

ORANGEBURG COUNTY, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND SUPPLEMENTARY FEDERAL FINANCIAL
ASSISTANCE REPORTS

YEAR ENDED JUNE 30, 2013

ORANGEBURG COUNTY, SOUTH CAROLINA

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND SUPPLEMENTARY FEDERAL FINANCIAL
ASSISTANCE REPORTS

YEAR ENDED JUNE 30, 2013

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ORANGEBURG COUNTY, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

ORANGEBURG COUNTY, SOUTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2013

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Grantor Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Office of Community Planning and Development			
Passed through S.C. Department of Commerce:			
Community Development Block Grants 2011 Regional Planning Grant	4-RP-10-005	14.228	\$ 39,900
2011 HUD HOME investment Partnership	M11-DC-45-0216	14.239	<u>153,210</u>
Total U.S. Department of Housing and Urban Development			<u>193,110</u>
<u>U.S. Department of Justice</u>			
Passed through S.C. Department Public Safety:			
Bullet Proof Vest Project 2011	2011BUBX11056018	16.607	2,399
Edward Byrne Memorial Grant:			
JAG OCSO Youth Initiative Program	2010-DJ-BX-0911	16.738	9,497
FY 2011 JAG Program	2011-DJ-BX-3340	16.738	8,776
FY 2012 JAG Program	2012-DJ-BX-0818	16.738	23,172
BJA FY 2009 Recovery Act	2009-SB-B9-3340	16.804	19,942
ARRA-COPS Hiring Recovery Program	2009-RK-WX-0770	16.710	142,917
COPS 2010 Technology Program	2010-CK-WX-0110	16.710	86,807
Total U.S. Department of Justice			<u>293,510</u>
<u>U.S. Department of Homeland Security</u>			
Passed through S.C. Emergency Management Division:			
LEMPG FY 2011	11EMPG01	97.042	10,880
LEMPG Performance Grant	12EMPG01	97.042	50,003
Total U.S. Department of Homeland Security			<u>60,883</u>
<u>U.S. Department of Agriculture</u>			
Broadband Initiative Program:			
ARRA – Technical Assistance Grant	SC1104-B47	10.787	586
Broadband Initiative Program	SC1104-A40	10.787	8,533,495
Total Broadband Initiative Program			<u>8,534,081</u>
Passed through S.C. Department of Social Services:			
At Risk After School Snack Program	AR20100	10.558	5,682
Passed through Tri-County Electric Cooperative, Inc. to County as subrecipient:			
Rural Economic Development – Loan		10.870	422,579*
Total U.S. Department of Agriculture			<u>8,962,342</u>
Total Federal Financial Assistance-Primary Government			<u>\$ 9,509,845</u>

*See Note 3.

ORANGEBURG COUNTY, SOUTH CAROLINA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of Orangeburg County, South Carolina, under programs of the federal government for the year ended June 30, 2013. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Orangeburg County, South Carolina, it is not intended to and does not present the basic financial statements of Orangeburg County, South Carolina.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified-accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

3. Rural Economic Development Loan

For the Rural Economic Development Loan CFDA #10.870, the Circular A-133 Compliance Supplement, July 2013, procedures for determining federal awards expended under the loan program includes the outstanding loan balances as Federal Expenditures. The loan balance was \$647,360 at June 30, 2012, and was reduced by principal payments of \$224,781 during fiscal year 2013, leaving a balance of \$422,579 at June 30, 2013.

ORANGEBURG COUNTY, SOUTH CAROLINA

SUPPLEMENTARY FEDERAL FINANCIAL ASSISTANCE REPORTS

ORANGEBURG COUNTY, SOUTH CAROLINA

ROBERT E. MILHOUS, C.P.A., P.A. & ASSOCIATES

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The Honorable Chairman and Members of County Council
Orangeburg County, South Carolina

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*

I 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 Orangeburg County, South Carolina, (the "County") as of and for the year then ended June 30, 2013, which collectively comprise the County's basic financial statements, and have issued my report thereon dated June 12, 2014, which included a reference to the report of other auditors. I conducted my audit in accordance with auditing standards generally accepted in 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 my audit, I considered the County's internal control over financial reporting as a basis for designing my auditing procedures to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, I do not express an opinion on the effectiveness of the County's internal control. However, as described in the accompanying Schedule of Findings and Questioned Costs, I identified certain deficiencies in internal control that I consider to be a material weakness and other deficiencies that I consider to be significant deficiencies.

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 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. I consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item #2013-01 to be a material weakness.

A *significant deficiency* is a deficiency, or 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. I consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items #2013-02 to #2013-10 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County'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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items #2013-02 and #2013-03.

We noted certain other matters that we reported to management of Orangeburg County, South Carolina, in a separate letter dated June 12, 2014.

County's Response to Findings

The County's responses to the findings referenced in my audit are described in the accompanying section entitled "County's Responses and Corrective Action Plan". The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

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

This report is intended for the information of the County Council of Orangeburg County, management, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



June 12, 2014
Columbia, South Carolina

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The Honorable Chairman and Members of County Council
Orangeburg County, South Carolina

**Report on Compliance With Requirements Applicable to Each Major Program and on
Internal Control Over Compliance in Accordance With OMB Circular A-133
and on the *Schedule of Expenditures of Federal Awards***

Compliance

I have audited Orangeburg County, South Carolina's (the "County") 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 County's major federal programs for the year ended June 30, 2013. 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 laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the County's major federal programs based on my audit of the types of compliance requirements referred to above.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have 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 I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. My audit does not provide a legal determination of the County's compliance.

As described in item #2013-03 in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with requirements regarding quarterly reporting that are applicable to its U.S. Department of Agriculture Broadband Initiative Program CFDA #10.787. Compliance with such requirements is necessary, in my opinion, for the County to comply with the requirements applicable to the program.



In my opinion, except for the noncompliance described in the preceding paragraph, the County complied, in all material respects, with the 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, 2013.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the County's internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major 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, I do not express an opinion on the effectiveness of the County's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, I identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs, which I consider to be material weaknesses and other deficiencies that I consider to be significant deficiencies.

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 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. I consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item #2013-01 to be a material weakness.

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. I consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items #2013-02 and #2103-03 to be significant deficiencies.

The County's responses to the findings identified in my audit are described in the accompanying section entitled "County's Response and Corrective Action Plan". I did not audit the County's responses and, accordingly, I express no opinion on the responses.

Schedule of Expenditures of Federal Awards

I 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 Orangeburg County, South Carolina, (the "County") as of and for the year ended June 30, 2013, and have issued my report thereon dated June 12, 2014. My report on the basic financial statements was modified to recognize that I did not audit the financial statements of the Orangeburg County Development Commission, which represents approximately 80% of the assets and revenue of the discretely presented component units. My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Orangeburg County, South Carolina's basic financial statements. 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 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. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements. In my opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Purpose of the Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended for the information of the County Council of Orangeburg County, management, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



June 12, 2014 (Except for the Schedule of Expenditures of Federal Awards which date is June 30, 2014)
Columbia, South Carolina

ORANGEBURG COUNTY, SOUTH CAROLINA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2013

Part I— Summary of Auditor’s Results

Financial Statements:

I have issued an unqualified opinion dated June 12, 2014 on the financial statements of the Orangeburg County, South Carolina (the “County”).

Internal control over financial reporting:

- Material weakness identified? Yes
- Significant deficiencies identified? Yes
- Noncompliance material to financial statements noted No

Federal Awards:

I have issued a qualified opinion dated June 12, 2014 on the compliance for major programs.

Internal control over major programs:

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

Identification of Major Programs:

CFDA #10.987 – Broadband Initiative Program:
 (SC 1104-B47, SC 1104-A40))

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? No

— CONTINUED —

ORANGEBURG COUNTY, SOUTH CAROLINA

ORANGEBURG COUNTY, SOUTH CAROLINA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2013

Part I— Summary of Auditor’s Results

Financial Statements:

I have issued an unqualified opinion dated June 12, 2014 on the financial statements of the Orangeburg County, South Carolina (the “County”).

Internal control over financial reporting:

- Material weakness identified? Yes
- Significant deficiencies identified? Yes
- Noncompliance material to financial statements noted No

Federal Awards:

I have issued a qualified opinion dated June 12, 2014 on the compliance for major programs.

Internal control over major programs:

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

Identification of Major Programs:

CFDA #10.987 – Broadband Initiative Program:
 (SC 1104-B47, SC 1104-A40))

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? No

— CONTINUED —

ORANGEBURG COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

— CONTINUED —

Part II— Financial Statement Findings – Current Year

#2013-01 County’s Accounting and Financial Reporting System Needs Improvement
(An updated repeat finding from 2012.)

Condition

The County’s present accounting and financial reporting system and process cannot generate complete annual information in order to report the overall financial position and results of operations timely. Significant reconciliations and analysis of financial transactions were required to be performed and financial records were not available to the external auditor until well into the subsequent fiscal year period.

The County has historically relied on the ‘external auditor’ to gather year-to-date information, process a complete general ledger, and compile annual financial statements. For the year ended June 30, 2013, this was performed by a third-party (outside) accountant. In addition, the County’s Finance Director relied extensively on the third-party (outside) accountant to gather year-to-date information, process significant general journal entries to the “general ledger” including major restatements and reclassifications of prior-year reported amounts.

Criteria

Generally accepted account principles (GAAP) along with Governmental Accounting Standards Board (GASB) pronouncements requires all financially-related transactions be recorded in the general ledger timely, completely, and at proper values. Furthermore, Government Auditing Standards (GAS) requires management to not only provide for an effective internal control environment, but be responsible for the thoroughness and timeliness of the general ledger and its annual financial statements.

An effective general ledger system, properly set-up to meet GAAP requirements, is fundamental to an internal control system to support both internal and external accounting and financial reporting requirements.

Cause

The County’s current general ledger accounting system, fund identification structure, and related chart-of-accounts do not support the efficient and effective accounting and financial reporting required by GASB. Additionally, the County’s accounting is decentralized using several financial information systems which, collectively, do not support the timely identification, capture and exchange of information in a central ‘single and unified’ general ledger system. This process is further compounded by the fact that certain significant transactions occur outside of the present accounting system and may not be timely identified or recorded by the Finance department.

ORANGEBURG COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

— CONTINUED —

Part II - Financial Statement Findings – Current Year (continued)

Departments of the County, including the Treasurer, maintain multiple bank accounts (and subsidiary-type ledgers) of which financial transactions are not routinely recorded timely into the County Finance department's (central) general ledger system. Thus, summaries of monthly transactions and reconciled balances are recorded via general journal entry several months after the fact. Departments such as the Magistrates and Clerk of Court also maintain large numbers of individual bank accounts that are not incorporated into the County's financial reporting processes until annual summaries of these transactions and balances are recorded months subsequent to year end. The County's primary reporting ledger is maintained by the Finance Department.

Finally, the County's Finance department experienced employee turnover during the year and lacks technical ability to have County Financial statements comply with GASB standards.

Effect

The County's current accounting and financial reporting inefficiencies create a great deal of additional accounting and bookkeeping work to be performed subsequent to fiscal year-end in order to prepare for the annual audit and produce the County's annual financial statements. Accordingly, and due to the fact that County Finance personnel is limited and that most have not received adequate technical training in preparing financial statements in accordance with GAAP, the County engaged the services of a third-party (outside) accountant to review the County's general ledger and propose corrections.

As stated above, the County's Finance department (and the outside accountant), in preparation for the June 30, 2013 audit, used the general journal entry system (through the preparation and posting of "journal entries") to record significant transactions and adjustments to the County's general ledger. Thus, the general journal entry system was the primary tool used by the County to record transactions and correct account balances in the County's general ledger. In some cases, these entries substantially recorded (in summary form) a year's worth of financial transactions subsequent to year end. Due to limited personnel in the Finance department, such entries were made without documented supervisory review or approval.

These combined deficiencies create an environment that makes it difficult to prevent, detect and correct misstatements in the County's financial information on a timely basis and causes for very long delays after fiscal year-end to have meaningful annual financial information. Thus, the overall effect of the deficiencies described above is the County's inability to gather, record, correct and summarize financial information without an increased risk of failure to meet externally imposed audit and financial reporting deadlines.

ORANGEBURG COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

— CONTINUED —

Part II - Financial Statement Findings – Current Year (continued)

Recommendation

We recommend the County establish policy and procedures to strengthen internal controls surrounding its accounting and financial reporting system. Such policy and procedures would include the development of a “comprehensive fiscal management” policy and procedures and a program to include the restructuring the County’s general ledger, chart-of-accounts and financial reporting systems, organizational structure, personnel and related job duties as necessary. We recommend the Finance department be responsible for review and approval of general journal entries along with the timely review and approval of all account reconciliations to amounts recorded in department subsidiary record systems, and to insure that all significant transactions are appropriate and timely recorded in the general ledger system. Additionally, we recommend that County Finance personnel receive adequate training to allow them to technically review the general ledger and prepare the County’s financial statements in accordance with GAAP and hire technically competent and experienced Finance personnel.

ORANGEBURG COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

— CONTINUED —

Part II - Financial Statement Findings – Current Year (continued)

In addition, we noted the following to be internal control significant deficiencies.

#2013-02 Federal Awards Schedule Needs Completeness and Review

Condition

The County's Schedule of Expenditures of Federal Awards for the year ended June 30, 2013 did not contain accurate year-to-date expenditure information for its major program, did not properly report a USDA loan as its full balance with the required note disclosure of the changes in the balance for the fiscal year, and had not been reconciled to underlying financial records of the County. The Schedule of Expenditures of Federal Awards (the "Schedule") submitted by the County for audit had not been initially reviewed by the Finance Department. The County's major program is the U.S. Department of Agriculture Broadband Initiative Program.

Criteria

Pursuant to OMB Circular A-133, its Compliance Supplement and other professional literature, the Schedule should be prepared and agreed to the underlying accounting records of the County, which would be the Finance Department's general ledger.

Cause

The Finance Director informed the auditors that the Schedule of Expenditures of Federal Awards is prepared by the Grants Department, and the County's Finance Department does not agree it to the underlying accounting records (general ledger) and does not take responsibility for the Schedule. The Grants Department informed the auditors that other County departments maintain certain grant records and that they do not have all the information necessary to insure that the amounts reported on the Schedule are complete. The County has previously used its external auditors to prepare and reconcile the Schedule.

Effect

The effect results in noncompliance with federal award requirements, by not timely filing the County's Schedule of Expenditures of Federal Awards, and its required electronic submission of the data collection form (SF-SAC) to the Federal Audit Clearinghouse.

Recommendation

We recommend the County establish policy and procedures to assign ultimate responsibility for the preparation and filing of the County's grant schedules, reports and related compliance. Such policy and procedures should also include the routine agreement and reconciliation of the annual Schedule of Expenditures of Federal Awards to the County's general ledger. We recommend that all grant-related documents be maintained in a central location and that personnel responsible for grant compliance(s) have complete access to financial information for the insuring reported amounts agree to the County's general ledger.

ORANGEBURG COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

— CONTINUED —

Part II - Financial Statement Findings – Current Year (continued)

#2013-03 Non-Compliance of Quarterly Grant Reporting

Condition

The quarterly reports for the County's major program had not been completed timely or accurately. The County's major program is the U.S. Department of Agriculture Broadband Initiative Program, CFDA #10.787. The last report filed for the grant program during the 2012-2013 fiscal year was February 27, 2013, and the reported expenditures were found to be \$3,000,000 under reported.

Criteria

Pursuant to OMB Circular A-133, its Compliance Supplement and other professional literature, the quarterly reports should be prepared and filed timely. Amounts reported should agree to the underlying accounting records of the County, which would be the Finance Department's general ledger.

Cause

The Finance Director informed the external auditors that quarterly reports are prepared by the Grants Department, and the County's Finance Department do not agree them to the underlying accounting records (general ledger). The Grants Department informed the auditors that other County departments maintain certain grant records and that they do not have all the information necessary to insure that the amounts reported are complete. Because all grants are not housed within the Grants Department, the department was unable to review quarterly financial reports for accuracy and completeness before they were submitted to the granting agencies. The County has previously used the external auditors or third-party accountants to prepare such reports.

Effect

The effect results in a non-timely filing of required quarterly expenditure reports and in non-compliance with federal award requirements.

Recommendation

We recommend the County establish policy and procedures to assign ultimate responsibility for the preparation and filing of the County's grant schedules, reports and related compliance. Such policy and procedures should also include the routine agreement and reconciliation of the quarterly reports to the County's general ledger. We recommend that all grant-related documents be maintained in a central location and that personnel responsible for grant compliance(s) have complete access to financial information for insuring reported amounts agree to the County's general ledger.

ORANGEBURG COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

— CONTINUED —

Part II - Financial Statement Findings – Current Year (continued)

#2013-04 Determination of Reporting Entity and Classification of Component Units

Condition

The County, in its prior annual financial reports, had not been reporting the Orangeburg County Development Corporation, a discretely presented component unit. As a result of the June 30, 2013 audit, the County made determinations about classification and the inclusion/exclusion of certain affiliated or related entities in its basic financial statements. The resulting analysis determined that the County had not included certain component units in its annual reports while others (like the Fire Commission) had been included.

During the 2013 audit, the County made significant re-determinations about classification and or inclusion of certain affiliated or related entities in its basic financial statements. At June 30, 2013, the County's 'blended' component units consisted of the Orangeburg Joint Action Authority and the Orangeburg County Fire Commission. The 'discretely presented' component units were determined to be the Orangeburg County Public Library and the Orangeburg County Development Commission.

Criteria

The Governmental Accounting Standards Board (GASB) has issued various pronouncements which established criteria for state and local governments to report financial activities of its related and affiliated entities. As required by generally accepted accounting principles (GAAP), the County's annual financial report is required to present the financial statements of the County (as primary government) and its component units.

Cause

The County's Finance Department lacks technical knowledge of applying GASB pronouncements and has relied heavily on the external auditors (and third-party accountants) for assistance to gather and prepare information for the County's annual financial statement report which has weakened the County's system of internal control.

ORANGEBURG COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

— CONTINUED —

Part II - Financial Statement Findings – Current Year (continued)

Effect

The ‘close-out’ process of identifying significant transactions along with determining the appropriate accounting treatment, etc., does not result in timely consideration by the County of how to record or report such activities appropriately and has increased the risk of inconsistent and/or incorrect reporting.

A basic financial statement assertion is that all financially-related transactions are recorded timely, completely and at proper values. The failure to have proper internal controls surrounding financial activities of the County could lead to misleading and/or incomplete financial statement reports.

Recommendation

We recommend the County establish policy and procedures to improve its internal control over financial reporting of related and affiliated entities (component units). We also recommend the County improve its practice of monitoring its transactions with the component units and to specifically identify amounts that are required to be reported by generally accepted accounting principles and those amounts which should be eliminated at fiscal year end.

ORANGEBURG COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

— CONTINUED —

Part II - Financial Statement Findings – Current Year (continued)

#2013 -05 Accounting for All Long-term Indebtedness Including Landfill and Other Post Employment Benefit Liabilities

Condition

While the County's present general ledger system does not maintain accounts to efficiently and effectively report the County's long-term debt obligations and the changes during the year in those accounts, the County's Finance department had not obtained and analyzed supporting documents associated with the County's landfill closure and post-closure costs as well as other long-term post employment benefit obligations. Typically, long-term indebtedness includes bonds, notes, capital leases, as well as obligations from landfill closure and post-closure costs, pensions and other post employment retirement benefits.

Criteria

Generally accepted accounting principles (GAAP) require governments to account and report all financial activities including all long-term debt and the related current portions (the amount due within one year) in the general ledger. Additionally, GAAP requires governments who operate a solid waste landfill to annually analyze and record the current and long-term portions of landfill closure and post-closure obligations, and other post employment benefits.

The County previously operated a municipal (Class III) landfill which was closed in July 1995. The County also operates a Class II (C & D) landfill. Pursuant to GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Post-closure Costs*, the County is required to account for closure and post closure costs associated with its landfills. The South Carolina Department of Health and Environmental Control (DHEC) requires landfill operators to provide for inspection and maintenance of the physical characteristics of the site, as well as monitoring and maintenance of the groundwater and gas monitoring systems for a period of 30 years following the closing. DHEC also requires that operators cover the landfill with a minimum cover of certain permeability. The County's liability for closure and post-closure care costs is based on landfill capacity used to date, based on engineering estimates, and are subject to change due to inflation, deflation, technology and/or applicable laws and regulations. Although closure and post-closure care costs will be paid only near or after the date the landfill stops accepting waste, the County reports a portion of estimated closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

The County also provides for other post employment retirement benefits, which current and long-term liabilities are required under GASB to be accrued. The County has not accumulated or segregated funds to meet these additional obligations.

ORANGEBURG COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

— CONTINUED —

Part II - Financial Statement Findings – Current Year (continued)

Cause

The County's present general ledger funds and chart of account structure has not been established to reflect all financial activity of the County, including long-term indebtedness, in accordance with GAAP.

Effect

The County's Finance Department lacks technical knowledge of applying GASB pronouncements and has relied heavily on the external auditors (and third-party accountants) for assistance to gather and prepare information for the County's annual financial statement report which has weakened the County's system of internal control.

Recommendation

We recommend the County establish policy and procedures to improve internal controls surrounding all financial accounting and reporting activities. Such policy and procedures would include the timely and routine analysis, integration and reconciliation of accounting data to completely account for its long-term liabilities. The Finance department should update the general ledger system to reflect adequate information of properly reporting the County's long-term liabilities and other obligations.

ORANGEBURG COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

— CONTINUED —

Part II - Financial Statement Findings – Current Year (continued)

#2013-06 Orangeburg County Public Library - Accounting and Financial Reporting Systems Need Improvement

Condition

The Orangeburg County Library (the “Library”), a discretely presented component unit of the Orangeburg County, could not generate complete annual financial information in order to report its financial position and results of operations as of and for the year ended June 30, 2013. Neither the County nor the Library’s accounting systems could generate complete and accurate financial information for the Library’s operations. This process is further compounded by turnover in key financial personnel, multiple ledger systems, weak controls over segregation of duties, and unreconciled financial activities.

Decentralized Accounting - The Library accounts for certain financial transactions while the County accounts for other items. For example, the County’s Finance department maintains a general ledger for the Library and budgets a Special Revenue Fund entitled “Special Education” (Fund 103 with a FY 2012-2013 budget of \$2.364 million), which accounts for, among other items, property tax revenues, payroll and related disbursements for Library personnel.

Additionally, the Library maintains several cash accounts separate from the County and uses the Polaris Library System to record, track, and collect fines, assessments, etc. Balances from the Polaris system are not recorded in the Library’s accounting records (general ledger), and therefore, the Library’s Director and Commission are not informed as to the extent of such balances and the related collectability of such accounts.

Criteria

As required by generally accepted accounting principles (GAAP), the Library’s year-end financial statements are required to be presented in the basic financial statements of the County. Sound accounting practices and principles, along with a basic financial statement assertion require that all financially-related transactions be recorded timely, completely and at proper values. An effective accounting and financial reporting system should meet both internal and external requirements, and provide Library and County management with sufficient, accurate and timely information to manage the organization’s operations.

Cause

Both the Library and the County have historically relied on external auditors or outside accountants to gather year-to-date information, process a ‘complete’ general ledger in order to present financial statements of the Orangeburg County Library. However, this process causes for very long delays after fiscal year-end to have meaningful annual financial information. Additional causes include turnover in key personnel, lack of training for finance personnel, and the use of several accounting systems along with unreconciled financial activities.

ORANGEBURG COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

— CONTINUED —

Part II - Financial Statement Findings – Current Year (continued)

Effect

The failure to have proper internal control surrounding the complete and timely recording of financial activities weakens the Library's ability to manage day-to-day business as well as for the County's ability to report annual financial results timely. Thus, the overall effect of the Library (and County)'s inability to gather, record, reconcile, correct and summarize financial information for the annual audit could lead to misleading and/or incomplete financial statement reports, as well as increases the risk that errors or irregularities could occur and not be detected in a timely manner. These combined deficiencies create an environment that makes it difficult to prevent, detect and correct misstatements in the County's financial information on a timely basis.

Recommendation

The Library's accounting, financial reporting system and internal control needs improvement. We recommend the Library, in consultation with the County, establish policy and procedures to improve internal controls surrounding financial accounting and reporting. Such policy and procedures would include the timely integration and reconciliation of accounting data to centralized systems to improve the completeness of Library financial information and improve internal controls thereto.

ORANGEBURG COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

— CONTINUED —

Part II - Financial Statement Findings – Current Year (continued)

#2013-07 Orangeburg County Public Library - Segregation of Duties and Unreconciled Activities

Condition

The Orangeburg County Library (the “Library”), a discretely presented component unit of the Orangeburg County, is in need of better segregation of duties over key financial functions. Additionally, certain key financial activities are not reconciled or properly accounted for.

Segregation of Duties - Presently, the Library’s accountant counts the daily cash, prepares the deposit ticket, takes the deposit to the bank, enters the deposit information into the Library’s accounting system, processes invoices to be paid, prints the checks, reconciles the bank statements, and has signatory authority over the bank account. The Library accountant also receives the bank statements directly and periodically prepares a reconciliation, but no review and approval over the bank reconciliation process takes place.

Daily Cash Receipts and Reconciliation of Cash Drawer and Fines - Library personnel responsible for taking cash over-the-counter are not reconciling (balancing) the cash drawer to the daily receipt transactions. Fines can also be waived in the Library’s Polaris system by Library personnel with no such record of fines waived being recorded.

Unreconciled Financial Activities – In addition to daily cash receipts not being reconciled to the cash drawer, several significant reconciliations are either not performed or are not performed timely. These include reconciliations of Library bank accounts, accounts receivable, and accounts payable details (typically referred to as subsidiary ledgers) to the Library’s accounting system. Grant revenue and expenditures were also found not being recorded in the appropriate general ledger accounts.

Additionally, and because the County processes certain financial transactions on behalf of the Library, no reconciliation is performed by either the County or the Library of interfund transactions (typically referred to as “due to and from” accounts). At June 30, 2013, significant differences existed between the Library’s accounts and the County’s accounts.

ORANGEBURG COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

— CONTINUED —

Part II - Financial Statement Findings – Current Year (continued)

Criteria

Generally accepted accounting principles (GAAP) requires that all financially-related transactions are recorded timely, completely and at proper values. In fact, this represents a basic financial statement assertion in reporting.

Sound internal controls over cash receipts and the cash drawer would include the daily reconciliation by those responsible for such activity and the proper recording and reporting in a centralized general ledger system. Internal controls over accounts receivable should include reporting of such receivables along with allowances for doubtful accounts in the general ledger and on the Director's report. Additionally, the Library's accountant should be given daily Polaris transaction reports for reconciling and recording financial activity in the general ledger.

Cause

The Library and the County have historically relied on external auditors or outside accountants to gather year-to-date information, process a 'complete' general ledger, and compile annual financial statements. However, this process causes for very long delays after fiscal year-end to have meaningful annual financial information.

For the 2013 audit period, the Library's accountant was new and untrained. However, the County's Finance Department is responsible for the interfund activity and should insure that such balances are in agreement with the Library's.

Effect

Weakness in controls surrounding complete accounting and reconciliation, as well as limited segregation of duties, increases the risk that errors or irregularities could occur and not be detected in a timely fashion. Undetected errors could lead to misleading and or incomplete financial statements, or where a material misstatement could occur and not be prevented or detected in a timely manner.

Recommendation

The Library, in consultation with the County, should develop policy and procedures to improve internal controls surrounding financial accounting and reporting. Specifically, the Library accountant should be removed as a signatory on the bank accounts and segregate other financially-related duties as possible. This would include, but not be limited to, the control over bank statements and the review and approval of bank reconciliations. The individuals responsible for taking over-the-counter receipts should be responsible for reconciling the cash register to the cash drawer at the end of the day. The Polaris activity should be reconciled to the daily cash activity in the cash register and the Library's accountant should be given the 'reconciled' Polaris transaction reports for recording in the general ledger.

ORANGEBURG COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

— CONTINUED —

Part II - Financial Statement Findings – Current Year (continued)

#2013-08 EMS Third-Party Billing Internal Control Report Needed

Condition

The County contracts with a ‘third-party’ company (Lowcountry Billing Services, Inc.) to provide billing and collection services over the County’s EMS ambulance fees. This separate company manages all accounting operations including processing accounts receivable by billing, filing insurance reimbursements, collecting cash receipts, and adjusting/writing-off uncollectible accounts. While the EMS Department director presently reviews monthly reports and (net) remittances from Lowcountry Billing Services, which in turn are forwarded and deposited by the County Treasurer, the County does not receive, nor require under contract its third-party service provider to produce an independent report over internal controls in operation and their related effectiveness.

Criteria

Generally accepted accounting principles (GAAP) recommends that users of third-party service providers/administrators like the County receive an independent report (typically known as an AICPA Professional Standards SOC Type II report) from the provider to outline existing controls and their effectiveness over significant accounting and cash collection procedures.

Cause

The County has not developed policy and procedures to require/ implement effective internal controls over those transactions. Internal controls over these operations are essential to the County to provide reasonable assurance that such transactions are proper and amounts reported in the County’s financial statements are fairly stated.

Effect

When the County uses a third-party service organization, transactions that affect the County’s financial statements are subjected to controls that are, at least in part, physically and operationally separate from the County. Therefore, when a third-party service provider initiates, executes, collects and reconciles the accounting processes of the County’s EMS business, the County is not in control of such operations which increases the risk that errors or irregularities could occur and not be detected by county management.

ORANGEBURG COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

— CONTINUED —

Part II - Financial Statement Findings – Current Year (continued)

Recommendation

We recommend the County develop policy and procedures to improve its internal controls over EMS billing and collection by requiring ‘third-party’ service providers to annually submit a report on their controls and their operating effectiveness. Additionally, the EMS Department director should forward to the Finance Department a copy of all reports that are submitted to the third-party service provider for billing and collecting. The Finance Department should record such receivables in the County’s general ledger timely, review supporting documentation for adjustments/write-offs, and reconcile with the Treasurer’s Office on amounts collected.

ORANGEBURG COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

— CONTINUED —

Part II - Financial Statement Findings – Current Year (continued)

#2013-09 Inventories – EMS, Central Supply and Public Works

Condition

The County does not maintain adequate control over accounting for its inventory supplies. At year ended June 30, 2013, a physical count by the County was performed, but when tested for audit purposes, many quantity items were inaccurate. The County maintains bulk supplies such as emergency medical items, fuel, supplies, and maintenance parts, etc., which are purchased and consumed throughout the year. The County's EMS department also handles certain 'controlled substances' which are required to be accounted for throughout the year by State law.

Criteria

In addition to certain requirements by the SC Department of Health and Environmental Control (DHEC) over medical-related supplies, generally accepted accounting principles (GAAP) requires governments to report consumable inventory as assets at proper values (quantities on hand times purchase price/cost).

Cause

The County does not utilize a perpetual inventory management system which would provide an accounting of inventory values through the recording of all purchases and usages. Additionally, the Finance Department only addresses inventory with County departments annually and in preparation for the annual audit.

Effect

By not having a perpetual inventory management system and only performing a physical count at year end (which was found not to be accurate), the County's controls over such operations are weak which increases the risk that errors or irregularities could occur and not be detected in the normal course of business.

Recommendation

We recommend the County develop policy and procedures to improve its internal controls over all inventory management. The Finance Department should record such amounts in the County's general ledger timely and review supporting documentation for adjustments/write-offs to changes in inventory values throughout the fiscal year, in addition to preparing for the annual audit.

ORANGEBURG COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

— CONTINUED —

Part II - Financial Statement Findings – Current Year (continued)

#2013-10 Regional Medical Center Equity Interest Accounting Needed

Condition

The County has not recorded or reported its equity interest in the Regional Medical Center of Orangeburg and Calhoun Counties, which is a joint venture of the County with Calhoun County.

Pursuant to the County Ordinance which created the Regional Medical Center (Hospital), the percentage of interest by Orangeburg and Calhoun counties shall be determined by dividing the net equity of the Hospital by the counties' respective ownership interest. Net equity is defined as being assets minus liabilities of the Hospital as of September 30, 1981. Also, the resulting percentages shall be the percentage of equity ownership of each county for determining equity ownership at any time in the future. However, if one county invests in or improves the Hospital in excess of \$5,000 at any one time, and the other county declines to participate therein, then the amount of such investment or improvement of the participating county shall be added to the net equity of the Hospital as of the end of the current year, and the percentages of equity ownership shall be recomputed.

Criteria

Generally accepted accounting principles (GAAP) through the Governmental Accounting Standards Board (GASB) has issued statements which establishes reporting criteria for governments like the County to account for and report financial activities of joint ventures and affiliated entities.

Cause and Effect

The County, for the most part, was unaware of the Ordinance's criteria in establishing and valuing an equity interest in the Hospital. Additionally, the County's Finance Department has relied on the external auditors to gather and prepare information for the County's annual financial statement report. The Finance Department's historically reliance on the external auditors to gather and prepare information for the County's annual financial statement report weakens the County's system of internal control. The process of identifying significant transactions along with determining the appropriate accounting treatment does not result in timely consideration by the County of how to record or report such activities appropriately, and has increased the risk of inconsistent and/or incorrect reporting.

Recommendation

We recommend the County, in conjunction with Calhoun County and the Regional Medical Center trustees, review the ordinance which created the hospital and determine the equity interest percentages and valuation, respectively. The County should appropriately report its current investment in the joint venture in its general ledger and in its annual financial statement report.

ORANGEBURG COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

— CONTINUED —

Part III - Federal Award Findings

U.S. Department of Agriculture, Broadband Initiative Program, CFDA #10.787 (SC1104-A40)

U.S. Department of Agriculture, Rural Economic Development-Loan, (Pass Through Tri-County Electric Cooperative, Inc.) CFDA #10.870

#2013-02 Federal Awards Schedule Needs Completeness and Review

Condition and Questioned Costs

The County's Schedule of Expenditures of Federal Awards for the year ended June 30, 2013 did not contain accurate year-to-date expenditure information for its major program, did not properly report a USDA loan as its full balance with the required note disclosure of the changes in the balance for the fiscal year, and had not been reconciled to underlying financial records of the County. The Schedule of Expenditures of Federal Awards (the "Schedule") submitted by the County for audit had not been initially reviewed by the Finance Department. The County's major program is the U.S. Department of Agriculture Broadband Initiative Program and was subsequently corrected during the audit. There were no likely or known questioned costs.

Criteria

Pursuant to OMB Circular A-133, its Compliance Supplement and other professional literature, the Schedule should be prepared and agreed to the underlying accounting records of the County, which would be the Finance Department's general ledger.

Cause

The Finance Director informed the auditors that the Schedule of Expenditures of Federal Awards is prepared by the Grants Department, and the County's Finance Department does not agree it to the underlying accounting records (general ledger) and does not take responsibility for the Schedule. The Grants Department informed the auditors that other County departments maintain certain grant records and that they do not have all the information necessary to insure that the amounts reported on the Schedule are complete. The County has previously used its external auditors to prepare and reconcile the Schedule.

Effect

The effect results in noncompliance with federal award requirements by not timely filing the County's Schedule of Expenditures of Federal Awards, and its required electronic submission of the data collection form (SF-SAC) to the Federal Audit Clearinghouse.

Recommendation

We recommend the County establish policy and procedures to assign ultimate responsibility for the preparation and filing of the County's grant schedules, reports and related compliance. Such policy and procedures should also include the routine agreement and reconciliation of the annual Schedule of Expenditures of Federal Awards to the County's general ledger. We recommend that all grant-related documents be maintained in a central location and that personnel responsible for grant compliance(s) have complete access to financial information for insuring reported amounts agree to the County's general ledger.

ORANGEBURG COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

— CONTINUED —

Part III - Federal Award Findings (continued)

***U.S. Department of Agriculture, Broadband Initiative Program, CFDA #10.787 (SC1104-A40)
#2013-03 Non-Compliance of Quarterly Grant Reporting***

Condition and Questioned Costs

The quarterly reports for the County's major program had not been completed timely or accurately. The County's major program is the U.S. Department of Agriculture Broadband Initiative Program, CFDA #10.787. The last report filed for the grant program during the 2012-2013 fiscal year was February 27, 2013, and the reported expenditures were found to be \$3,000,000 under reported.

Criteria

Pursuant to OMB Circular A-133, its Compliance Supplement and other professional literature, the quarterly reports should be prepared and filed timely. Amounts reported should agree to the underlying accounting records of the County, which would be the Finance Department's general ledger.

Cause

The Finance Director informed the external auditors that quarterly reports are prepared by the Grants Department, and the County's Finance Department do not agree them to the underlying accounting records (general ledger). The Grants Department informed the auditors that other County departments maintain certain grant records and that they do not have all the information necessary to insure that the amounts reported are complete. Because all grants are not housed within the Grants Department, the department was unable to review quarterly financial reports for accuracy and completeness before they were submitted to the granting agencies. The County has previously used the external auditors or third-party accountants to prepare such reports.

Effect

The effect results in a non-timely filing of required quarterly expenditure reports and in non-compliance with federal award requirements.

Recommendation

We recommend the County establish policy and procedures to assign ultimate responsibility for the preparation and filing of the County's grant schedules, reports and related compliance. Such policy and procedures should also include the routine agreement and reconciliation of the quarterly reports to the County's general ledger. We recommend that all grant-related documents be maintained in a central location and that personnel responsible for grant compliance(s) have complete access to financial information for insuring reported amounts agree to the County's general ledger.

ORANGEBURG COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

— CONTINUED —

Part IV - Summary Schedule of Prior Audit Findings

2012-1 Clerk of Court – Unknown Overages and Reconciliations

Description: Many funds are held by the Clerk of Court’s office with no documentation as to whom they are due. Also, interest earned on funds not held under trust is to be remitted to the Treasurer and bank charges are to be reimbursed by the Treasurer.

Status: No Change in Status.

2012-2 Internal Controls Over Reporting Activity in Proper Fund

Description: Grant expenditures of \$19,986 under the SC Trauma Grant were recorded in the General Fund while the grant proceeds were recorded in a special revenue fund. School Resource Officer expenditures of \$25,575 were also recorded in the General Fund while the reimbursement from schools was recorded in a special revenue fund.

Status: No Change in Status.

2012-3 Uncollectible Receivable Balances

Description: During the 2010 fiscal year, the Dawn Center had issues with a federal grant in their name and the federal government withheld federal funds from Orangeburg County’s revenues to recoup these questioned Dawn Center grant revenues.

Status: Corrected.

2012-4 Internal Controls Over Federal Claims

Description: Grant revenue reimbursements and expenditures were not recorded in the proper fund. Audit journal entries were proposed to correct.

Status: No Change in Status.

2012-5 Delinquent Tax Office Account Reconciliation

Description: All funds received by the Delinquent Tax office for delinquent tax payments should reconcile to the collection reports generated and turned over to the Treasurer’s office. All funds received and held for bankruptcy cases should be reconciled to a listing of cases so as to document as to whom they are owed.

Status: Partially Corrected.

ORANGEBURG COUNTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

— CONTINUED —

Part IV - Summary Schedule of Prior Audit Findings (continued)

2012-6 Preparation of Financial Statements

Description: Internal controls over financial reporting were not in place to provide reasonable assurance that financial statements are prepared in accordance with GAAP.

Status: No Change in Status.

2012-7 Fund Balance Deficits

Description: During 2012 expenditures exceeded the revenues in four funds which increased the funds' fund balance deficits.

Status: No Change in Status.

2012-8 Edisto Sewer USDA Loan

Description: Since the user fees are not sufficient to cover costs of operations, loan payments, and establish a reserve for depreciation and improvements, the County is in violation of the loan covenant.

Status: No Change in Status.

2012-9 Capital Asset Corrections

Description: The County purchased \$18,877,625 in capital assets in the fiscal year ended June 30, 2012. Only \$13,449,988 was recorded by the County leaving \$5,427,637 of corrections to the capital asset system to be recorded.

Status: Corrected.

2012-10 Material Audit Adjustments

Description: The auditor's identification of material misstatements in the County's working trial balance which were not detected and corrected by the County's internal control indicates material weakness in those internal controls.

Status: No Change in Status.

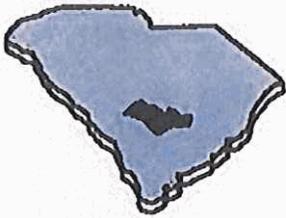
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COUNTY'S RESPONSE AND CORRECTIVE ACTION PLANS

ORANGEBURG COUNTY, SOUTH CAROLINA

COUNTY'S RESPONSE AND CORRECTIVE ACTION PLANS

ORANGEBURG COUNTY, SOUTH CAROLINA



COUNTY ADMINISTRATOR
HAROLD M. YOUNG

COUNTY OF ORANGEBURG

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COUNCIL MEMBERS
JOHNNIE WRIGHT, SR., CHM.
JAKE COOPER, VICE CHAIR
CLYDE B. LIVINGSTON
HEYWARD H. LIVINGSTON
WILLIE B. OWENS
JOHNNY RAYBELL

July 18, 2014

Mr. Robert E. Milhous, C.P.A., P.A.
121 Executive Center Drive, 206
Columbia, South Carolina 29210

RE: Orangeburg County response and corrective action plan

Dear Mr. Milhouse:

This response collectively covers findings 2013-01 to 2013-10.

Please note the reported findings cover the fiscal period ended June 30, 2013 and were reported in June 2014.

The County began to address similar findings related to the Fiscal year 2012 period that were also reported one year in arrears in June of 2013.

Orangeburg County management is continuing to evaluate policies and procedures relating to its accounting and financial reporting activities. The evaluation includes the overall design of roles and responsibilities for transaction processing, reporting to various internal and external parties, reconciliations of various transactions to control accounts, personnel staffing and staff development. The evaluation process was begun in the fall of 2013. The County acknowledges some historic weakness in the design and operation of its controls over financial reporting and is committed to allocating resources to make improvements.

Specific actions taken subsequent to the period reported upon in the findings include personnel changes in the finance department. During fiscal year 2014, the new personnel are involved in reconciliation and transaction analysis activities not performed in the referenced time periods due to lack of resources. The County plans to provide information and guidance to the Grants department during the first half of fiscal year 2015 to remedy the weaknesses relating to grant management reported.

Also subsequent to the period reported upon, the County made investments in applications to manage supply inventory. The implementation and training is scheduled for fiscal year 2015. The County has also scheduled to begin the evaluation of its decentralized bookkeeping systems to look for cost effective ways to improve the integration and processing of transactions.

If you have any questions or concerns, please do not hesitate to contact me.

Sincerely,

Harold M. Young

Harold M. Young