CITY OF CHARLESTON, SOUTH CAROLINA

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

YEAR ENDED DECEMBER 31, 2008

(WR) Webster Rogers LLP
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REPORTS ON INTERNAL CONTROL AND COMPLIANCE
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Independent Auditors' 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*

Honorable Mayor and Members of City Council
City of Charleston, South Carolina
Charleston, South Carolina

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the ***City of Charleston, South Carolina***, as of and for the year ended December 31, 2008, which collectively comprise the City of Charleston, South Carolina's basic financial statements and have issued our report thereon dated June 26, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Charleston, South Carolina's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Charleston, South Carolina's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Charleston, South Carolina's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City of Charleston, South Carolina's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Charleston, South Carolina's financial statements that is more than inconsequential will not be prevented or detected by the City of Charleston, South Carolina's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Charleston, South Carolina's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Charleston, South Carolina'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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Charleston, South Carolina, in a separate letter dated June 26, 2009.

This report is intended solely for the information and use of the audit committee, management, City Council, 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.

Webster Rogers LLP

Summerville, South Carolina
June 26, 2009

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Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB *Circular A-133*

Honorable Mayor and Members of City Council
City of Charleston, South Carolina
Charleston, South Carolina

Compliance

We have audited the compliance of the ***City of Charleston, South Carolina***, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. The City of Charleston, South Carolina's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Charleston, South Carolina's management. Our responsibility is to express an opinion on the City of Charleston, South Carolina's compliance based on our audit.

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 City of Charleston, South Carolina'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. Our audit does not provide a legal determination of the City of Charleston, South Carolina's compliance with those requirements.

In our opinion, the City of Charleston, South Carolina, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

The management of the City of Charleston, South Carolina, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Charleston, South Carolina's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Charleston, South Carolina's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Charleston, South Carolina, as of and for the year ended December 31, 2008, and have issued our report thereon dated June 26, 2009. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City of Charleston, 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, City Council, 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.

Webster Rogers LLP

Summerville, South Carolina
June 26, 2009

CITY OF CHARLESTON, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2008

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-Through Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Passed through S.C. Department of Social Services			
Summer Feeding Program	10.559	SF-129	$ 236,144
Passed through S.C. Forestry Commission			
Urban and Community Forestry Program	10.675	2007U11	10,000
Total U.S. Department of Agriculture			246,144
U.S. Department of Housing and Urban Development			
Direct			
Community Development Block Grant	14.218	B07-MC-45-0001	1,600,616
Home Investment Partnership	14.239	M-07-MC-45-0201	314,707
Home Investment Partnership - American Dream Downpayment Initiative	14.239	M-04-MC-45-0201	10,000
Total CFDA # 14.239			324,707
HOPWA	14.241	SCH02F002	34,652
HOPWA	14.241	SCH07F002	290,146
HOPWA	14.241	SCH08F002	113,105
Total CFDA # 14.241			437,903
EDI - Special Project Grant	14.246	B02-SPSC-0662	68,458
EDI - Special Project Grant	14.246	B03-SPSC-0720	20,766
Total CFDA # 14.246			89,224
Community Development Block Grant - Section 108 Loan	14.248	B01-MC-45-0001	519,375
Lead-Based Hazard Control	14.900	SCLHB 0314-04	1,037,221
Total U.S. Department of Housing and Urban Development			4,009,046
U.S. Department of the Interior			
Direct			
Save America's Treasures	15.929	45-04-ML-0129	114,586
Passed through S.C. Department of Natural Resources			
Clean Vessel Act	15.616	V16 Coastal	8,470
Passed through the S.C. Department of Parks, Recreation and Tourism Outdoor Recreation Acquisition, Development & Planning	15.916	45-01066	65,005
Total U.S. Department of the Interior			188,061

(continued)

CITY OF CHARLESTON, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2008

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-Through Identifying Number	Federal Expenditures
U.S. Department of Justice			
Direct			
Federal Equitable Sharing	16.000	NCIC/ORI/Tracking No. 100100	$ 128,032
Bulletproof Vest Partnership Program	16.607	03017772	16,700
Edward Byrne Memorial Justice Assistance Grant	16.738	2006-DJ-BX-0789	23,322
Edward Byrne Memorial Justice Assistance Grant	16.738	2007-DJ-BX-1237	101,663
Edward Byrne Memorial Justice Assistance Grant	16.738	2008-DJ-BX-0223	26,116
Total CFDA # 16.738			151,101
Passed through the U.S. Attorney's Office for the District of S.C.			
Sea Hawk Task Force	16.999	0E647102	62,267
Total U.S. Department of Justice			358,100
U.S. Department of Transportation			
Passed through S.C. Department of Transportation			
Traffic Signal Replacement and Control System	20.205	10H77SA10002	176,262
Older Driver and Pedestrian Safety Program	20.205	10Q210D10001	99,438
West Ashley Riverview Enhancement	20.205	10H22MP07001	87,190
East Bay Street Bike and Pedestrian Path	20.205	10Q22D0T5011	525,690
Avondale Point Improvement Enhancement Project	20.205	10Q22MP07013	28,310
Cooper River Bridge Tree Mitigation	20.205	10Q921738002	38,623
Cooper River Bridge Mitigation and Enhancement Activities	20.205	N/A	129,325
Total U.S. Department of Transportation			1,084,838
National Endowment for the Arts			
Direct			
Promotion of the Arts	45.024	07-6200-7019	35,000
Passed through South Carolina Arts Commission			
Promotion of the Arts - Partnership Agreements	45.025	FY09-LTO/ARC-0439	25,096
Total National Endowment for the Arts			60,096
U.S. Environmental Protection Agency			
Direct			
Brownsfield Assessment & Cleanup Cooperative	66.818	BF-96412704-0	39,487
U.S. Department of Health and Human Services			
Passed through S.C. Department of Health and Human Service			
Enterprise Community Initiative	93.585	B040392A	14,874

(continued)

CITY OF CHARLESTON, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2008

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-Through Identifying Number	Federal Expenditures
U.S. Department of Homeland Security/ Federal Emergency Management Agency			
Direct			
Port Security Grant Program	97.056	2006-GB-T6-0044	$ 27,478
Port Security Grant Program	97.056	2007-GB-T7-0117	161,972
Total CFDA # 97.056			189,450
Passed through S.C. Emergency Management Division			
Pre-Disaster Mitigation Competitive Grants	97.017	PDMC-SC-2005-05	2,152,127
Pre-Disaster Mitigation Competitive Grants	97.017	PDMC-SC-2005-08	522,031
Total CFDA # 97.017			2,674,158
Passed through S.C. Department of Natural Resources			
Flood Mitigation Assistance	97.029	EMA-2002003-CA-5333	341,302
Total U.S. Department of Homeland Security/Federal Emergency Management Agency			3,204,910
Total Federal Expenditures			$ 9,205,556

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CITY OF CHARLESTON, SOUTH CAROLINA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2008

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Charleston, South Carolina, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

B. Loans Outstanding

The City of Charleston, South Carolina, had the following loan balance outstanding at December 31, 2008:

Federal Grantor/Program Title	Federal CFDA Number	Agency Pass-Through Identifying Number	Loan Balance
U.S. Department of Housing and Urban Development			
Community Development Block Grant – Section 108	14.248	B01-MC-45-0001	$ 820,000

C. Program Income

The City of Charleston, South Carolina, had federal expenditures funded by program income in the following amounts:

Federal Grantor/Program Title	Federal CFDA Number	Agency Pass-Through Identifying Number	Program Income
U.S. Department of Housing and Urban Development			
Community Development Block Grant	14.218	B07-MC-45-0001	$ 417,687
Home Investment Partnership	14.239	M07-MC-45-0201	$ 38,854
EDI – Special Project Grant	14.246	B02-SPSC-0662	$ 68,458
Lead-Based Hazard Control	14.900	SCLHB 0314-04	$ 1,300
U.S. Department of Justice			
Federal Equitable Sharing Program	16.000	NCIC/ORI/Tracking No. 100100	$ 73,432
Edward Byrne Memorial Justice Assistance Grant	16.738	2006-DJ-BX-0789	$ 42

CITY OF CHARLESTON, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2008

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes _X_ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ___ yes _X_ none reported

Noncompliance material to financial statements noted? ___ yes _X_ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___ yes _X_ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ___ yes _X_ none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ___ yes _X_ no

Identification of major programs:

CFDA Number(s)	*Name of Federal Program or Cluster*
14.241	HOPWA
97.017	Pre-Disaster Mitigation Program
97.029	Flood Mitigation Assistance

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

Auditee qualified as low-risk auditee? _X_ yes ___ no

CITY OF CHARLESTON, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2008

Section II - Financial Statements Findings

Ref #	Department/ Program/Grant	Finding/Noncompliance
None		

Section III - Federal Awards Findings and Questioned Costs

Ref #	Department/ Program/Grant	Finding/Noncompliance
None		

CITY OF CHARLESTON, SOUTH CAROLINA
SUMMARY OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2008

Ref #	Department/ Program/Grant	Finding/Status
None		