

**CITY OF NORTH CHARLESTON,
SOUTH CAROLINA
SUPPLEMENTARY FEDERAL FINANCIAL
ASSISTANCE REPORTS
YEAR ENDED JUNE 30, 2015**

CITY OF NORTH CHARLESTON, SOUTH CAROLINA

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CITY OF NORTH CHARLESTON, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2015

Federal Grantor/ Pass-Through Grantor Program Title	Federal CFDA Number	Federal or State ID Number	Disbursements/ Expenditures	
U.S. Department of Housing & Urban Development:				
Passed Through Charleston County:				
Community Development	14.218	B11UC450002	\$ 11,514	
Community Development	14.218	B12UC450002	238,168	
Community Development	14.218	B13UC450002	283,440	
Community Development	14.218	B14UC450002	4,967	\$ 538,089
HOME Program	14.239	M05UC450204	22,652	
HOME Program	14.239	M07UC450204	17,060	
HOME Program	14.239	M09UC450204	20,075	
HOME Program	14.239	M10UC450204	160,227	
HOME Program	14.239	M11UC450204	256,648	
HOME Program	14.239	M12UC450204	9,675	486,337
Total U.S. Department of Housing & Urban Development				1,024,426
U.S. Department of Justice:				
Direct Programs:				
Justice Assistance Grant	16.738	2012-DJ-BX-0997	4,532	
Justice Assistance Grant	16.738	2013-DJ-BX-0511	10,000	
Justice Assistance Grant	16.738	2014-DJ-BX-0015	60,070	74,602
Joint Law Enforcement Operations	16.111	JLEOTFS4		2,133
Equitable Sharing Program	16.922	SC0100800		86,034
Bulletproof Vests Program	16.607	BA-3A00S-SM01		29,286
Total U.S. Department of Justice				192,055
U.S. Department of Transportation:				
National Highway Traffic Administration				
Passed Through S.C. Department of Public Safety:				
OHSJ Specialized Enforcement Team	20.600	PT-2015-HS-13-15		178,932
U.S. Department of Homeland Security:				
Direct Programs:				
Port Security Grant	97.056	EMW-2013-PU-00425-S01	11,259	
Port Security Grant	97.056	EMW-2014-PU-00425-S01	103,605	114,864
Staffing for Adequate Fire & Emergency Response	97.083	EMW-2013-FH-00266		783,427
Total U.S. Department of Homeland Security				898,291
U.S. Department of Agriculture:				
Passed Through the State of South Carolina:				
Summer Feeding	10.559	SF-107		111,619
U.S. Department of Treasury:				
Direct Programs:				
Equitable Sharing Program	21.000	SC0100800		3,021
Total Expenditures of Federal Awards			\$	2,408,344

CITY OF NORTH CHARLESTON, SOUTH CAROLINA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2015

A – General

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the activity of all federal award programs of the City of North Charleston, South Carolina (the "City") for the year ended June 30, 2015. All federal awards received directly from the federal agencies, as well as those passed through other government agencies, are included on the Schedule.

B – Basis of Accounting

The accompanying Schedule is presented using the modified accrual basis of accounting.

C – Relationship to Financial Statements

Federal award expenditures are reported in the City's financial statements primarily as expenditures in the General Fund and Special Revenue Funds.

D – Relationship to Federal Financial Reports

Amounts reported in the accompanying Schedule agree with the amounts reported in the related federal financial reports except for timing differences relating to expenditures made subsequent to the filing of the federal financial reports.

E – Matching Costs

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

F – Sub-recipients

Of the federal expenditures presented in the accompanying Schedule, the City provided federal awards to sub-recipients as follow:

<u>Grant Name</u>	<u>Grant Number</u>	<u>Amount Disbursed</u>
HOME Program	M05UC450204	\$ 22,652
HOME Program	M07UC450204	17,060
HOME Program	M09UC450204	20,075
HOME Program	M10UC450202	160,227
HOME Program	M11UC450202	256,648
HOME Program	M12UC450202	1,399
Community Development	B11UC450002	11,514
Community Development	B12UC450002	21,899
Community Development	B13UC450002	52,283
Justice Assistance Grant	2012-DJ-BX-0997	4,532
Justice Assistance Grant	2013-DJ-BX-0511	10,000
Justice Assistance Grant	2014-DJ-BX-0015	20,000
		<u>\$ 598,289</u>



Greene Finney & Horton

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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*

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of City Council
City of North Charleston
North Charleston, 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, each major fund, and the aggregate remaining fund information of the City of North Charleston, South Carolina (the "City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 29, 2015.

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'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.

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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Greene, Finney & Horton, LLP
Mauldin, South Carolina
October 29, 2015



Greene Finney & Horton

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of City Council
City of North Charleston
North Charleston, South Carolina

Report on Compliance for Each Major Federal Program

We have audited the City of North Charleston, South Carolina's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2015. 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 laws, regulations, contracts, and grants 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 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'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, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2015-001. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the noncompliance finding 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 compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City'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.

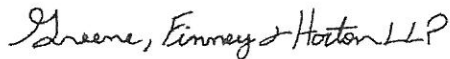
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-001, that we consider to be a significant deficiency.

The City's response to the internal control over compliance finding 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 compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the City as of and for the year ended June 30, 2015, and have issued our report thereon dated October 29, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 financial statements or to the 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 financial statements as a whole.



Greene, Finney & Horton, LLP
Mauldin, South Carolina
October 29, 2015

CITY OF NORTH CHARLESTON, SOUTH CAROLINA

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2015

There were no audit findings in the prior year.

CITY OF NORTH CHARLESTON, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified that are not considered to be material weaknesses?

_____ Yes X None Reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified that are not considered to be material weaknesses?

 X Yes _____ None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

 X Yes _____ No

Identification of major programs

CFDA Number(s)

Name of Federal Program or Cluster

97.083

Staffing for Adequate Fire and Emergency Response

14.239

Home Investment Partnerships Program

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

 X Yes _____ No

Section II - Findings - Current Year Financial Statements Audit

No matters to report.

CITY OF NORTH CHARLESTON SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2015

Section III– Findings and Questioned Costs – Major Federal Awards Programs Audit

Major Program

QUESTIONED COSTS

Federal Agency: Federal Emergency Management Agency (FEMA)

Staffing for Adequate Fire and Emergency Response (SAFER): CFDA # 97.083

2015-001: Allowable Costs/Cost Principles: Payroll Benefits

Condition: The City claimed reimbursement for healthcare costs in excess of allowable costs covered by the SAFER grant.

\$ 0

Criteria: The City should have effective internal controls in place to ensure that only allowable costs are claimed for reimbursement.

Context and Effect: The SAFER grant allows the City to request reimbursement of salary and benefits for fifteen public safety officers. The City files quarterly claims for reimbursement which are supported by payroll records and benefits information provided by the City's human resources department. The City is partially self-insured for healthcare benefits, and the human resources department estimates the healthcare costs on a per employee basis annually. The human resources department identified an error in the calculation of healthcare costs per employee during the current year. However, the City did not revise its reimbursement calculation to account for the corrected healthcare costs. As a result, the City claimed \$32,613 in excess of actual healthcare costs. An audit adjustment was required to properly report grant expenditures on the schedule of expenditures of federal awards.

Cause: Oversight by City personnel.

Recommendation: We recommend that the City carefully review all expenditures charged to federal programs to ensure that only allowable costs are charged in accordance with grant requirements.

Response: The City has notified FEMA of the excessive amount claimed for reimbursement and will correct the error on its next reimbursement request under the grant. The City posted an adjustment to the schedule of expenditures of federal awards in order to properly report grant expenditures. In addition, the City will take the necessary steps to improve its reporting and review process to ensure that future claims for reimbursement are proper.