

COUNTY OF CHARLESTON, SOUTH CAROLINA

SUPPLEMENTAL FEDERAL FINANCIAL
ASSISTANCE REPORTS

FOR THE YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS

Supplemental Federal Financial Assistance Reports

Schedule of Expenditures of Federal Awards.....	1-4
Notes to Schedule of Expenditures of Federal Awards	5
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 <i>Government Auditing Standards</i>	6-7
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	8-10
Schedule of Findings and Questioned Costs.....	11-12
Summary Schedule of Prior Audit Findings	13

COUNTY OF CHARLESTON, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFICATION NUMBER	EXPENDITURES TO SUB-RECIPIENTS	TOTAL FEDERAL EXPENDITURES
<u>U.S. Department of Agriculture</u>				
Direct Program:				
Title I Secure Schools and Roads	10.665		\$ -	\$ 43,986
Total Direct Program			-	43,986
	Total 10.665 - Forest Service Schools and Roads Cluster		-	43,986
Total U.S. Department of Agriculture				
<u>U.S. Department of HUD</u>				
Direct Programs:				
Urban Entitlement Grant - 2013	14.218		-	876
Urban Entitlement Grant - 2014	14.218		84,799	93,956
Urban Entitlement Grant - 2015	14.218		561,293	583,332
Urban Entitlement Grant - 2016	14.218		174,277	440,869
Urban Entitlement Grant - 2017	14.218		226,761	658,831
	Total CFDA 14.218 CDBG - Entitlement Grants Cluster		1,047,130	1,777,864
HOME Investment Partnership Program - 2012	14.239		44,909	44,909
HOME Investment Partnership Program - 2013	14.239		120,491	120,491
HOME Investment Partnership Program - 2014	14.239		111,273	111,273
HOME Investment Partnership Program - 2015	14.239		180,307	180,508
HOME Investment Partnership Program - 2016	14.239		181,781	191,144
HOME Investment Partnership Program - 2017	14.239		43,127	56,719
	Total CFDA 14.239		681,888	705,044
Emergency Shelter Grants Program - 2016	14.231		53,316	55,156
Emergency Shelter Grants Program - 2017	14.231		117,467	117,467
	Total CFDA 14.231		170,783	172,623
Total Direct Programs			1,899,801	2,655,531
Total U.S. Department of HUD			1,899,801	2,655,531
<u>U.S. Department of the Interior</u>				
Passed Through SC Department of Archives and History:				
Historic Resources Survey FY16	15.904	NA	-	5,657
Total Pass-Through S.C. Department of Archives and History			-	5,657
Total U.S. Department of the Interior			-	5,657

The accompanying notes are an integral part of this schedule.

COUNTY OF CHARLESTON, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFICATION NUMBER	EXPENDITURES TO SUB-RECIPIENTS	TOTAL FEDERAL EXPENDITURES
<u>U.S. Department of Justice</u>				
Direct Programs:				
Federal Equitable Sharing FY17	16.000		\$ -	\$ 4,843
Total CFDA 16.000			-	4,843
State Criminal Alien Assistance Program FY17	16.606		-	123,779
			-	123,779
JAG FY14	16.738		-	8,507
JAG FY15	16.738		-	24,232
JAG FY17	16.738		-	25,862
Total CFDA 16.738			-	58,601
Federal Coverdell Grant FY17	16.742		-	63,553
Total CFDA 16.742			-	63,553
Total Direct Programs			-	250,776
<u>U.S. Department of Justice</u>				
Passed Through SC Department of Public Safety:				
Victim of Crime Act FY16	16.575	IV15131	-	18,757
Victim of Crime Act FY16	16.575	1V15145	-	57,369
Victim of Crime Act FY16	16.575	1V15157	-	51,625
Victim of Crime Act FY17	16.575	1V16032	-	284,394
Victim of Crime Act FY17	16.575	1V16013	-	171,231
Total CFDA 16.575			-	583,376
Violence Against Women FY17	16.588	1K16005	-	65,865
Total CFDA 16.588			-	65,865
Domestic Violence Investigator FY17	16.738	1G16002	-	67,169
Total CFDA 16.738			-	67,169
Cremation Authorization Assistant FY16	16.742	1NF15005	-	11,960
State Coverdell Grant FY17	16.742	1NF16002	-	11,290
Total CFDA 16.742			-	23,250
Total Pass-Through S.C. Department of Public Safety			-	739,660
Total U.S. Department of Justice			-	990,436

The accompanying notes are an integral part of this schedule.

COUNTY OF CHARLESTON, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFICATION NUMBER	EXPENDITURES TO SUB-RECIPIENTS	TOTAL FEDERAL EXPENDITURES
U.S. Department of Transportation				
Passed Through S.C. Emergency Management Division:				
HMEP Training Grant FY17	20.703	HM-HMP-0566-16-01-00	\$ -	\$ 35,628
	Total CFDA 20.703		-	35,628
Total Pass-Through from S.C. Emergency Management Division			-	35,628
Passed Through S.C. Department of Transportation (S.C. DOT):				
Folly & Camp Roads Intersection FY14	20.205	IGA-04-07 (6)	-	3,492,826
Harborview Road Improvements FY15	20.205	LPA-04-07 A3	-	2,245,948
	Total CFDA 20.205 Highway Planning and Construction Cluster		-	5,738,774
Total Pass-Through from S.C. DOT			-	5,738,774
Passed Through SC Department of Public Safety:				
DUI Enforcement Team FY16	20.600	M4HVE-2016-HS-29-16	-	23,692
DUI Enforcement Team FY17	20.600	M4HVE-2017-HS-29-17	-	54,546
	Total CFDA 20.600 Highway Safety		-	78,238
Total Passed Through SC Department of Public Safety			-	78,238
Total U.S. Department of Transportation			-	5,852,640
U.S. Department of Health and Human Services				
Passed Through S.C. Department of Social Services (DSS):				
Child Support Enforcement IV-D Filing Fees FY17	93.563	C17010C	-	353,483
Child Support Enforcement IV-D Unit Cost Reimbursement FY17	93.563	C17010C	-	559,424
Child Support Enforcement IV-D Incentive Reimbursements FY17	93.563	C17010C	-	160,833
Child Support Enforcement IV-D Filing Fees FY17	93.563	C17010S	-	8,930
Child Support Enforcement IV-D Unit Cost Reimbursement FY17	93.563	C17010S	-	49,088
	Total CFDA 93.563		-	1,131,758
Total Pass-Through from SC DSS			-	1,131,758
Passed Through S.C. Department of Alcohol and Other Drug Abuse Services (SC DAODAS):				
Screening Brief Intervention & Referral FY17	93.243	CHA-SBIRT-17	-	38,326
	Total CFDA 93.243		-	38,326
PAIRS FY16	93.558	CHA-PAIRS-16	-	70,484
PAIRS FY17	93.558	CHA-PAIRS-17	-	163,340
Total Temporary Aid to Needy Families (TANF) cluster	Total CFDA 93.558 TANF Cluster		-	233,824
Synar Youth Tobacco Buys	93.959	NA	-	594
SC DAODAS State Block Grant FY17	93.959	CHA-BG-17	-	1,374,079
	Total CFDA 93.959		-	1,374,673
Total Pass-Through from SC DAODAS			-	2,778,581

The accompanying notes are an integral part of this schedule.

COUNTY OF CHARLESTON, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFICATION NUMBER	EXPENDITURES TO SUB-RECIPIENTS	TOTAL FEDERAL EXPENDITURES
<u>U.S. Department of Health and Human Services</u>				
Passed Through Medical University of South Carolina				
MUSC Meditation FY16	93.279	MUSC 15-097	\$ -	\$ 40,087
Total Pass-Through from MUSC			-	40,087
Total U.S. Department of Health and Human Services			-	2,818,668
<u>U.S. Department of Homeland Security</u>				
Direct Programs:				
Port Security Grant FY16	97.056		-	131,030
Port Security Grant FY17	97.056		-	264,961
Total Direct Programs			-	395,991
Passed Through S.C. Emergency Management Division:				
Public Assistance (Presidentially Declared Disasters) FY17	97.036	FEMA-4286-DR-SC	-	4,275
			-	4,275
Project Impact Flood Mailer FY16	97.039	FEMA-DR-4166-SC-040	-	31,480
Project Impact Public Outreach FY16	97.039	FEMA-DR-4166-SC-041	-	7,238
Total CFDA 97.039			-	38,718
Local Emergency Management Performance FY16	97.042	15EMPG01	-	11,116
Local Emergency Management Performance FY17	97.042	16EMPG01	-	95,362
Total CFDA 97.042			-	106,478
Total Pass-Through S.C. Emergency Management Division			-	149,471
Passed Through S.C. Law Enforcement Division (SLED):				
Lowcountry Regional WMD Bomb Team FY16	97.067	15SHSP05	-	2,713
Intelligence Analyst Training FY16	97.067	15SHSP44	-	3,385
Lowcountry Regional WMD SWAT Team FY17	97.067	16SHSP12	-	27,239
HazMat Regional WMD Team FY17	97.067	16SHSP18	-	63,024
Total Pass-Through SLED			-	96,361
Total U.S. Department of Homeland Security			-	641,823
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,899,801	\$ 13,008,741

The accompanying notes are an integral part of this schedule.

COUNTY OF CHARLESTON, SOUTH CAROLINA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Charleston County (the "County") under programs of the federal government for the year ended June 30, 2017. 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"). Because the Schedule presents only a selected portion of the operations of the County, it is not intended and does not present the financial position or changes in net assets of the County.

Note B - Summary of Significant Accounting Policies

1 – The financial information shown in the Schedule of Expenditures of Federal Awards reflects amounts recorded by Charleston County during its fiscal year July 1, 2016 through June 30, 2017. 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 County has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

Note C - Matching Costs

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

**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 Members of County Council
County of 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, other than the financial statements of the aggregate discretely presented component units, and the budgetary comparison schedule of the general fund, of the County of Charleston, South Carolina (the "County"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and issued our report thereon dated December 21, 2017. We have also audited the financial statements of each of the County's non-major governmental, enterprise, internal service, and fiduciary funds, and the respective budgetary comparison schedules for the special revenue funds, presented as supplementary information in the combining financial statements and schedules, as of and for the year ended June 30, 2017. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component units. 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 County'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 County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County'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 County'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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*.

Charleston County's Response to Findings

Charleston County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Charleston County'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 County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Scott and Company LLC

Columbia, South Carolina
December 21, 2017

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 Members of County Council
County of Charleston, South Carolina

Report on Compliance for Each Major Federal Program

We have audited the County of Charleston, South Carolina's (the "County") 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 County's major federal programs for the year ended June 30, 2017. The County'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 County'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 County'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 County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County 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, 2017.

Report on Internal Control over Compliance

Management of the County 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 County'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 County'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.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, other than the financial statements of the aggregate discretely presented component units, and the budgetary comparison schedule of the general fund, of the County of Charleston, South Carolina (the "County"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We have also

audited the financial statements of each of the County's non-major governmental, enterprise, internal service, and fiduciary funds, and the respective budgetary comparison schedules for the special revenue funds, presented as supplementary information in the combining financial statements and schedules, as of and for the year ended June 30, 2017. We issued our report thereon dated December 21, 2017, 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.

Scott and Company LLC

Columbia, South Carolina
January 25, 2018

**COUNTY OF CHARLESTON, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section I—Summary of Auditor’s Results

Financial Statements:

We have issued unmodified opinions dated December 21, 2017 on the financial statements of the County of Charleston, South Carolina.

Internal control over financial reporting:

- Material weaknesses identified? No
- Significant deficiencies identified? Yes

Federal Awards:

Internal control over major programs:

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

We have issued an unmodified opinion dated January 25, 2018 on the County of Charleston, 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>
20.205	Highway Planning & Construction (Federal-Aid Program) Cluster
93.563	Child Support Enforcement
97.056	Port Security Grant Program

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

Auditee qualified as low-risk auditee? Yes

**COUNTY OF CHARLESTON, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section II - Financial Statement Findings:

Condition Considered to be a Significant Deficiency

2017-001 – Bank Accounts not Reported to Treasurer’s Office

Condition: The Register Mesne Conveyance “RMC” office failed to follow the internal control procedures on the opening, closing and management of bank accounts established by the County’s financial policies.

Cause: The RMC office held seventeen agency cash accounts that were not properly reported to the Treasurer as required under the County’s financial policies.

Effect: Failure to follow internal controls established by the Charleston County’s Financial Policies could result in inappropriate use or abuse of funds, noncompliance on collateral requirements for bank accounts maintained by the County, and misstatements of assets and related accounts reported on the financial statements of the County. The seventeen RMC agency cash accounts are reported in the current year as cash and due to third party on the agency fund financial statements.

Criteria: The County’s financial policies dated August 2007, under the investment section, requires all agencies to notify the Treasurer’s office of bank accounts opened, closed, and maintained under the County’s control.

Recommendation: We recommend that both management and the internal audit department receive a listing of all bank and investment accounts held by all departments including elected officials on a minimum of an annual basis. We recommend that management work with the internal audit department to compare the listing received to determine all accounts are included in the listing used to prepare the financial statements of the County.

Views of Responsible Officials and Planned Corrective Actions:

The RMC office was unaware of the County Financial policy which requires all agencies to notify the Treasurer’s office of bank accounts opened, closed and maintained under the County’s control. The RMC has now closed these accounts and turned the funds over to the Treasurer’s office. Any activity for these accounts is being tracked in the general ledger for transparency purposes.

The Finance Office and the Internal Audit Office currently compare listings of accounts held by appointed and elected officials at least on an annual basis. The accounts referenced above were absent from both listings of accounts. We will continue to coordinate this effort.

Section III - Federal Award Findings and Questioned Costs:

None

Summary Schedule of Prior Audit Findings:

None