

SOUTH CAROLINA
DEPARTMENT OF TRANSPORTATION

SUPPLEMENTAL FEDERAL FINANCIAL
ASSISTANCE REPORTS

YEAR ENDED JUNE 30, 2015



**South Carolina
Office of the State Auditor**

**George L. Kennedy, III, CPA
State Auditor**

December 1, 2015

The Honorable Nikki R. Haley, Governor
and
Members of the South Carolina Transportation Commission
South Carolina Department of Transportation
Columbia, South Carolina

The supplemental federal financial assistance reports of the South Carolina Department of Transportation and the accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, for the fiscal year ended June 30, 2015, was issued by Scott and Company, LLC, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

A handwritten signature in blue ink that reads "George L. Kennedy, III".

George L. Kennedy, III, CPA
State Auditor

GLKIII/trb

TABLE OF CONTENTS

Supplemental Federal Financial Assistance Reports

Independent Auditor’s Report on Compliance for Each Major Federal Program;
Report on Internal Control over Compliance; and Report on Schedule of
Expenditures of Federal Awards Required by OMB Circular A-133..... 1-3

Schedule of Expenditures of Federal Awards.....4

Note to Schedule of Expenditures of Federal Awards.....5

Schedule of Findings and Questioned Costs..... 6-7

Summary Schedule of Prior Audit Findings.....7



Independent Auditor's Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Mr. George L. Kennedy, III, CPA
State Auditor
State of South Carolina
Columbia, South Carolina

Report on Compliance for Each Major Federal Program

We have audited the South Carolina Department of Transportation's (the "Department") 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 Department's major federal programs for the year ended June 30, 2015. The Department's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Department's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department'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 Department's compliance.

Opinion on Each Major Federal Program

In our opinion, the Department complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the Department 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 Department's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department'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 reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Department, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements. We issued our report thereon dated October 15, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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. 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
December 1, 2015

**SOUTH CAROLINA DEPARTMENT OF TRANSPORTATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDING JUNE 30, 2015**

Federal Grantor / Program Title	Federal CFDA Number	Total Federal Expenditures	Expenditures To Subrecipients
Direct Programs:			
U.S. Department of Transportation			
Highway Planning and Construction	20.205	\$ 602,149,360	\$ 20,232,046
Federal Transit - Capital Investments Grants	20.500	1,999,884	1,999,884
Federal Transit - Metropolitan Transit Planning and State and Non-Metropolitan Planning and Research Grants	20.505	568,739	130,973
Formula Grants for Rural Areas	20.509	9,624,440	9,624,440
Enhanced Mobility for Seniors and Individuals with Disabilities	20.513*	1,759,077	1,734,712
Job Access and Reverse Commute Program	20.516*	1,224,509	983,409
New Freedom Program	20.521*	960,769	755,536
Public Transportation Research	20.514	24,007	24,007
Capital Assistance Program for Reducing Energy Consumption & Greenhouse Gas Emission	20.523	2,633,349	2,623,623
Total Direct Programs		<u>620,944,134</u>	<u>38,108,630</u>
U.S. Department of Homeland Security			
Pass Through S.C. Emergency Management Division:			
Disaster Grants – Public Assistance (Presidentially Declared Disasters) (FEMA-4166-PA-SC)	97.036	119,632,337	—
Total Passed Through From S.C. Emergency Management Division		<u>119,632,337</u>	<u>—</u>
Total Expenditures of Federal Awards		<u>\$ 740,576,471</u>	<u>\$ 38,108,630</u>

* These programs are part of the Transit Services Program Cluster.

SOUTH CAROLINA DEPARTMENT OF TRANSPORTATION
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

1. Basis of Presentation:

The information in the Schedule of Expenditures of Federal Awards is presented in accordance with the requirements of *OMB Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations* (as amended).

The financial information shown in the Schedule of Expenditures of Federal Awards reflects amounts recorded by the South Carolina Department of Transportation during its fiscal year July 1, 2014 through June 30, 2015. This information is presented on the accrual basis of accounting.

**SOUTH CAROLINA DEPARTMENT OF TRANSPORTATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

Section I—Summary of Auditor’s Results

Financial Statements:

We have issued an unmodified opinion dated October 15, 2015 on the basic financial statements of South Carolina Department of Transportation.

Internal control over financial reporting:

- Material weaknesses identified? No
- Significant deficiency identified? None Reported
- Noncompliance material to financial statements noted? No

Federal Awards:

Internal control over major federal programs:

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

We have issued an unmodified opinion dated December 1, 2015 on South Carolina Department of Transportation’s compliance for its major programs.

- Any audit finding disclosed that is required to be reported in accordance with section 510(a) of OMB Circular A-133? No

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
20.205	Highway Planning and Construction
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)
Transit Services Program Cluster	
20.513	Enhanced Mobility of Seniors & Individuals with Disabilities
20.516	Job Access and Reverse Commute Program
20.521	New Freedom Program

Dollar threshold used to be distinguished between Type A and Type B Programs: \$3,000,000

Auditee qualified as low-risk auditee? No

Section II – Financial Statement Findings

None

Section III- Federal Award Finding Findings and Questioned Costs

None

Summary Schedule of Prior Audit Findings:

During the current year audit, we reviewed the status of corrective action taken on the Financial Statement Finding as reported in our prior year's reports on internal control and compliance of the Department dated December 19, 2014. We found that adequate corrective action was taken for the finding.