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February 10, 2009

Robert D. Coble, Mayor
Steven A. Gantt., Interim City Manager
City of Columbia
P.O. Box 147
Columbia, SC 29217

Dear Gentlemen:

This letter is to explain our understanding of the arrangements for the services we are to perform for the **City of Columbia** (the "City") for the year ended June 30, 2008. We ask that you either confirm or amend this understanding.

We will perform an audit of the City's governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information as of and for the year ended June 30, 2008, which collectively comprise the basic financial statements. We understand that these financial statements will be prepared in accordance with accounting principles generally accepted in the United States of America. The objective of an audit of financial statements is to express an opinion on those statements.

We will also perform the audit of the City as of June 30, 2008, so as to satisfy the audit requirements imposed by the Single Audit Act and the U.S. Office of Management and Budget (OMB) Circular No. A-133.

We will conduct the audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States and the provisions of the Single Audit Act, OMB Circular A-133, and OMB's Compliance Supplement. Those standards, circulars, supplements, or guides require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement whether caused by error, fraudulent financial reporting, or misappropriation of assets. Accordingly, a material misstatement, whether caused by error, fraudulent financial reporting, or misappropriation of assets, may remain undetected. The determination of abuse is subjective; therefore, *Government Auditing Standards* do not expect us to provide reasonable assurance of detecting abuse. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. As a result, an audit is not designed to detect errors or fraud that is immaterial to the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit will provide a reasonable basis for our reports.

In addition to our reports on the City's financial statements, we will also issue the following reports or 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, 2008.

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.

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Reports on compliance with laws, regulations, and the provision 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 direct and material effect on each major program.

A schedule of findings, responses, and questioned costs.

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. Community Development Block Grant 14.218
2. HOME Loan Program 14.239
3. HUD Housing Opportunities for People with AIDS 14.241
4. Empowerment Zone 14.244
5. EZ HUD Work Initiative 14.244
6. Highway Construction and Planning 20.205
7. Geodetic Surveys and Services 11.400
8. National Fire Plan – Rural Fire Assistance 15.242
9. Brownsfield Assessment 66.818
10. Urban Forestry Grant 10.664
11. Edward Byrne Memorial Formulae Grant 16.579
12. Local Law Enforcement Block Grant 16.592
13. Ortho-imagery Grant 15.809.
14. Bulletproof Vest Partnership Program 16.607
15. National Institute of Justice Research, Evaluation and Development Project Grant 16.560
16. Public Safety Partnership and Community Policing Grants 16.710
17. Edward Byrne Memorial Justice Assistance Grant Program 16.738
18. Paul Coverdell Forensic Sciences Improvement Grant Program 16.742
19. Anti-Gang Initiative 16.744
20. Highway Research and Development Program 20.200
21. State and Community Highway Safety 20.600
22. Homeland Security Grant Program 97.067
23. Buffer Zone Protection Program 97.078

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 Action Council
2. Columbia Development Corporation
3. Columbia Housing Development Corporation
4. Eau Claire Development Corporation
5. Midlands Regional Convention Center Authority
6. South Columbia Development Corporation
7. TN Development Corporation
8. Public Facilities Corporation (blended)
9. Columbia Parking Facilities Corporation (blended).

Our reports on internal control will include any significant deficiencies and material weaknesses in the system 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 circular identified above. Our reports on compliance will address material errors, fraud, abuse, violations of compliance requirements and other responsibilities imposed by state and federal statutes and regulations and 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.

If circumstances arise relating to the conditions of your records, the availability of sufficient, competent evidential matter, or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting, misappropriation of assets, or noncompliance 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 or issue a report or withdrawal from the engagement.

As you know, management is responsible for 1) the preparation of the City's financial statements and the supplemental schedule of federal awards; 2) establishing and maintaining effective internal control over financial reporting and safeguarding assets and internal control over compliance, including monitoring ongoing activities, and for informing us of all deficiencies in the design or operation of such controls of which it has knowledge; 3) properly recording transactions in the records; 4) 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; 5) the design and implementation of programs and controls to prevent and detect fraud and for informing us about all known or suspected fraud affecting the entity involving management, employees who have significant roles in internal control, and others where the fraud could have a material effect on the financial statements; 6) informing us of its knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, regulators, or others; 7) making us aware of significant vendor relationships where the vendor is responsible for program compliance; 8) making all financial records and related information available to us; 9) for adjusting the financial statements to correct material misstatements; 10) 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 11) report distribution including submitting the reporting packages. At the conclusion of our audit, we will request certain written representations from management about the financial statements and matters related thereto. We will also require that management affirm to us that 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 opinion units of the financial statements.

City Council is responsible for informing us of its views about the risks of fraud within the entity and its knowledge of any fraud or suspected fraud or abuse affecting the entity. We will also determine that certain matters related to the conduct of the audit are communicated to City Council, including 1) fraud involving senior management and fraud, whether caused by senior management or other employees, that causes a material misstatement of the financial statements; 2) illegal acts or abuse that come to our attention; 3) disagreements with management and other serious difficulties encountered in performing the audit; and 4) various matters related to the entity's accounting policies and financial statements.

To the extent permitted by state law, the City hereby indemnifies WebsterRogers LLP and its partners, principals, and employees and holds them harmless 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 regardless of whether such person was acting in the City's interest. This indemnification will survive termination of this letter.

The working papers for this engagement are 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 working papers upon their request and that we shall maintain the working papers 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 workpapers will be provided under the supervision of WebsterRoger's audit personnel and at a location designated by our Firm.

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

From time to time and depending upon the circumstances, we may use third-party service providers to assist us in providing professional services to you. In such circumstances, it may be necessary for us to disclose confidential client information to them. We enter into confidentiality agreements with all third-party service providers, and we are satisfied that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others.

The assistance to be supplied by organization personnel, including the preparation of schedules and analyses of accounts, has been discussed and coordinated with Bill Ellis, Deputy Finance Director, and Jan Alonso. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

Our fees are based on the time required by the individuals assigned to the engagement plus direct expenses. 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 \$108,250 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. Accordingly, the City agrees it will compensate WebsterRogers LLP for any additional costs incurred as a result of the 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 engagements 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.

Professional standards and our Firm policies require that we perform certain additional procedures whenever our reports are included or we are named as accountants, auditors, or "experts" in a document used in a public offering of debt securities. Our report on the financial statements is not to be included in an official statement or other document involved with the sale of debt instruments without our prior consent. Additionally, if you intend to publish or otherwise reproduce the financial statements and/or make reference to us or our audit, you agree to provide us with printer's proofs or master for our review and consent before reproduction and/or release occurs. You also agree to provide us with a copy of the final reproduced material for our consent before it is distributed or released. Our fees for any additional services that may be required under our quality assurance system as a result of the above will be established with you at the time such services are determined to be necessary. 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.

Any claim arising out of services rendered pursuant to this agreement shall be resolved in accordance with the laws of the State of South Carolina. It is agreed by the City and WebsterRogers LLP, or any successors in interest, that no claim arising out of services rendered pursuant to this agreement by or on behalf of the City shall be asserted more than two years after the date of the last audit report issued by WebsterRogers LLP.

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 communication with respect to the terms of the engagement between the parties.

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

If this letter defines the arrangements as you understand them, please sign and date the enclosed copy, and return it to us. We appreciate your business.

Sincerely,

WebsterRogers LLP



Thomas E. Fitzsimmons, CPA
Partner

Confirmed on behalf of the addressee:

Robert D. Coble Mayor

Steven A. Gantt, Interim City Manager