
South Carolina Jobs – Economic Development Authority
Single Audit for the year ended June 30, 2012

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

RICHARD H. GILBERT, JR., CPA
DEPUTY STATE AUDITOR

(803) 253-4160
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February 1, 2013

The Honorable Nikki R. Haley, Governor
and
Members of the Board of Directors
South Carolina Jobs-Economic Development Authority
Columbia, South Carolina

This Report on Compliance with Requirements that could have a Direct and Material Effect on 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 of the South Carolina Jobs-Economic Development Authority for the fiscal year ended June 30, 2012, was issued by Brown CPA, LLC, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor. This report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with the basic financial statements of the South Carolina Jobs-Economic Development Authority for the fiscal year ended June 30, 2012, issued by Brown CPA, LLC, Certified Public Accountants, dated September 17, 2012.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Richard H. Gilbert Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

RHGjr/trb

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BROWN CPA, LLC

Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 and on the Supplementary Schedule of Expenditures of Federal Awards

The South Carolina Office of the State Auditor and
Board of Director South Carolina Jobs – Economic Development Authority
Columbia, South Carolina

Compliance

We have audited South Carolina Jobs – Economic Development Authority (“JEDA”) 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 JEDA’s major federal programs for the year ended June 30, 2012. JEDA’s major federal programs are identified in the summary of auditor’s 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 JEDA’s management. Our responsibility is to express an opinion on JEDA’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 JEDA’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 JEDA’s compliance with those requirements.

In our opinion, JEDA 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, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2012-1.

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MEMBER:
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
SOUTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Internal Control Over Compliance

Management of JEDA 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 JEDA's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 JEDA's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, 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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2012-1. 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.

Schedule of Expenditure of Federal Awards

We have audited the basic financial statements of JEDA as of and for the year ended June 30, 2012 and have issued our report thereon dated September 17, 2012 which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming our opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, certain additional procedures, including comparing and reconciling such information directly to the

underlying accounting and other records used to prepare the financial statements or to the 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 expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

JEDA's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit JEDA's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the State Auditor, the Governor of the State of South Carolina, Board members and management of JEDA, 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.

BROWN CPA, L.L.C.

Irmo, South Carolina
January 17, 2013

SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012

Federal Grantor / Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Pass-Through to Sub-Recipient
Indirect Programs:				
U.S. Department of Energy				
Passed through the S.C. Energy Office				
ARRA - State Energy Program (Note 3)	81.041	S09-L001	<u>\$ 1,755,000</u>	<u>\$ 1,755,000</u>
		Total U.S. Department of Energy	<u>1,755,000</u>	<u>1,755,000</u>
		Total expenditures of federal awards	<u><u>\$ 1,755,000</u></u>	<u><u>\$ 1,755,000</u></u>

ARRA - Denotes a program that contains American Recovery and Reinvestment Act awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of South Carolina Jobs – Economic Development Authority (“JEDA”) under programs of the federal government for the year ended June 30, 2012. 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*. Because the Schedule presents only a selected portion of the operations of JEDA, it is not intended to and does not present the financial position, changes in net assets, or cash flows of JEDA.

Loan Program

The amounts reported in the accompanying schedule of expenditures of federal awards for the State Energy Program (CFDA 81.041) represents capital contributions and administrative costs incurred during the year ended June 30, 2012 for the establishment of an energy efficiency revolving loan program.

2. Summary of Significant Accounting Policies

- a. The financial activity shown on the schedule of expenditures of federal awards reflects amounts recorded by JEDA during its fiscal year ended June 30, 2012, and, accordingly does not include a full year’s financial activity for grants awarded or terminated on dates not coinciding with JEDA’s fiscal year. JEDA reports these on the accrual basis of accounting.
- b. Pass-through entity identifying numbers are presented where available.

3. Subrecipients

Of the federal expenditures presented in the Schedule, JEDA provided federal awards to subrecipients as follows:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipients</u>
81.041	State Energy Program	\$1,755,000

SOUTH CAROLINA JOBS - ECONOMIC DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012

Section I - Summary of Auditors Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	_____	Yes	_____ x _____	No
Significant deficiency identified?	_____	Yes	_____ x _____	None reported

Noncompliance material to financial statements noted?

	_____	Yes	_____ x _____	No
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Federal Awards

Internal control over major programs:

Material weaknesses identified?	_____	Yes	_____ x _____	No
Significant deficiency identified?	_____ x _____	Yes	_____	None reported

Type of auditor's 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 OMB Circular A-133?

	_____ x _____	Yes	_____	No
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Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
81.041	ARRA - State Energy Program

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

Auditee qualified as low-risk auditee? _____ Yes _____ x _____ No

Comments from 2012 Audit with Management’s Response

2012-1 Subrecipient Monitoring

This is a significant deficiency

ARRA – State Energy Program
CFDA No.: 81.041

Condition – The South Carolina Jobs – Economic Development Authority (JEDA) does not have a written policy or other written documentation for monitoring subrecipients. In addition, JEDA could not provide documentation to demonstrate that it monitored its subrecipients during the fiscal year ended June 30, 2012.

Criteria –OMB Circular A-133 Compliance Supplement June 2012 p. 3-M-1 states that grantors should have procedures in place to monitor subrecipients. OMB Circular A-133 guidance specifies that subrecipients monitoring can be accomplished by “Monitoring the subrecipient’s use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.”

Effect – Without timely monitoring of subrecipients, it is possible that the program may not be administered in compliance with regulation and contract provisions.

Questioned Costs – Not Determinable

Recommendation – We recommend JEDA develop and implement written procedures and initiate subrecipient monitoring.

Managements Response – See management’s response on page 9.

JEDA Contact: Harry Huntley 803-737-0627

South Carolina Jobs – Economic Development Authority
Summary Schedule of Prior Audit Finding
June 30, 2012

There were no comments reported in the prior year.

Managements Corrective Action Plan

See Management's Response
on the Following Page

PETER M. BROWN
Chairman



HARRY A. HUNTLEY, CPA
Executive Director

January 28, 2013

Mr. Richard H. Gilbert, Jr., CPA
Deputy State Auditor
1401 Main St., Suite 1200
Columbia, South Carolina 29201

Dear Mr. Gilbert:

The South Carolina Jobs-Economic Development Authority respectfully submits the following corrective action plan for the finding identified in the Schedule of Findings for the year ended June 30, 2012 as disclosed in the audit report by Brown, CPA, L.L.C. dated January 17, 2013.

2012-1 Sub-recipient Monitoring
ARRA – State Energy Program
CFDA No.: 81.041

Condition – JEDA does not have written documentation of monitoring or written procedures establishing for timely sub-recipient monitoring.

Response – We concur with the finding. While there has been regular contact with the sub-recipient regarding the Program, there were no written procedures in place. JEDA will develop and implement written procedures to assure compliance in the future.

Thank you for the guidance provided by your auditors and for the professional manner in which they conducted this audit. Should you have any question, please contact me at hhuntley@scjeda.com or (803)737-0627.

Sincerely,

A handwritten signature in blue ink, appearing to read "Harry A. Huntley". The signature is fluid and cursive, written over the printed name below it.

Harry A. Huntley, CPA