Carolina

June 1, 2020

**CITY OF COLUMBIA, SOUTH CAROLINA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2019**

Section I—Summary of Auditor’s Results

Financial Statements:

We have issued unmodified opinions dated February 14, 2020 on the financial statements of the City of Columbia, South Carolina.

Internal control over financial reporting:

- Material weaknesses identified? Yes
- Significant deficiencies identified? None reported
- Noncompliance material to financial statements noted? None reported

Federal Awards:

Internal control over major programs:

- Material weaknesses identified? No
- Significant deficiencies identified? None Reported

We have issued an unmodified opinion dated June 1, 2020 on the City of Columbia, South Carolina’s compliance for its major programs.

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major programs

<u>CFDA Number</u>	<u>Name of Federal Program</u>
11.307	Economic Adjustment Assistance
14.239	HOME Investment Partnerships Program
14.241	Housing Opportunities for Persons with AIDS
97.039	Hazard Mitigation Grant

Dollar threshold used to be distinguished between Type A and Type B Programs: \$750,000

Auditee qualified as low-risk auditee? No

**CITY OF COLUMBIA, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

Section II - Financial Statement Findings:

Condition Considered to be a Material Weakness

2019-001 – Restatements of the annual financial statements

Condition: Management discovered there were three restatements required for correction in their basic financial statements: prior year FEMA grant revenues were overstated; OPEB liability and related expenses were not properly allocated; and the Capital City Fund should have been reported as a special revenue fund, not within the General Fund. When a restatement occurs, the professional standards require that we report a material weakness.

Criteria: The City should recognize the FEMA grant revenue when expenses are approved rather than when obligated. Generally accepted accounting principles require that the City allocate the OPEB liability and related expenses following GASB 75 to all proprietary funds. The City should ensure that all funds are recorded in the proper fund.

Cause: The City relied on its external auditors in assisting with the preparation of its financial statements and Schedule of Expenditures of Federal Awards (“SEFA”), which incorrectly recognized FEMA expenditures. In addition, for the same reason, the allocation and recognition of the OPEB liability and related expenses in accordance with accounting standards was not properly performed in the City’s financial statements. The City’s management overlooked the inclusion of the Capital City Fund with the General Fund.

Effect: Related to the restatement of FEMA grant revenues, the General Fund and Water/Sewer facilities were overstated \$276,781 and \$4,265,179, respectively. Because the OPEB liability and related expenses were not properly allocated, the Internal Service Fund net assets were understated by \$41,534,787, Water/Sewer Facilities Fund net assets were overstated by \$35,799,031, Parking Facilities Fund net assets were overstated by \$2,323,970, and Non-Major Enterprise Funds were overstated by \$3,411,786, respectively. Lastly, the General Fund balance was overstated \$341,110 and Other Governmental Funds fund balance were understated \$341,110 due to the Capital City Fund being reported in the General Fund.

Recommendation: The financial statements and SEFA are the responsibility of the City’s management. Management should verify and document the positions taken in its financial statements and SEFA by its external auditors and carefully analyze each fund to assure the funds are properly capitalized.

Views of Responsible Officials and Planned Corrective Actions: Management agrees the City’s independent auditors should be consulted to verify positions taken in our financial statements and funds should be properly reported. The Deputy Finance Director or the Finance Director’s designee will ensure the City maintains documentation of auditors’ guidance for positions taken. The Deputy Finance Director or the Finance Director’s designee will perform a

review of where all funds are presented within the Comprehensive Annual Financial Report to confirm appropriate and consistent reporting.

Section III - Federal Award Findings and Questioned Costs:

None Reported.

Summary Schedule of Prior Audit Findings:

No prior year audit findings.