

**CITY OF NORTH CHARLESTON,
SOUTH CAROLINA**

**SUPPLEMENTARY FEDERAL FINANCIAL
ASSISTANCE REPORTS**

YEAR ENDED JUNE 30, 2018

CITY OF NORTH CHARLESTON, SOUTH CAROLINA

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YEAR ENDED JUNE 30, 2018

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CITY OF NORTH CHARLESTON, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2018

Federal Grantor/ Pass-Through Grantor Program Title	Federal CFDA Number	Federal or State ID Number	Federal Expenditures	
U.S. Department of Housing & Urban Development:				
Passed Through Charleston County:				
Community Development	14.218	B13UC450002	\$ 74,566	
Community Development	14.218	B14UC450002	67,773	
Community Development	14.218	B15UC450002	464,499	
Community Development	14.218	B16UC450002	44,649	
Community Development	14.218	B17UC450002	<u>79,957</u>	\$ 731,444
HOME Program	14.239	M15UC450204		<u>11,485</u>
Total U.S. Department of Housing & Urban Development:				<u>742,929</u>
U.S. Department of Justice:				
Direct Programs:				
COPS Hiring Program	16.710	2015UMWX0124	490,745	
Justice Assistance Grant	16.738	2015-DJ-BX-0056	50,528	
Justice Assistance Grant	16.738	2016-DJ-BX-0572	45,344	
Equitable Sharing Program	16.922	SC0100800	<u>16,990</u>	603,607
Office for Victims of Crime				
Crime Victim Assistance				
Passed Through S.C. Department of Public Safety				
North Charleston Domestic Abuse Response Team	16.575	1V16016	11,580	
North Charleston Domestic Abuse Response Team	16.575	1V17007	<u>33,481</u>	45,061
Total U.S. Department of Justice:				<u>648,668</u>
U.S. Department of Transportation				
Federal Transit Administration				
Passed Through Charleston Area Regional Transportation Authority				
Federal Transit - Capital Investment Grants	20.500	SC-04-0010-00	<u>6,998,625</u>	
National Highway Traffic Administration				
Passed Through S.C. Department of Public Safety:				
OHSJ Specialized Enforcement Team	20.600	PT-2017-HS-13-17	34,365	
OHSJ Specialized Enforcement Team	20.600	M4HVE-2018-HS-24-18	<u>259,359</u>	
Total U.S. Department of Transportation				<u>7,292,349</u>
U.S. Department of Homeland Security:				
Direct Programs:				
Disaster Grants - Public Assistance	97.036	FEMA 4286-PA-SC	<u>1,297,884</u>	
Total U.S. Department of Homeland Security:				<u>1,297,884</u>
U.S. Department of Treasury:				
Direct Programs:				
Equitable Sharing Funds	21.000	SC0100800		<u>41,530</u>
U.S. Department of Agriculture:				
Passed Through the State of South Carolina:				
Summer Feeding	10.559	SF-107		<u>94,529</u>
Total Expenditures of Federal Awards				<u><u>\$ 10,117,889</u></u>

CITY OF NORTH CHARLESTON, SOUTH CAROLINA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2018

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, 2018. 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 – Subrecipients

The City did not disburse any federal awards to subrecipients during the year ended June 30, 2018.

G – Indirect Costs

The City elected not to use the de minimis indirect cost rate of 10%.



Greene Finney, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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, 2018, 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 31, 2018.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001, 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*.

GFHLLP.COM · INFO@GFHLLP.COM

GREENVILLE, SC
864.451.7381

MAULDIN, SC
864.232.5204

MOUNT PLEASANT, SC
843.735.5805

SPARTANBURG, SC
864.232.5204

ASHEVILLE, NC
828.771.0847

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The City's Response to Finding

The City's response to the 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 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 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.

A handwritten signature in black ink that reads "Greene Finney, LLP". The signature is written in a cursive, flowing style.

Greene Finney, LLP
Mauldin, South Carolina
February 8, 2019



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 THE UNIFORM GUIDANCE

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 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.

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 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.

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 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 City as of and for the year ended June 30, 2018, and have issued our report thereon dated October 31, 2018, 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 the Uniform Guidance 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, LLP
Mauldin, South Carolina
February 8, 2019

CITY OF NORTH CHARLESTON, SOUTH CAROLINA

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2018

There were no findings in the prior year.

CITY OF NORTH CHARLESTON, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

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?	<u> X </u> Yes	<u> </u> No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None Reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> 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 2 CFR 200.516 (Uniform Guidance)?	<u> </u> Yes	<u> X </u> No
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Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.500	Federal Transit - Capital Investment Grants
97.036	Disaster Grants - Public Assistance

Dollar threshold used to distinguish between type A and type B programs:	<u> \$ 750,000 </u>
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Auditee qualified as low-risk auditee?	<u> X </u> Yes	<u> </u> No
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CITY OF NORTH CHARLESTON, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2018

Section II – Current Year Financial Statement Findings

2018-001: COMPLETENESS OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (“SEFA”)

Condition: Due to a misunderstanding of the terms of the grant agreement, the SEFA initially excluded federal award amounts passed through the Charleston Area Regional Transit Authority.

Criteria: Internal controls were not sufficient to prevent or detect a material misstatement in the City’s SEFA for the year ended June 30, 2018.

Cause/Context: The grant award was passed through the Charleston Area Regional Transit Authority, and the City was not aware that they were considered a subrecipient of the federal award.

Effect: An adjustment was required to record pass-through awards totaling approximately \$7 million.

Recommendation: We recommend the City thoroughly review all intergovernmental agreements to ensure all federal expenditures are properly included on the SEFA.

Response: Management will review intergovernmental agreements more thoroughly in the future to ensure all federal expenditures are properly included on the SEFA.

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

No matters to report.

CITY OF NORTH CHARLESTON, SOUTH CAROLINA

CORRECTIVE ACTION PLAN

YEAR ENDED JUNE 30, 2018

Finding: 2018-001

Contact Person: E. Warren Newton, Director of Finance and Administration, wnewton@northcharleston.org

Corrective Action: The City will review intergovernmental agreements more thoroughly in the future to ensure all federal expenditures are properly included on the Schedule of Expenditures of Federal Awards.

Proposed Completion Date: June 30, 2019
