

**CITY OF COLUMBIA, SOUTH CAROLINA**

**Reports on Internal Control and Compliance**

**For the Year Ended June 30, 2007**

**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 BASIC 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 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, 2007, which collectively comprise the City of Columbia, South Carolina's basic financial statements and have issued our report thereon dated December 8, 2008. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Columbia, South Carolina's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Columbia, South Carolina's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Columbia, South Carolina's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential, will not be prevented or detected by the City of Columbia, South Carolina's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2007-1 through 2007-15 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Columbia, South Carolina's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider items 2007-7, 2007-8, 2007-9, 2007-10, 2007-11, 2007-12, 2007-13, 2007-14, and 2007-15 described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

#### 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*.

We noted certain matters we reported to management of the City of Columbia, South Carolina in a separate letter dated December 8, 2008.

The City of Columbia, South Carolina's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City of Columbia, South Carolina's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the City Council, management, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

*Webster Regano LLP*

Florence, South Carolina  
December 8, 2008

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and City Council  
**City of Columbia, South Carolina**  
Columbia, South Carolina

Compliance

We have audited the compliance of the **City of Columbia, South Carolina** with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, that are applicable to each of its major federal programs for the year ended June 30, 2007. The City of Columbia, South Carolina's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Columbia, South Carolina's management. Our responsibility is to express an opinion on the City of Columbia, South Carolina's compliance based on our audit.

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. Our audit does not provide a legal determination on the City of Columbia, South Carolina's compliance with those requirements.

In our opinion, the City of Columbia, South Carolina complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2007-16, 2007-17, 2007-18 and 2007-19.

## Internal Control Over Compliance

The management of the City of Columbia, South Carolina is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Columbia, South Carolina's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the City of Columbia, South Carolina's 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the City of Columbia, South Carolina's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we considered to be significant deficiencies and others that we consider to be material weaknesses.

A control deficiency in the City of Columbia, South Carolina's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affect an entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City of Columbia, South Carolina's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2007-17, 2007-18, and 2007-19 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City of Columbia, South Carolina's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider items 2007-17 and 2007-19 to be material weaknesses.

## Schedule of Expenditures of Federal Awards

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, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements and have issued our report thereon dated December 8, 2008. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The City of Columbia, South Carolina's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City of Columbia, South Carolina's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the City of Columbia, South Carolina, management, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

*Webster Rogus LLP*

Florence, South Carolina  
December 8, 2008

**CITY OF COLUMBIA, SOUTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2007**

<b>Federal Grantor/Pass-Through Grantor's/Agency's or Program Title</b>	<b>CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>		
Pass-through programs from:		
South Carolina Forestry Commission		
Cooperative Forestry Assistance	10.664	\$ 4,024
		<u>4,024</u>
Total U.S. Department of Agriculture		<u>4,024</u>
<b>U.S. Department of Housing and Urban Development</b>		
Direct		
Community Development Block Grants/Entitlement Grants	14.218	1,054,341
Home Investments Partnership Program	14.239	379,063
Housing Opportunities for Persons with AIDS	14.241	1,158,375
Empowerment Zones Program	14.244	471,850
		<u>3,063,629</u>
Total U.S. Department of Housing and Urban Development		<u>3,063,629</u>
<b>U.S. Department of the Interior</b>		
Direct		
National Satial Data Infrastructure Cooperative Agreements	15.809	42,000
		<u>42,000</u>
Total U. S. Department of the Interior		<u>42,000</u>
<b>U.S. Department of Justice</b>		
Direct		
National Institute of Justice Research, Evaluation and Development		
Project Grants	16.560	15,655
Edward Byrne Memorial Formula Grant Program	16.579	112,070
Local Law Enforcement Block Grant	16.592	108,497
Public Safety Partnership and Community Policing Grants	16.710	47,717
Paul Coverdale Forensic Sciences Improvement Program	16.742	24,286
Anti-Gang Initiative	16.744	25,436
		<u>333,661</u>
Total U.S. Department of Justice		<u>333,661</u>

(Continued)

**CITY OF COLUMBIA, SOUTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**  
(Continued)

<b>Federal Grantor/Pass-Through Grantor's/Agency's or Program Title</b>	<b>CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Transportation</b>		
Pass-through programs from:		
South Carolina Department of Transportation		
Older Driver Program	20.200	\$ 15,490
Highway Planning and Construction	20.205	1,992,828
State and Community Highway Safety	20.600	<u>107,683</u>
Total U.S. Department of Transportation		<u>2,116,001</u>
<b>Environmental Protection Agency</b>		
Direct		
Brownsfields Assessment and Cleanup Cooperative Agreements	66.818	<u>6,954</u>
Total Environmental Protection Agency		<u>6,954</u>
<b>U.S. Department of Homeland Security</b>		
Pass-through programs from:		
South Carolina Emergency Management Division		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	162,033
South Carolina State Law Enforcement Division		
State Domestic Preparedness Equipment Support Program	97.004	242,967
Homeland Security Grant Program	97.067	635,148
Buffer Zone Protection Program	97.078	<u>95,065</u>
Total U.S. Department of Homeland Security		<u>1,135,213</u>
Total Expenditures of Federal Awards		<u><u>\$ 6,701,482</u></u>

**CITY OF COLUMBIA, SOUTH CAROLINA  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2007**

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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 balances at June 30, 2007, equal \$1,884,068 which includes original federal funds and matching City funds.

**3. HUD Loans:**

Amounts received under the U.S. Department of Housing and Urban Development Section 108 Loan Guarantee Program are reported in the basic financial statements under the Redevelopment Program Fund. The total outstanding balance at June 30, 2007, under this program is \$520,000.

**4. 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	\$704,703

**CITY OF COLUMBIA, SOUTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007**

**I – Summary of Auditors’ Results**

**Financial Statements**

Type of auditors’ report issued:	Unqualified Opinion		
Internal control over financial reporting:			
Material weaknesses identified?	<u>  X  </u>	yes	<u>          </u> no
Reportable condition(s) identified not considered being material weaknesses?	<u>  X  </u>	yes	<u>          </u> none reported
Noncompliance material to financial statements noted?	<u>          </u>	yes	<u>  X  </u> no

**Federal Awards**

Internal control over major programs:			
Material weaknesses identified?	<u>  X  </u>	yes	<u>          </u> no
Reportable condition(s) identified that are not considered to be material weaknesses?	<u>  X  </u>	yes	<u>          </u> none reported
Type of auditor’s report issued on compliance for major programs:	Unqualified Opinion		
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of Circular A-133?	<u>  X  </u>	yes	<u>          </u> no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant
14.241	Housing Opportunities for People With AIDS
20.205	Highway Planning and Construction
97.067	Homeland Security Grant Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000		
Auditee qualified as low-risk auditee?	<u>          </u>	yes	<u>  X  </u> no

**CITY OF COLUMBIA, SOUTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007**

**II – Financial Statements Findings**

**2007-1 Timely Invoicing of Grant Expenditures**

**Criteria:** Good business practices require the timely invoicing of grants.

**Condition:** The City does not have formal policies in place that establish guidelines as to when and how a grant should be billed.

**Effect:** The lack of formal policies increases the likelihood grants will not be billed in a timely manner.

**Recommendation:** We recommend the City adopt formal policies and procedures that establish specific criteria for when and how a grant will be billed.

**Management Response:** The procedure for grants and contracts is as follows. Effective December 31, 2008, a trial balance will be run on or about the first day of the month for all grant funds. From said trial balance a journal entry will be prepared debiting grant accounts receivable and crediting grant revenue. The journal entry will be dated the last day of the previous month. A drawdown request for the amount of the journal entry must accompany the journal entry as documentation. This procedure must be followed for all grants (federal, state, and other). The drawdown when received will be dated the date of receipt. Any receivable, outstanding longer than 60 days, must be communicated to the Deputy Finance Director. This procedure is to be followed until revised.

**2007-2 Timesheets**

**Criteria:** City personnel policy requires all hourly employees to submit a signed timesheet for each payroll period. The policy further requires these timesheets be approved by their supervisor.

**Condition:** Timesheets are being submitted with either the employee's or supervisor's signature missing.

**Effect:** During the audit, testing was performed on a sample of forty employee time cards. Of the forty tested, fifteen did not have either the employee's signature, indication of approval by the supervisor, or the timekeeper's signature.

**Recommendation:** We recommend the City monitor more closely compliance with its timesheet policy.

**Management Response:** Management has instructed payroll personnel to review timesheets for signatures. Management believes that exceptions to policy have decreased. Compliance will continue to be a priority and monitored until timekeepers and supervisory personnel understand the necessity of this policy. Payroll staff has also increased training for both timekeepers and supervisors which was not previously occurring.

**2007-3 Timely and Accurate Financial Reports**

**Criteria:** Good business practices require those charged with governance be furnished timely and accurate financial reports to aid them in the discharge of their duties.

**Condition:** The City did not prepare regular financial reports during the year ended June 30, 2007.

**CITY OF COLUMBIA, SOUTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007**

**Effect:** The lack of current financial information can adversely affect critical areas such as financial analysis, budgetary control, and cash flow.

**Recommendation:** We recommend that the City prepare accurate financial reports on a regular basis and submit to those charged with governance.

**Management Response:** City Council began receiving revenue and expenditure reports in October 2008. Balance sheets will be added beginning January 2009.

**2007-4 Formal Year-End Closing Schedule**

**Criteria:** Good business practices require a formal year-end closing schedule to aid in the closing of the books and records.

**Condition:** The City currently does not prepare a formal year-end closing schedule.

**Effect:** The lack of a formal year-end closing schedule increases the risk significant procedures and items might be overlooked.

**Recommendation:** We recommend that the City develop a formal year-end closing schedule.

**Management Response:** Management concurs and intends to have a formal year end closing schedule developed by the time the closing of the year ending June 30, 2009 begins.

**2007-5 Receiving Reports**

**Criteria:** Good business practices require the department receiving the goods or services to timely notify the accounts payable department that the ordered goods and/or services have been received and/or performed.

**Condition:** The receiving departments at the City currently do not consistently notify the accounts payable department when goods have been received or services performed.

**Effect:** The lack of timely notification increases the risk for late payments or for payments for which the goods or services were not received or were defective.

**Recommendation:** We recommend that the City monitor compliance with its notification process more closely.

**Management Response:** A massive concentration of effort to address this problem has resulted in fewer noted exceptions. Management feels that the increased effort has reduced exceptions to approximately 1/3 of levels of 2007. Management will continue to enforce its policy.

**2007- 6 Invoice Procedures**

**Criteria:** City procurement policy requires that a purchase order be issued prior to obligating the City to purchase goods or services.

**CITY OF COLUMBIA, SOUTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007**

**Condition:** During the audit, a random sample of twenty-five disbursements was selected to determine compliance with the procurement policy. In six of the disbursements selected, the item was received prior to the issuance of a purchase order.

**Effect:** Non-compliance with published procurement policies and procedures increases the risk of an unauthorized purchase.

**Recommendation:** We recommend the City more closely monitor compliance with its procurement policy.

**Management Response:** Management has emphasized to all employees that the City's procurement policies and procedures must be followed. The City's Purchasing Division has established a training session with each of the departments. Proper training, communication, and regular enforcement of all City policies, including procurement, is paramount to making improvements in this area. As violations are noted an exception report can be prepared and forwarded to the city manager for corrective action.

**2007-7 Reconciliation of Bank Statements**

**Criteria:** Good business practices require that bank statements be reconciled on a regular basis.

**Condition:** The City did not reconcile its bank statements on a regular basis during the year ended June 30, 2007.

**Effect:** When bank accounts are not reconciled on a monthly basis, it increases the difficulty of the reconciliation process. It also increases the risk of fraudulent activity going undetected.

**Recommendation:** We recommend the City reconcile bank accounts on a monthly basis and that the reconciliation is reviewed by someone independent of the person preparing the reconciliation.

**Management Response:** Monthly bank statements through October 31, 2008, have been reconciled. Management is investing considerable resources to becoming current with monthly bank reconciliations. No higher priority exists for management.

**2007-8 Control over Cash Disbursements**

**Criteria:** Good business practices require that cash disbursements to vendors are properly controlled.

**Condition:** The City made duplicate payments to vendors for the same item or service.

**Effect:** The City pays twice for the same goods or service.

**Recommendation:** We recommend the City more closely monitor its accounts payable process to reduce the risk of duplicate payments to vendors.

**Management Response:** Management has initiated several changes to accounts payable procedures and is currently evaluating the effectiveness of the changes. The changes include routing "problem" invoices to a clearing individual, reviewing the receiving report for "missing" invoices, and coordinating with purchasing to discover duplicates before payment is possible.

**CITY OF COLUMBIA, SOUTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007**

**2007-9 Investment Policy**

**Criteria:** Good business practices require a formal investment policy that details City Council's philosophies, policies, and goals (both short – and long-term).

**Condition:** The City currently does not have a formal written investment policy.

**Effect:** Because the City does not have a formal investment policy, the risk of an unauthorized purchase, sale, or transfer of an investment increases.

**Recommendation:** We recommend that the City establish an investment policy. This policy should include who has the right to transfer between the investment accounts, transactions amount limits, the type of investments that can be made, and who can authorize purchases and sales. The policy should also address the investment goals of the City, the targeted return for the portfolio, and the amount of acceptable risk.

**Management Response:** Management now includes a Deputy Finance Director – Treasurer. The role and function of this position is to focus on the City's investments, bond issues, cash position and projections, debt collection, and other matters. A proposed investment policy has been submitted to City Council for review and approval.

**2007-10 Review of Journal Entries**

**Criteria:** Good business practices and City policies and procedures require the review of journal entries prior to them being posted to the accounting records.

**Condition:** The City did not consistently comply with its policy of having an independent review of a journal entry prior to its being recorded in the accounting records.

**Effect:** The purpose of the independent review of journal entries is to mitigate the risk of an incorrect or unauthorized entry being recorded in the accounting records. If this review is not performed, the risk of an incorrect or unauthorized entry increases.

**Recommendation:** We recommend the City consistently follow its policy of requiring all journal entries be reviewed prior to being posted.

**Management Response:** Management has increased its emphasis on adhering to this policy. This increased emphasis has reduced the number of exceptions.

**2007-11 Disposal of Capital Assets**

**Criteria:** Good business and accounting practices require the timely recording of all events that affect the general ledger balances.

**Condition:** The City does not have a formal policy or procedure to ensure the timely reporting of capital asset disposals to the accounting department.

**CITY OF COLUMBIA, SOUTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007**

**Effect:** The lack of formal policies and procedures regarding capital asset disposals increases the risk of the City reporting in its financial statements capital assets that no longer exist.

**Recommendation:** We recommend the City develop policies and procedures that will help ensure the timely reporting of capital asset disposals.

**Management Response:** Management concurs and is working on developing policies and procedures that will ensure fixed asset disposals are reported timely to the finance department.

**2007-12 Spreadsheet Files**

**Criteria:** Good business practices require that spreadsheet files that are used to determine amounts that will be entered into the City's accounting system be subject to the appropriate level of review.

**Condition:** The City does not have formal policies and procedures that ensure the development and output of its spreadsheet files are subject to review.

**Effect:** Audit adjustments were necessary due to incorrect amounts being recorded in the general ledger as a result of spreadsheet errors. Proper review of these spreadsheets would have lessened the risk of incorrect amounts being recorded in the general ledger.

**Recommendation:** We recommend the City develop formal policies and procedures to ensure the development and output of its spreadsheets are subject to the appropriate level of review in order to mitigate the risk of the spreadsheets containing significant errors or omissions.

**Management Response:** Management has a commitment to reducing spreadsheet use for areas where alternatives are available and to review spreadsheets appropriately. All spreadsheets used for accounting purposes are subject to dual review. This should reduce the risk of incorrect data being posted.

**2007-13 Construction in Progress**

**Criteria:** Good business practices require that construction in progress include only items that will be capitalized upon completion.

**Condition:** The City does not have a formal policy for what is to be included in construction in progress.

**Effect:** Substantive testing performed on construction in progress account balances determined there were expenditures that should not have been included in the balances.

**Recommendation:** We recommend that the City establish formal policies on what is to be included in construction in progress and to perform procedures to determine compliance with the policies.

**Management Response:** Management agrees construction in progress and other items related to fixed asset valuation need attention. Resources have been assigned to this task for FY 08. The Municipal Association of South Carolina has been contracted to assist in this area. This is adequately addressed for FY 08 as a "short term" solution. A permanent solution will be developed as soon as possible.

**CITY OF COLUMBIA, SOUTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007**

**2007-14 Review and Reconciliation of Accounts Payable**

**Criteria:** Good business practices require that reviews and reconciliations of accounts payable be performed by appropriate individuals on a regular basis.

**Condition:** The City did not reconcile the accounts payable subsidiary ledger to the general ledger on a regular basis during the year ended June 30, 2007.

**Effect:** When accounting data and financial information is not properly reviewed and reconciled, the risk of account balances being misstated increases.

**Recommendation:** We recommend the City establish formal policies regarding reviews and reconciliations of its subsidiary ledgers to help ensure accounting data and financial information will be accurate.

**Management Response:** Management concurs and reconciliation and review are being performed on a regular basis. Management will evaluate and report.

**2007-15 Communicating Internal Control Matters**

**Criteria:** Good business practices dictate the need of having a financial reporting system in place that is sufficient to provide reasonable assurance the entity can prepare accurate financial statements in conformity with generally accepted accounting principles.

**Condition:** The City does not have formal policies or procedures in place to facilitate the reporting of fraud and abuse and questionable accounting or auditing practices that could affect the accuracy of the financial reports prepared.

**Effect:** Without clear policies and procedures in place, the likelihood of unreported violations is increased.

**Recommendation:** We recommend the City establish formal policies and procedures to encourage the reporting of fraud and abuse and questionable accounting or auditing practices.

**Management Response:** Management is reviewing various policies and procedures for recommendation to City Council.

**CITY OF COLUMBIA, SOUTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007**

**III – Federal Awards Findings:**

**2007-16 Report Submission**

All Major Programs

**Criteria:** OMB Circular A-133 Subpart C, paragraph 320 subparagraph (a) states: “for fiscal years beginning on or after June 30, 1998, the audit shall be completed and the data collection form and reporting package shall be submitted within the earlier of 30 days after receipt of the auditor’s report(s) or nine months after the end of the audit period.”

**Condition:** The City’s reporting package was not submitted to the Office of Management and Budget prior to the March 31, 2008, deadline.

**Effect:** The City could be sanctioned by the Federal government using the following sanctions:

- (a) Withholding a percentage of Federal awards until the audit is completed satisfactorily;
- (b) Withholding or disallowing overhead costs;
- (c) Suspending Federal awards until the audit is conducted; or
- (d) Terminating the Federal award(s).

**Recommendation:** The City should adopt policies and procedures to ensure that the City’s annual audit is performed and submitted in a timely manner.

**Management response:** Management is addressing this finding. Reports due for fiscal 06 have been completed. Reports for fiscal 07 are currently near completion. Reports for fiscal 08 will be prepared after fiscal 07 are completed. Management expects to be current by fiscal 09 due dates.

**2007-17 Subrecipient Monitoring**

Housing Opportunity for Persons with AIDS Program

**Criteria:** OMB Circular A-133 and the Housing Opportunities for Persons with AIDS Program grant require that any grant subrecipients be monitored to ensure the use of Housing Opportunities for Persons with AIDS funds in accordance with applicable laws and requirements.

**Condition:** There was limited documentation of the City performing any monitoring of its subrecipients.

**Questioned Costs:** There were no questioned costs related to this finding.

**Effect:** The City was not able to fully determine whether subrecipient use of the grant funds was in accordance with applicable laws and requirements.

**Recommendation:** The City should adequately document monitoring visits on subrecipients, and documentation of these visits and procedures performed should be retained in the subrecipient’s grant file.

**CITY OF COLUMBIA, SOUTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007**

**Management Response:** The City did not sufficiently document the monitoring of subrecipient awards. Additional documentation of subrecipient awards is necessary and has been communicated internally. The Community Development department, which is responsible for administration and monitoring of these grants, is fully engaged and cooperating with efforts to improve our grant compliance matters.

**2007-18 Reporting**

Housing Opportunity for Persons with AIDS

**Criteria:** OMB Circular A-133 and the Housing Opportunities for Persons with AIDS Program grant requires each grantee to prepare the *Annual Progress Report*, form HUD-40110 (OMB No. 2506-0133) within ninety days after the close of the program year. The primary recipient under the grant is also required to submit Form HUD 60002 for each grant over \$200,000 that involves housing rehabilitation, housing construction, or other public construction.

**Condition:** There was no documentation of the City submitting the reports within the ninety day period.

**Effect:** The City is in violation of the reporting requirements of the grant.

**Recommendation:** The grants coordinator the City recently hired should institute a due date monitoring system whereby the individual responsible for the preparation of the reports is notified far enough in advance to enable the timely preparation and submission of the report.

**Management Response:** Management is addressing this finding. Management expects to be current by fiscal 09 due dates.

All Major Programs

**2007-19 Equipment Records**

**Criteria:** OMB Circular A-110 Subpart C paragraph 32 subparagraph (f) states that procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

Equipment records shall be maintained accurately and shall include the following information:

- a. A description of the equipment
- b. Manufacturer's serial number, model number, federal stock number, national stock number, or other identification number.
- c. Source of the equipment, including the award number
- d. Whether title vests with the recipient or the Federal Government
- e. Acquisition date
- f. Information from which one can calculate the percentage of Federal participation in the cost of the equipment
- g. Location and condition of the equipment and the date the information was reported.
- h. Unit acquisition cost
- i. Ultimate disposition data, including date of disposal and sales price.

**CITY OF COLUMBIA, SOUTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007**

**Condition:** The City's individual equipment records do not contain all of the above information on equipment purchased with federal awards.

**Questioned Costs:** There were no questioned costs related to this finding.

**Effect:** The City's individual property records are not maintained in accordance with the requirements of OMB Circular A-110 as listed above in the criteria section.

**Recommendation:** The City should maintain its individual equipment records such that the information indicated in the criteria section is included.

**Management response:** The software used to maintain the City's Fixed Assets Inventory is being examined to determine the availability of Federal Identification requirements. Pending this determination, policies and procedures will be implemented to capture the appropriate data.

**CITY OF COLUMBIA, SOUTH CAROLINA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2007**

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All Major Programs

**Finding 2006-17 Fixed Asset Inventory**

**Finding:** The City of Columbia had not performed an inventory of their property and equipment during the required period of time.

**Corrective Action Taken:** Corrective action was taken

All Major Programs

**Finding 2006-18 Report Submission**

**Finding:** The City of Columbia had not submitted the Data Collection Form to the Federal Clearing House prior to the March 31, 2007, deadline.

**Corrective Action Taken:** The Data Collection Form was submitted during December 2008.

HOME Investment Partnership Programs

**Finding 2006-19 Subrecipient Monitoring**

**Finding:** The City of Columbia failed to maintain documentation of monitoring visits.

**Corrective Action Taken:** The City of Columbia is writing policies and procedures to help ensure future monitoring procedures are adequately documented.