



MEMORANDUM

To: Ms. Teresa B. Wilson, City Manager
From: LaWana Robinson-Lee, Buyer *LR*
Date: November 6, 2013
Re: Request for Council Approval

Request for the Renewal of the Contract for Auditing Services as requested by the Finance Department.

The original contract term was an initial period of three (3) years with option to renew for two consecutive one (1) year terms. I ask that you seek Council's approval for this renewal with Webster Rogers LLP, at the following cost.

Auditing Services	\$134,900.00
Total	\$134,900.00

Webster Rogers LLP is located in Florence, SC 29502

This will be charged as follows:

Finance Water Administration- Audit Costs 5511409-635600	\$ 67,450.00
Accounting- Audit Costs 1011401-635600	\$ 67,450.00

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Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS. Also, an audit is not designed to detect errors or frauds that are immaterial to the financial statements. The determination of abuse is subjective; therefore, Government Auditing Standards do not expect us to provide reasonable assurance of detecting abuse.

In making our risk assessments, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

We will also communicate to the finance, audit, and budget committee (a) any fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements that becomes known to us during the audit, and (b) any instances of noncompliance with laws and regulations that we become aware of during the audit (unless they are clearly inconsequential).

The funds that you have told us are maintained by the City and that are to be included as part of our audit are listed here:

- General Fund
- County Services Fund
- Water and Sewer Facilities Fund
- Parking Facilities Fund
- Accommodations Tax Fund
- Tourism Development Convention Center Fund
- Liquor Permits Fund
- Business Improvement District Fund
- Hospitality Tax Fund
- Confiscated Drug Program Fund
- Other Programs Fund
- Franchise Fee Fund
- Community Development Grants and Awards Fund
- Federal Grants Fund
- Other Grants Fund
- Debt Service Fund
- Congaree Vista District Fund
- Columbia Parking Facilities Corporation Fund
- Streetscaping Fund
- General Capital Projects Fund
- Miscellaneous Projects Fund
- Anna Dickson Park Trust Fund
- Hydro-Electric Facilities Fund
- Stormwater Facilities Fund
- Redevelopment Programs Fund
- Parks and Recreation Camp Fund
- Fleet Management Fund
- Support Services Fund
- Risk Management Fund
- Private Purpose Trust Funds
- Agency Funds

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The component units whose financial statements you have told us are to be included as part of the City's basic financial statements are listed here:

1. Columbia Development Corporation
2. Columbia Housing Development Corporation
3. Eau Claire Development Corporation
4. Midlands Authority for Conventions, Sports, and Tourism
5. TN Development Corporation
6. Public Facilities Corporation (blended)
7. Columbia Parking Facilities Corporation (blended)
8. Columbia Empowerment Zone, Inc.

The federal financial assistance programs that you have told us that the City participates in and that are to be included as part of the single audit are listed here:

1. Economic Adjustment Assistance 11.307
2. Community Development Block Grant 14.218
3. HOME Loan Program 14.239
4. HUD Housing Opportunities for People with AIDS 14.241
5. Project Prevention 16.548
6. Bulletproof Vest Partnership 16.607
7. Public Safety Partnership and Community Policing Grants 16.710
8. Edward Byrne Memorial Justice Assistance Grant Program Cluster 16.738
9. Justice Assistance Criminal Domestic Violence Grant Program Cluster ARRA 16.803
10. Highway Construction and Planning 20.205
11. State and Community Highway Safety 20.600
12. Brownsfield Assessment 66.818
13. Energy Efficient and Conservation Block Grant 81.128
14. Assistance to Firefighters 97.044
15. Homeland Security Grant Program 97.067
16. SAFER Hiring Grant 97.083

Our reports on internal control will include any significant deficiencies and material weaknesses in controls of which we become aware as a result of obtaining an understanding of internal control and performing tests of internal control consistent with requirements of the standards and circulars identified above. Our reports on compliance matters will address material errors, fraud, abuse, violations of compliance obligations, and other responsibilities imposed by state and federal statutes and regulations or assumed by contracts, and any state or federal grant, entitlement, or loan program questioned costs of which we become aware, consistent with requirements of the standards and circulars identified above.

The Responsibilities of Management and Identification of the Applicable Financial Reporting Framework

Our audit will be conducted on the basis that management and those charged with governance acknowledge and understand that they have responsibility:

- a. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
- b. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- c. For establishing and maintaining effective internal control over financial reporting and for informing us of all significant deficiencies and material weaknesses in the design or operation of such controls of which it has knowledge;

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- d For (a) making us aware of significant vendor relationships where the vendor is responsible for program compliance; (b) following up and taking corrective action on audit findings, including the preparation of a summary schedule of prior audit findings, and a corrective action plan; and (c) report distribution including submitting the reporting package; and
- e. To provide us with:
 - (1) Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
 - (2) Additional information that we may request from management for the purpose of the audit;
 - (3) Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence;
 - (4) When applicable, a summary schedule of prior audit findings for inclusion in the single audit reporting package; and
 - (5) If applicable, responses to any findings reported on the schedule of findings and questioned costs.

As part of our audit process, we will request from management written confirmation concerning representations made to us in connection with the audit including among other items:

- a. That management has fulfilled its responsibilities as set out in the terms of this letter; and
- b. That it believes the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for identifying and ensuring that the City complies with the laws and regulations applicable to its activities and for informing us about all known material violations of such laws or regulations. In addition, management is responsible for the design and implementation of programs and controls to prevent and detect fraud or abuse and for informing us about all known or suspected fraud or abuse affecting the entity involving management, employees who have significant roles in internal control, and others where the fraud or abuse could have a material effect on the financial statements or compliance. Management is also responsible for informing us of its knowledge of any allegations of fraud or abuse or suspected fraud or abuse affecting the entity received in communications from employees, former employees, analysts, regulators, or others.

Management is responsible for the preparation of the required supplementary information (RSI) and supplementary information presented in relation to the financial statements as a whole in accordance with accounting principles generally accepted in the United States of America. Management agrees to include the auditor's report on the RSI and supplementary information in any document that contains the RSI and supplementary information and that indicates that the auditor has reported on such RSI and supplementary information. Management also agrees to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.

The finance, audit, and budget committee is responsible for informing us of its views about the risks of fraud or abuse within the entity and its knowledge of any fraud or abuse or suspected fraud or abuse affecting the entity.

The City agrees that it will not associate us with any public or private securities offering without first obtaining our consent. Therefore, the City agrees to contact us before it includes our reports or otherwise makes reference to us in any public or private securities offering.

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Our association with an official statement is a matter for which separate arrangements will be necessary. The City agrees to provide us with printer's proofs or masters of such offering documents for our review and approval before printing and with a copy of the final reproduced material for our approval before it is distributed. In the event our auditor/client relationship has been terminated when the City seeks such consent, we will be under no obligation to grant such consent or approval.

We agree that our association with any proposed offering is not necessary, providing the City agrees to clearly indicate that we are not associated with the contents of any such official statement or memorandum. The City agrees that the following disclosure will be prominently displayed in any such official statement or memorandum:

WebsterRogers LLP, our independent auditor, has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. WebsterRogers LLP also has not performed any procedures relating to this official statement.

Because WebsterRogers LLP will rely on the City and its management and the finance, audit, and budget committee to discharge the foregoing responsibilities, the City holds harmless and releases WebsterRogers LLP, its partners, and employees from all claims, liabilities, losses, and costs arising in circumstances where there has been a knowing misrepresentation by a member of the City's management which has caused, in any respect, WebsterRogers's breach of contract or negligence. This provision shall survive the termination of this arrangement for services.

With regard to electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document. Additionally, we require that any reproduction of our audit reports be included only with a complete presentation of all financial statements, footnotes, and supplemental schedules, as applicable, as referenced in the audit report.

The City's Records and Assistance

If circumstances arise relating to the condition of the City's records, the availability of appropriate audit evidence, or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment, prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion, issue a report, or withdraw from the engagement.

During the course of our engagement, we may accumulate records containing data that should be reflected in the City's books and records. The City will determine that all such data, if necessary, will be so reflected. Accordingly, the City will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by City personnel, including the preparation of schedules and analyses of accounts, has been discussed and coordinated with Jan Alonso, Deputy Finance Director, and select members of her staff, at an audit planning meeting at the City on June 10, 2013. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

In connection with our audit, you have requested us to perform certain non-audit services necessary for the preparation of the financial statements, including the preparation of the financial statements. The independence standards of the "Government Auditing Standards" issued by the Comptroller General of the United States GAS require that the auditor maintain independence so that opinions, findings, conclusions, judgments, and recommendations will be impartial and viewed as impartial by reasonable and informed third parties. Before we agree to provide a non-audit service to the City of Columbia, we determine whether providing such a service would create a significant threat to our independence for GAS audit purposes, either by itself or in aggregate with other non-audit services provided. A critical component of our determination is consideration of management's ability to effectively oversee the non-audit service to be performed. The City has agreed that Jeff Palen, Chief Financial

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Officer, possesses suitable skill, knowledge, or experience and that the individual understands the preparation of the financial statement services to be performed sufficiently to oversee them. Accordingly, the management of the City agrees to the following:

1. The City has designated Jeff Palen, Chief Financial Officer, a senior member of management, who possesses suitable skill, knowledge, and experience to oversee the services.
2. Jeff Palen will assume all management responsibilities for subject matter and scope of the preparation of the financial statements.
3. The City will evaluate the adequacy and results of the services performed.
4. The City accepts responsibility for the results and ultimate use of the services.

GAS further requires we establish an understanding with the management and those charged with governance of the City of the objectives of the non-audit service, the services to be performed, the entity's acceptance of its responsibilities, the auditor's responsibilities, and any limitations of the non-audit service. We believe this letter documents that understanding.

Other Relevant Information

In accordance with Government Auditing Standards, a copy of our most recent peer review report has been provided to you for your information.

Fees, Costs, and Access to Workpapers

Our fees for the audit and accounting services described above are based upon the value of the services performed and the time required by the individuals assigned to the engagement plus direct expenses. Our fee estimate and completion of our work is based upon the following criteria:

- a. Anticipated cooperation from the City personnel.
- b. Timely responses to our inquiries.
- c. Timely completion and delivery of client assistance requests.
- d. Timely communication of all significant accounting and financial reporting matters.
- e. The assumption that unexpected circumstances will not be encountered during the engagement.

If any of the aforementioned criteria are not met, then fees may increase. Interim billings will be submitted as work progresses and as expenses are incurred. Billings are due upon submission. Our fee for the services described in this letter will not exceed \$134,900 unless the scope of the engagement is changed, the assistance which the City has agreed to furnish is not provided, or unexpected conditions are encountered, in which case we will discuss the situation with you before proceeding. All other provisions of this letter will survive any fee adjustment.

Our professional standards require that we perform certain additional procedures, on current and previous years' engagements, whenever a partner or professional employee leaves the firm and is subsequently employed by or associated with a client in a key position. Accordingly, the City agrees it will compensate WebsterRogers LLP for any additional costs incurred as a result of the City's employment of a partner or professional employee of WebsterRogers LLP.

In the event we are requested or authorized by The City or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagement for the City, the City will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

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The documentation for this engagement is the property of WebsterRogers LLP. However, you acknowledge and grant your assent that representatives of the cognizant or oversight agency or their designee, other government audit staffs, and the U.S. Government Accountability Office shall have access to the audit documentation upon their request and that we shall maintain the audit documentation for a period of at least three years after the date of the report or for a longer period if we are requested to do so by the cognizant or oversight agency. Access to requested documentation will be provided under the supervision of WebsterRogers LLP audit personnel and at a location designated by our Firm.

You have informed us that you intend to prepare a comprehensive annual financial report (CAFR) and submit it for evaluation by the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting Program. Our association with the CAFR is to consist of preparing the statistical schedules based on information the City provides and reading the introductory section.

Claim Resolution

The City and WebsterRogers LLP agree that no claim arising out of services rendered pursuant to this agreement shall be filed more than two years after the date of the audit report issued by WebsterRogers LLP or the date of this arrangement letter if no report has been issued. The City waives any claim for punitive damages. WebsterRogers LLP's liability for all claims, damages, and costs of the City arising from this engagement is limited to the amount of fees paid by the City to WebsterRogers LLP for the services rendered under this arrangement letter.

If any term or provision of this Agreement is determined to be invalid or unenforceable, such term or provision will be deemed stricken, and all other terms and provisions will remain in full force and effect.

Reporting

We will issue a written report upon completion of our audit of the City's financial statements. Our report will be addressed to the mayor and members of city council of the City. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph, or withdraw from the engagement.

In addition to our report on the City's financial statements, we will also issue the following types of reports:

- A report on the fairness of the presentation of the City's schedule of expenditures of federal awards for the year ended June 30, 2013.
- Reports on internal control related to the financial statements and major programs. These reports will describe the scope of testing of internal control and the results of our tests of internal controls.
- Reports on compliance with laws, regulations, and the provisions of contracts or grant agreements. We will report on any noncompliance which could have a material effect on the financial statements and any noncompliance which could have a material effect, as defined by OMB Circular No. A-133, on each major program.
- A schedule of findings and questioned costs.

This letter constitutes the complete and exclusive statement of agreement between WebsterRogers LLP and the City superseding all proposals, oral or written, and all other communications with respect to the terms of the engagement between the parties.

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Please sign and return the attached copy of this letter to indicate your acknowledgment of and agreement with the arrangements for our audit of the financial statements including our respective responsibilities.

Sincerely,

WebsterRogers LLP



Ellen K. Adkins, CPA
Partner

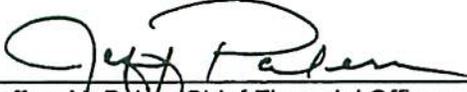
Confirmed on behalf of the addressee:



Brian D. Newman, Chairman Finance, Audit and Budget Committee



Teresa B. Wilson, City Manager



Jeffery M. Palen, Chief Financial Officer