



Richland County Council
Columbia, South Carolina

In connection with our examination report on the County's assertions related to its Penny Sales Tax Ordinance (the Ordinance) dated February 3, 2017, we are providing this letter of findings and recommendations based on certain conditions noted as result of performing our examination procedures.

It is the responsibility of the County to establish internal controls over its compliance with all laws, ordinances, contracts, and County procurement requirements. It is also the County's responsibility to monitor internal controls over these areas to ensure that the County is in compliance with applicable laws, ordinances, contracts and County procurement requirements.

Because of the inherent limitations in any internal control system, certain conditions could exist including collusion, management override of the control system, or neglect to follow established policies. Such conditions could result in errors, irregularities, or fraud occurring without being detected. Our procedures were not designed to provide assurance on internal control or to identify deficiencies in internal control, financial statement misstatements, or violations of laws, government regulations or contracts. Therefore they cannot be relied upon to take the place of management's efforts to discover misstatements, deficiencies, errors, omissions, negligence, irregularities, violations, or illegal acts, including fraud or defalcations that may exist.

Our findings and recommendations are as follows:

Indirect Cost Allocation

Criteria: Methods for applying accounting estimates that are subjective and significantly affect the recognition of costs by project should be specified in the Accounting Procedure Manual.

Condition: There is no specific method required for allocating indirect costs (including administrative expenses) to individual projects.

Effect: The approach for allocating indirect costs to individual projects may be changed arbitrarily resulting in a method that may not be reasonable or consistently applied.

Cause: The Accounting Procedure Manual referenced in the Contract with PDT does not specify a method for allocating indirect costs to individual projects.

Indirect Cost Allocation (continued)

Recommendation: We recommend the following:

- The Accounting Procedure Manual should be revised to include a specific approach for allocating indirect costs to individual projects.
- Expenditures by project should be adjusted for indirect costs in a manner consistent with the approach to be specified in the Accounting Procedure Manual.
- The allocation and recording of indirect costs by project should be performed as frequently as necessary to ensure that County Council is receiving timely updates on actual expenditures-to-date.

Monitoring and Reporting of Program Expenditures

Criteria: Sufficient internal controls should include regular monitoring and reporting of actual expenditures-to-date by project versus estimated costs-to-complete for each project.

Condition: There is no process in place to compare actual expenditures-to-date to original estimates of cost-to-complete by project as reflected in *Appendix A* of the Ordinance.

Effect: County Council may not become aware of actual expenditures significantly exceeding original cost estimates until funding has already been substantially committed.

Cause: A variance report of actual expenditures-to-date versus estimated costs-to-complete by project is not being generated.

Recommendation: We recommend that status reports to County Council include a comparison of actual expenditures- to-date by project to the estimated costs-to-complete by project as reflected in *Appendix A*. The cost reflected in *Appendix A* should be adjusted as necessary for items such as change orders, re-directing funds between projects, and a construction cost index.

Reconciliation of Program Expenditures

Criteria: Sufficient internal controls should include regular reconciliation of total expenditures per the County's general ledger to supporting subsidiary ledgers.

Condition: Total expenditures per the County's general ledger are not being reconciled to the PDT's general ledger. Because of the significant amount of costs being incurred by the PDT on behalf of the County, the PDT's general ledger represents a primary subsidiary detail of program expenditures.

Effect: All program expenditures may not be properly accounted for.

Cause: There is no process in place to regularly reconcile total expenditures per the County's general ledger to PDT's general ledger.

Reconciliation of Program Expenditures (continued)

Recommendation: We recommend that total expenditures per the County's general ledger be reconciled to the PDT general ledger on a monthly basis, to ensure that all program activity is being accounted for. This process will also serve to confirm legitimate reconciling items such as timing differences and expenditures incurred directly by the County. It will also help to ensure that improper transactions and errors are identified.

This report is intended solely for the information and use of Richland County Council and management of Richland County, South Carolina and is not intended to be and should not be used by anyone other than these specified parties.

Elliott Davis Decosimo, LLC

Columbia, South Carolina
February 3, 2017

**RICHLAND COUNTY
PENNY SALES TAX ORDINANCE**

EXAMINATION OF MANAGEMENT ASSERTIONS



Independent Accountant's Report

Richland County Council
Columbia, South Carolina

We have examined certain assertions made by Richland County, South Carolina (the "County") in relation to Richland County Ordinance No. 039-12HR (the "Penny Sales Tax Ordinance") which set forth the terms of the County's Transportation Penny Program. The examination covers the twenty-six month period from May 1, 2013 through June 30, 2015.

The County has provided us with certain written assertions in relation to the Penny Sales Tax Ordinance. The County is responsible for the assertions. Our responsibility is to express an opinion on the assertions based on our examination. The County's written assertions and the related criteria for each assertion are as follows:

1. The County's Contract with the PDT (the "Contract") was awarded in accordance with the Penny Sales Tax Ordinance and the County's procurement policy.
2. Expenditures incurred by the PDT on behalf of the County were for the completion of approved projects as reflected in the Penny Sales Tax Ordinance.
3. All amendments to the approved projects were approved by Council in accordance with the Penny Sales Tax Ordinance and the County's procurement policy.
4. Expenditures incurred by the PDT on behalf of the County were allowable under the terms of the Penny Sales Tax Ordinance and the County's procurement policy.
5. Expenditures incurred by the PDT on behalf of the County were approved and paid for in accordance with the Penny Sales Tax Ordinance and the County's procurement policy.
6. Expenditures incurred by the PDT on behalf of the County have been allocated to respective projects based on the cost allocation method reflected in the PDT Contract.
7. The County has maintained sufficient internal controls and implemented effective financial practices and procurement policies which have resulted in the County complying with the Penny Sales Tax Ordinance.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the County's assertions referred to above are fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about the County's assertions. The nature, timing and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the County's assertions, whether due to fraud or error.

We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. However, our examination was limited in nature and does not provide a legal determination on the County's compliance with any requirements related to the assertions above. Furthermore, interpreting specific terms, requirements, or conditions of the PDT Contract was not within the scope of our engagement and, accordingly, we provide no assurance on such items.

It is the responsibility of the County to establish internal controls over its compliance with all laws, ordinances, contracts, and County procurement requirements. It is also the County's responsibility to monitor internal controls established over these areas to ensure that the County is in compliance with applicable laws, ordinances, contracts and County procurement requirements.

Because of the inherent limitations in any internal control system, including collusion, management override of the control system or neglect to follow established policies could result in errors, irregularities, or fraud occurring without being detected.

Our examination disclosed the conditions below that resulted in a deviation from the criteria as it relates to following assertions:

Assertion 6 – There is no cost allocation method specified in the PDT Contract.

Assertion 7 – There is no process in place to report a comparison of estimated project costs as established in the Referendum to actual expenditures-to-date by project.

Assertion 7 – There is no process in place to periodically reconcile total expenditures as recorded in the County's general ledger to total expenditures recorded in the PDT's general ledger.

In our opinion, except for the deviations from the criteria described in the preceding paragraph, the County's assertions referred to above are fairly stated, in all material respects, based on criteria set forth in the Penny Sales Tax Ordinance and County procurement policy.

This report is intended solely for the information and use of Richland County Council and management of Richland County, South Carolina and is not intended to be and should not be used by anyone other than these specified parties.



Columbia, South Carolina
February 3, 2017



Richland County Council
Columbia, South Carolina

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Our findings and recommendations are as follows:

Indirect Cost Allocation

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Effect: The approach for allocating indirect costs to individual projects may be changed arbitrarily resulting in a method that may not be reasonable or consistently applied.

Cause: The Accounting Procedure Manual referenced in the Contract with PDT does not specify a method for allocating indirect costs to individual projects.