

**UNION COUNTY, SOUTH CAROLINA**  
**SINGLE AUDIT REPORT ON**  
**EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

**UNION COUNTY, SOUTH CAROLINA  
SINGLE AUDIT REPORT ON  
EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2022**

**TABLE OF CONTENTS**

	<u>Page</u>
<b>Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	1-2
<b>Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance in Accordance with the Uniform Guidance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance</b>	3-5
<b>Schedule of Expenditures of Federal Awards</b>	6
<b>Notes to Schedule of Expenditures of Federal Awards</b>	7
<b>Schedule of Findings and Questioned Costs</b>	8-9
<b>Schedule of Prior Year Audit Findings</b>	10

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 the County Council of  
Union County, South Carolina

*Independent Auditor's Report*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Union County, South Carolina (the "County"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 13, 2023. Our report includes a reference to other auditors who audited the financial statements of the Union County Carnegie Library, as described in our report on the County'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.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) as a basis for designing 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 County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County'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 or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County'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 financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001.

To the County Council of  
Union County, South Carolina

**County's Response to Findings**

*Government Auditing Standards* require the auditor to perform limited procedures on the County's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The County's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**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.

*Halliday, Schwartz & Co.*

Spartanburg, South Carolina  
February 13, 2023

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the County Council of  
Union County, South Carolina

*Independent Auditor's Report*

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Union County, South Carolina's (the "County") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2022. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Union County, South Carolina 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, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County and to meet our ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the County's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance, but is not absolute assurance and therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

To the County Council of  
Union, South Carolina

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

#### **Report on 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. *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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

To the County Council of  
Union, South Carolina

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Union County, South Carolina, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated February 13, 2023, which contained unmodified opinions on those financial statements. 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 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.

*Halliday, Schwartz & Co.*

Union, South Carolina  
February 13, 2023

**UNION COUNTY, SOUTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass Through Grantor/Program Title	Federal Assistance Listing Number	Pass- through Grantor's Number	Expenditures
<b>U.S. Department of Agriculture</b>			
Passed through U.S. Forest Service			
Forest Service Schools and Roads Cluster			
Schools & Roads - Grants to Counties	10.666	N/A	\$ 1,736
Total Forest Service Schools and Roads Cluster			<u>1,736</u>
National Forest Foundation	10.682	N/A	<u>109,712</u>
<b>Total U.S. Department of Agriculture</b>			<u>111,448</u>
<b>U.S. Department of Transportation</b>			
Passed through Federal Aviation Authority - Atlanta			
COVID 19: Airport Improvement Program	20.106	SC35A-SF424	<u>155,780</u>
<b>Total U.S. Department of Transportation</b>			<u>155,780</u>
<b>U.S. Department of the Treasury</b>			
Passed through State of South Carolina			
COVID 19: Coronavirus State & Local Fiscal Recovery Funds (CSLFRF)	21.027	20 CARES	<u>330,964</u>
<b>Total U.S. Department of the Treasury</b>			<u>330,964</u>
<b>U.S. Department of Health and Human Services</b>			
Passed through Substance Abuse and Mental Health Services Administration			
Block Grant for Prevention & Treatment of Substance Abuse	93.959	UNC-BG-20	739
Block Grant for Prevention & Treatment of Substance Abuse	93.959	UNC-BG-21	239,992
Block Grant for Prevention & Treatment of Substance Abuse	93.959	UNC-BG-22	<u>163,717</u>
			<u>404,448</u>
Passed through S.C. Department of Social Services			
Child Support Enforcement - Title IV-D Filing Fees	93.563	N/A	<u>124,743</u>
Passed through Center for Substance Abuse Treatments			
Medicaid Cluster			
Opioid STR (State Targeted Response)	93.788	SOR 21	29,794
Opioid STR (State Targeted Response)	93.788	SOR 22	125,914
Opioid STR (State Targeted Response)	93.788	SOR - SUP	<u>390</u>
Total Medicaid Cluster			<u>156,098</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>685,289</u>
<b>U.S. Department of Homeland Security</b>			
Passed through S.C. Emergency Management Division			
Local Emergency Management Performance Grant	97.042	21EMPG01	<u>27,007</u>
Passed through Federal Emergency Management Agency			
Assistance to Firefighters Grant	97.044	EMW-2019-FG-06966	<u>227,195</u>
<b>Total U.S. Department of Homeland Security</b>			<u>254,202</u>
<b>U.S. Department of Justice</b>			
Direct			
Bulletproof Vest Partnership Program	16.607	N/A	1,284
Passed through S.C. Department of Public Safety			
COVID 19: Coronavirus Emergency Supplemental Funding	16.034	1CF20153	<u>7,890</u>
<b>Total U.S. Department of the Justice</b>			<u>9,174</u>
<b>Total Federal Financial Assistance Expended</b>			<u>\$ 1,546,857</u>

See accompanying notes to schedule of expenditures of federal awards.



**UNION COUNTY, SOUTH CAROLINA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2022**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Union County, South Carolina under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations 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 Union County, South Carolina, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Union County, South Carolina.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 - INDIRECT COST RATE**

Union County, South Carolina has elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**UNION COUNTY, SOUTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**Fiscal Year Ended June 30, 2022:**

**Financial Statements**

Type of Auditor's Report Issued:	<u>Unmodified</u>
Internal Control Over Financial Reporting:	
Material Weakness(es) Identified?	<u>        </u> Yes <u>  X  </u> No
Significant Deficiencies Identified That Are Not Considered to be Material Weaknesses?	<u>        </u> Yes <u>  X  </u> None Reported
Noncompliance Material to Financial Statements Noted	<u>  X  </u> Yes <u>        </u> No

**Federal Awards**

Internal Control Over Major Programs:	
Material Weakness(es) Identified?	<u>        </u> Yes <u>  X  </u> No
Significant Deficiencies Identified That Are Not Considered to be Material Weaknesses?	<u>        </u> Yes <u>  X  </u> None Reported
Type of Auditor's Report Issued on Compliance For Major Federal Programs	<u>Unmodified</u>
Any Audit Findings Disclosed That Are Required to be Reported in Accordance with 2 CFR Part 200?	<u>        </u> Yes <u>  X  </u> No
Identification of Major Federal Programs:	
<u>        CFDA Number(s)        </u>	<u>        Federal Program or Cluster        </u>
21.027	Coronavirus State & Local Fiscal Recovery Funds (CSLFRF)
Dollar Threshold Used to Distinguish Between Type A and Type B Programs:	<u>        \$ 750,000        </u>
Auditee Qualified as Low-Risk Auditee?	<u>  X  </u> Yes <u>        </u> No

**Section II - Financial Statement Findings**  
None

**UNION COUNTY, SOUTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**Section III - Federal Award Findings and Questioned Costs**

***Finding 2022-001 - Material Noncompliance with State Law***

**Condition:** South Carolina state law requires all deposits consisting of public funds in a financial institution to be adequately secured. Any deposits in excess of FDIC coverage (\$250,000) must be secured with letters of credit or pledged collateral securities.

**Reason Improvement Needed:** To reduce the risk that, in the event of a bank failure, a governmental entity's deposits may not be returned to it, South Carolina made it state law that all deposits in a financial institution must be adequately secured. The County has a fiscal responsibility to its taxpayers to properly ensure all bank accounts are appropriately collateralized to reduce this risk.

**Cause of Condition:** At June 30, 2022, the County had \$1,282,446 in cash deposits held at a financial institution that were not covered by any type of collateral. This is the amount that the County's total cash in bank exceeded both the FDIC Insured portion and the collateralized portion by the financial institution. It is the County's responsibility to ensure that proper communication is made to their financial institutions about any large cash changes to ensure that the County always has fully covered cash deposits, per state law.

**Effect of Condition:** The County was exposed to custodial credit risk and, in the event of a bank failure, there were no safeguards in place to ensure the County's funds would not be lost. The County could have potentially lost \$1,282,446 of funds, if their bank would have financially failed at June 30, 2022.

**Perspective Information:** The County has seen instances in prior years where their financial institution has not been contacted to ensure proper collateralization based on the cash flow of the County. It has been corrected when noted, but was found to be materially undercollateralized as of June 30, 2022.

**Identification of Repeat Findings:** This is not a repeat finding.

**Recommendation:** We recommend that the County ensure ALL cash accounts be taken into consideration when ensuring that proper collateral is obtained. The County should work closely with the bank so they can understand who is the custodian of the funds and who is responsible for the collateral. They should also ensure timely communication with the bank at all times related to cash inflows to ensure proper collateralization.

**Benefits of Recommended Action:** By following the above mentioned recommendation the County will ensure that they do not expose their financial assets or the assets of anyone in the County to any additional credit risk not already covered.

**Client Response:** The County is aware of the noncompliance and has started conversations with the Bank with undercollateralized funds to determine ways to avoid this. Those ways are: 1) utilization of the State investment pool to a higher degree, 2) restructure the collateralization agreement and 3) hold funds at other institutions with higher levels of collateral.

**UNION COUNTY, SOUTH CAROLINA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**Fiscal Year Ended June 30, 2021:**

There were no findings for the fiscal year ended June 30, 2021.