

**SOUTH CAROLINA DEPARTMENT
OF TRANSPORTATION**

**REPORT OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS IN ACCORDANCE
WITH THE UNIFORM GUIDANCE AND
*GOVERNMENT AUDITING STANDARDS***

FOR THE YEAR ENDED JUNE 30, 2019



January 7, 2020

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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), for the fiscal year ended June 30, 2019, was issued by Mauldin & Jenkins, 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,

George L. Kennedy, III, CPA
State Auditor

GLKIII/cmw

SOUTH CAROLINA DEPARTMENT OF TRANSPORTATION

**FOR THE YEAR ENDED
JUNE 30, 2019**

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**INDEPENDENT AUDITOR'S 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**

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

Members of the South Carolina Transportation Commission
South Carolina Department of Transportation
Columbia, South Carolina

We have audited, in accordance with the 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, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **South Carolina Department of Transportation** (the "Department"), a department of the State of South Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated September 30, 2019. Our report includes a reference to other auditors who audited the financial statements of the Connector 2000 Association, Inc., as described in our report on the Department's financial statements. The financial statements of the Connector 2000 Association, Inc. were not audited in accordance with *Government Auditing Standards*. Our report also includes a reference that the financial statements only include the activity of the Department and not the entire State of South Carolina reporting entity.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances 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 Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a 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.

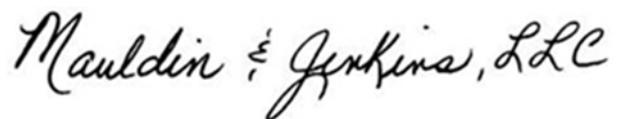
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from 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*.

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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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.



Columbia, South Carolina
September 30, 2019



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER
COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

**To Mr. George L. Kennedy, III, CPA
State Auditor
South Carolina Office of the State Auditor
Columbia, South Carolina**

**Members of the South Carolina Transportation Commission
South Carolina Department of Transportation
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 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, 2019. The Department's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 South Carolina Department of Transportation 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, 2019.

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 the Uniform Guidance, 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 a 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. 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the South Carolina Department of Transportation as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements. We issued our report thereon dated September 30, 2019, which contained unmodified opinions on those financial statements and which refers to the work of other auditors and that the financial statements contain only the activity of the Department and not the entire State of South Carolina reporting entity. 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 the Uniform Guidance 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.

Mauldin & Jenkins, LLC

Columbia, South Carolina

January 7, 2020, except for our report on the schedule of expenditures of federal awards, for which the date is September 30, 2019

SOUTH CAROLINA DEPARTMENT OF TRANSPORTATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2019

Federal Grantor/Program Title	Pass-through Entity Identifying Number	Federal CFDA Number	Total Federal Expenditures	Payments To Subrecipients
U.S. Department of Transportation:				
Federal Highway Administration Direct Programs:				
Highway Planning and Construction Cluster: Highway Planning and Construction	N/A	20.205	\$ 709,803,189	\$ 18,208,188
Technology, Innovation and Research	N/A	20.200	36,699	-
Highway Use Tax Evasion Project	N/A	20.240	9,123	-
National Infrastructure Investment	N/A	20.933	5,244,225	5,244,225
Transportation Infrastructure Finance and Innovation Act (TIFIA)	N/A	20.223	1,757,687	-
Total Federal Highway Administration Direct Programs			<u>716,850,923</u>	<u>23,452,413</u>
Federal Transit Administration Direct Programs:				
Federal Transit Cluster: Bus and Bus Facilities Formula Program	N/A	20.526	2,906,669	2,906,669
Transit Services Programs Cluster: Persons with Disabilities	N/A	20.513	1,959,671	1,798,199
Metropolitan Planning Grants	N/A	20.505	204,633	204,633
Formula Grants for Other than Urbanized Areas	N/A	20.509	12,571,462	11,650,934
Total Federal Transit Administration Direct Programs			<u>17,642,435</u>	<u>16,560,435</u>
Total U.S. Department of Transportation			<u><u>734,493,358</u></u>	<u><u>40,012,848</u></u>
U.S. Department of Homeland Security:				
Passed through South Carolina Emergency Management Division:				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	FEMA-4394-PA-SC	97.036	486,301	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	FEMA-4241-PA-SC	97.036	1,757,534	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	FEMA-4286-PA-SC	97.036	1,593,662	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	FEMA-4346-PA-SC	97.036	1,059,682	-
Total U.S. Department of Homeland Security			<u>4,897,179</u>	-
Total Expenditures of Federal Awards			<u><u>\$ 739,390,537</u></u>	<u><u>\$ 40,012,848</u></u>

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

SOUTH CAROLINA DEPARTMENT OF TRANSPORTATION

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the South Carolina Department of Transportation (the "Department") under programs of the federal government for the year ended June 30, 2019. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Department, it is not intended and does not present the net position or changes in net position of the Department and, therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

The Department has elected not to utilize the 10% de Minimis indirect cost rate as allowed under the Uniform Guidance.

SOUTH CAROLINA DEPARTMENT OF TRANSPORTATION

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

**SECTION I
SUMMARY OF AUDIT RESULTS**

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:
Material weaknesses identified? ___ Yes X No

Significant deficiencies identified? ___ Yes X None Reported

Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards

Internal control over major federal programs:
Material weaknesses identified? ___ Yes X No

Significant deficiencies identified? ___ Yes X None Reported

Type of auditor's report issued on compliance of major Federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ___ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction Cluster
20.509	Formula Grants for Other than Urbanized Areas
20.933	National Infrastructure Investment
97.036	Disaster Grants – Presidentially Declared Disasters

Dollar threshold used to distinguish between type A and type B programs: \$3,000,000

Auditee qualified as low-risk auditee? No

SOUTH CAROLINA DEPARTMENT OF TRANSPORTATION

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

**SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES**

None reported

**SECTION III
FEDERAL AWARDS FINDINGS AND RESPONSES**

None reported

SOUTH CAROLINA DEPARTMENT OF TRANSPORTATION

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

STATUS OF PRIOR YEAR AUDIT FINDINGS

None reported