



SINGLE AUDIT REPORT
CITY OF CHARLESTON, WEST VIRGINIA
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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This audit has been conducted pursuant to the authority and duty of the State Auditor as Chief Inspector and Supervisor of Public Offices to conduct an annual inspection of all political subdivisions of the State of West Virginia and any agency created by these subdivisions. This power is granted by West Virginia Code §6-9-1 et seq.

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State of West Virginia

Glen B. Gainer III
State Auditor and
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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 Council
City of Charleston
Charleston, West Virginia 25305

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Charleston, West Virginia (the City), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon, dated March 7, 2012. Our report includes a reference to other auditors. In that report our opinion was qualified because a discretely presented component unit, the Charleston Convention and Visitor's Bureau, was unaudited. 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. Other auditors audited the financial statements of the Charleston Sanitary Board and the Charleston Urban Renewal Authority, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

Management of the City of Charleston, West Virginia is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City'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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, 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'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 in a separate letter dated March 7, 2012.

This report is intended solely for the information and use of management, City Council, others within the entity, 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.

Respectfully submitted,



Glen B. Gainer, III
West Virginia State Auditor

March 7, 2012



State of West Virginia

Glen B. Gainer III
State Auditor and
Chief Inspector

Stuart T. Stickel, CPA
Deputy Chief Inspector

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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

Honorable Mayor and Council
City of Charleston
Charleston, WV 25301

Compliance

We have audited the the City of Charleston, West Virginia's (the City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (*OMB*) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2011. The City'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 the City's management. Our responsibility is to express an opinion on the City'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'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's compliance with those requirements.

In our opinion, the City 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 programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the City 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'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 the City'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 a certain deficiency in internal control over compliance that we consider to be a significant deficiency, as described in the accompanying Schedule of Findings and Questioned Costs as item SA 2011-1. 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 Expenditures of Federal Awards

We have audited the basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Charleston, West Virginia, as of and for the year ended June 30, 2011, and have issued our report thereon dated March 7, 2012. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City'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.

Honorable Mayor and Council
City of Charleston
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The City's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the City's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, City Council, others within the entity, 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.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Glen B. Gainer III". The signature is written in a cursive style with a prominent flourish at the end.

Glen B. Gainer III
West Virginia State Auditor

March 7, 2012

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CITY OF CHARLESTON, WEST VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2011

	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Number</u>	<u>Total Expenditures</u>
U. S. Department of Housing and Urban Development			
Direct programs:			
<u>Program Title</u>			
<i>CDBG - Entitlement Grants Cluster:</i>			
Community Development Block Grants/Entitlement Grants	14.218	N/A	\$ 1,423,849
Community Development Block Grant - ARRA Entitlement Grants	14.253	N/A	<u>75,237</u>
<i>Total CDBG - Entitlement Grants Cluster</i>			<u>1,499,086</u>
Emergency Shelter Grants Program	14.231	N/A	81,293
Supportive Housing Program	14.235	N/A	104,139
HOME Investment Partnerships Program	14.239	N/A	824,707
Homelessness Prevention and Rapid Re-Housing Program - ARRA	14.257	N/A	319,550
Pass-through Programs From:			
State of West Virginia Governor's Office Of Economic Opportunity:			
<u>Program Title</u>			
Emergency Shelter Grants Program	14.231	N/A	<u>151,688</u>
Total U. S. Department of Housing and Urban Development			<u>2,980,463</u>
U. S. Department of Justice			
<i>JAG Program Cluster:</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2006-OJ-BX-0669 2007-DJ-BX-0636 2008-DJ-BX-0670	\$ 129,165 96,860 20,904
Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants To Units of Local Government - ARRA	16.804	2009-SBB91444	<u>284,874</u>
<i>Total JAG Program Cluster</i>			\$ 531,803

CITY OF CHARLESTON, WEST VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2011

	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Number</u>	<u>Total Expenditures</u>
Pass-through Programs From:			
West Virginia Department of Criminal Justice Services			
<u>Program Title</u>			
Crime Victim Assistance - ARRA	16.575	09-VAWR-05	\$ 16,783
Crime Victim Assistance	16.575	09-VA-045 09-EUD-001	31,499 25,000
Edward Byrne Memorial Formula Grant Program	16.579	08-JAG-01 09-JAG-01	57,000 56,000
Violence Against Women Formula Grants	16.588	08-VAW-019	3,314
Public Safety Partnership and Community Policing Grants	16.710	2007-CK-WX-0236 2006-CK-WX-0495	11,969 12,397
Anti-Gang Initiative	16.744	08-PSN-02	<u>2,441</u>
Total U. S. Department of Justice			<u>748,206</u>
U.S. Department of Transportation			
Pass-through Programs From:			
West Virginia Department of Transportation			
<u>Program Title</u>			
Highway Planning and Construction	20.205	WV Highways Div. TEA-OH22 (001)	12,175 73,727
State and Community Highway Safety	20.600	F10HS-08 F11HS-08	112,433 <u>302,844</u>
Total U.S. Department of Transportation			<u>501,179</u>
U.S. Small Business Administration			
Direct programs:			
<u>Program Title</u>			
Grant/Cooperative Agreement	59.000	SBAHQ-08-1-0-0166	<u>96,507</u>
Total U.S. Small Business Administration			\$ 96,507

CITY OF CHARLESTON, WEST VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2011

	Federal CFDA <u>Number</u>	Pass-Through Entity <u>Number</u>	Total <u>Expenditures</u>
U.S. Environmental Protection Agency			
Direct programs:			
<u>Program Title</u>			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		\$ 5,265
Total U.S. Environmental Protection Agency			<u>5,265</u>
U.S. Department of Energy			
Pass-through Programs From:			
West Virginia Development Office			
<u>Program Title</u>			
Energy Efficiency and Conservation Block Grant Program - ARRA	81.128	N/A	<u>429,775</u>
Total U.S. Department of Energy			<u>429,775</u>
U.S. Department of Homeland Security			
Pass-through Programs From:			
West Virginia Department of Military Affairs and Public Safety			
<u>Program Title</u>			
Homeland Security Grant Program	97.067	08-SHS-10	82,648
Emergency Management Performance Grants	97.042	N/A	93,706
Pre-Disaster Mitigation	97.047	FEMA-1881-DR-WV	<u>859,033</u>
Total U.S. Department of Homeland Security			<u>1,035,387</u>
U.S. Department of The Interior, Nation Park Service			
Direct Programs:			
<u>Program Title</u>			
Historic Preservation Fund Grants-in-aid	15.904	SP07-007	<u>14,000</u>
Total U.S. Department of The Interior, Nation Park Service			<u>14,000</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u>\$ 5,810,782</u>

The accompanying notes are an integral part of this schedule.

CITY OF CHARLESTON, WEST VIRGINIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2011

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City and is presented on the modified 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 Organization*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 - LOANS OUTSTANDING

The City had the following loan balances outstanding at June 30, 2011. These loan balances outstanding are also included as federal expenditures presented in this schedule.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Outstanding</u>
Community Development Block Grants/Entitlement Grants	14.218	\$ 1,423,849
HOME Investment Partnerships Program	14.239	\$ 824,707

NOTE 3 - SUBRECIPIENT DISBURSEMENTS

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Total Expenditures</u>
Edward Byrne Memorial Formula Grant Program	16.579	\$ 113,000
Violence Against Women Formula Grants	16.588	\$ 3,314
State and Community Highway Safety	20.600	\$ 415,277
Pre-Disaster Mitigation	97.047	\$ 859,033

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**CITY OF CHARLESTON, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2011**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Qualified
Internal Control over Financial Reporting:	
Material weakness identified?	No
Significant deficiency identified that is not considered to be material weakness?	No
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal Control over Major Programs:

Material weakness identified?	No
Significant deficiency identified that is not considered to be a material weakness?	Yes
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 § .510(a) of Circular A-133?	Yes

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
14.218/14.253	CDBG - Entitlement Grants Cluster
14.239	HOME Investment Partnership Program
14.257	Homeless Prevention and Rapid Re-housing Program
16.738/16.804	JAG Program Cluster
20.600	State and Community Highway Safety
81.128	Energy Efficient & Conservation Block Grant
97.047	Pre-Disaster Mitigation

Dollar threshold used to distinguish between Type A and Type B Program:	\$300,000
Auditee qualify as a low-risk auditee?	No

**CITY OF CHARLESTON, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2011**

Section II - Financial Statement Findings

There are no findings at the financial statement level.

**CITY OF CHARLESTON, WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2011**

Section III - Single Audit Findings

Subrecipient Monitoring

SA 2011-1

GENERAL INFORMATION:

The City of Charleston received federal grant funds for the Pre-Disaster Program to sub-grant the funds to a local hospital within the City.

Grant Title: Pre-Disaster Mitigation Program
Federal Agency: Department of Homeland Security

CFDA # : 97.047
State Agency: Department of Military Affairs
and Public Safety

CONDITION:

During our testing, it was determined that the City had inadequate documentation to support the review for proper subrecipient monitoring.

CRITERIA:

Proper procedures include evaluating supporting documentation with applicable federal laws and regulations for the program, which would include review of invoices, certified payrolls, property insurance documents and sub-grantee's audit report.

QUESTIONED COSTS: Unknown

CAUSE:

Proper policies were not in place to provide assurance that the sub-grantee was meeting the federal requirements and on-site reviews were being documented.

EFFECT:

The City did not have adequate controls in place to insure proper documentation of subrecipient monitoring.

RECOMMENDATION:

The City officials should establish policies and procedures to periodically review, on a test basis, support documentation for compliance with federal regulations. Evidence of the review of compliance as well as documentation of on-site reviews should be maintained by the City.

CORRECTIVE ACTION PLAN



CITY OF CHARLESTON
PLANNING DEPARTMENT
915 QUARRIER STREET, SUITE 1
CHARLESTON WV, 25301

Corrective action plan for all Findings and Questioned Costs defined in §_510(a) of OMB Circular No, A-133.

Reference Number: SA 2011-1
Audit Finding Title: Subrecipient Monitoring
Contact person: Dan Vriendt
Completion date: Completed

Corrective Action planned to be taken:

Internal controls have been put in place to show evidence of the review and documentation of on-site reviews including processes to stamp documents received and reviewed and the completion of Site Inspection Reports.

Explanation of disagreement with finding:

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**CITY OF CHARLESTON, WEST VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2011**

Status of Prior Year Audit Findings

<u>Finding Number</u>	<u>Title</u>	<u>Status</u>
2010-1	Accountable Plan for Clothing Allowances	Resolved
2010-2	Checks Made Payable to Cash	Resolved

