

**BARROW COUNTY, GEORGIA**

**REPORT OF INDEPENDENT CERTIFIED  
PUBLIC ACCOUNTANTS IN ACCORDANCE  
WITH THE OMB CIRCULAR A-133 AND  
*GOVERNMENT AUDITING STANDARDS***

**FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2012**

# BARROW COUNTY, GEORGIA

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

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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***

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**The Chairman and Commissioners of  
Barrow County, Georgia**

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 Barrow County, Georgia (the "County") as of and for the fiscal year ended September 30, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 21, 2013. Our report also includes a reference to other auditors. 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 Barrow County Board of Health, 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.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2012-02 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2012-1 to be a significant deficiency.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County'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 also noted certain matters that we reported to management of the County in a separate letter dated June 21, 2013.

Barrow County, Georgia's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Chairman and Commissioners of Barrow County, Georgia, management of the County, others within the organization, federal awarding agencies, pass-through entities, and the State of Georgia and is not intended to be and should not be used by anyone other than these specified parties.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
June 21, 2013



## INDEPENDENT AUDITOR'S 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

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The Chairman and Commissioners of  
Barrow County, Georgia

### Compliance

We have audited the compliance of Barrow County, Georgia (the "County") 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 its major federal programs for the fiscal year ended September 30, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

The County's basic financial statements include the operations of the Barrow County Board of Health, which received \$268,669 in federal awards which is not included in the Schedule of Expenditures of Federal Awards for the fiscal year ended June 30, 2012. Our audit, described below, did not include the operations of the Barrow County Board of Health because the component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133.

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 County'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 County's compliance with those requirements.

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As described in items 2012-3 and 2012-4 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding equipment management that are applicable to its Edward Byrne Memorial JAG Program and the Assistance to Firefighters Grant or with the requirements regarding procurement, suspension, and debarment that are applicable to the Assistance to Firefighters Grant. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Barrow County, Georgia 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 fiscal year ended September 30, 2012.

### **Internal Control Over Compliance**

Management of the County 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 County'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 County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, we identified certain deficiencies in internal control over compliance discussed below that we consider to be material weaknesses.

*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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2012-3 and 2012-4 to be material weaknesses.

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### **Schedule of Expenditures of Federal Awards**

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 County as of and for the fiscal year ended September 30, 2012, and have issued our report thereon dated June 21, 2013 which refers to the work of other auditors. Our audit was performed for the purpose of forming our opinions on the financial statements as a whole. 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements taken as a whole.

Barrow County, Georgia's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Chairman and Commissioners of Barrow County, Georgia, management of the County, others within the organization, federal awarding agencies, pass-through entities, and the State of Georgia and is not intended to be and should not be used by anyone other than these specified parties.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
June 21, 2013

**BARROW COUNTY, GEORGIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended September 30, 2012**

FEDERAL GRANTOR Pass-through Grantor/Program Title	FEDERAL CFDA NUMBER	PASS-THROUGH STATE or GRANT NUMBER	EXPENDITURES
<b>U.S. Department of Transportation</b>			
<b>Pass-through Georgia Department of Transportation:</b>			
FAA-Airport Improvement Program (GDOT)	20.106	AP012-9014-23(013)	\$ 150,000
Subtotal - Airport Improvement Program			<u>150,000</u>
State and Community Highway Safety Program	20.600	GA-2012-000-00357	30,721
Subtotal - Highway Safety Program			<u>30,721</u>
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	OHM12-004	3,741
Subtotal - Emergency Planning Committee Award			<u>3,741</u>
<b>Total U.S. Department of Transportation</b>			<b><u>184,462</u></b>
<b>U.S. Department of Justice</b>			
<b>Pass-through - Georgia Criminal Justice Coordinating Council</b>			
Edward Byrne Memorial Justice Assistance Grant - Recovery Act funded	16.803	2009-SU-B9-003	117,755
Edward Byrne Memorial Justice Assistance Grant	16.738	2011-DJ-BX-2541	21,114
Subtotal - Edward Byrne Memorial Justice Assistance Grants Program Cluster			<u>138,869</u>
<b>Passed through Council of Juvenile Court Judges of Georgia</b>			
Juvenile Accountability Block Grants Program	16.523	JB-09ST-0004	8,600
Subtotal - Juvenile Accountability Block Grants Program			<u>8,600</u>
<b>Total U.S. Department of Justice</b>			<b><u>147,469</u></b>
<b>U.S. Department of Health and Human Services</b>			
<b>Direct Award:</b>			
Nutrition Services Incentive Program	93.053	N/A	153,035
<b>Total U.S. Department of Health and Human Services</b>			<b><u>153,035</u></b>
<b>U.S. Department of Homeland Security</b>			
<b>Direct Award:</b>			
Emergency Management Performance Program	97.042	2011-EP-00-0015	43,255
Citizen Corps Program	97.053	2008-GE-T8-0017	219
Homeland Security Grant Program	97.067	2010-SS-T0-0034	8,961
Assistance to Firefighters	97.044	EMW-2011-FO-09420	209,811
<b>Total U.S. Department of Homeland Security</b>			<b><u>262,246</u></b>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 747,212</u></b>

See Note to the Schedule of Expenditures of Federal Awards

**BARROW COUNTY, GEORGIA**  
**Note to the Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2012**

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***Basis of Presentation and Accounting***

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are recognized when the related Fund liability is incurred.

In instances where the grant agreement requires the County to match grant awards with County funds, such matching funds are excluded in the accompanying Schedule of Expenditures of Federal Awards.

Federal grant programs which are administered through State agencies (pass-through awards) have been included in this report. These programs are operated according to Federal regulations promulgated by the Federal agency providing the funding.

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 Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

**BARROW COUNTY, GEORGIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued Unqualified

Internal control over financial reporting:

Material weaknesses identified?   X   yes        no

Significant deficiencies identified?   X   yes        no

Noncompliance material to financial statements noted?        yes   X   no

**Federal Awards**

Internal Control over major programs:

Material weaknesses identified?   X   yes        no

Significant deficiencies identified?        yes   X   no

Type of auditor’s report issued on compliance for major programs Qualified for Equipment Management for the Edward Byrne Memorial JAG program; qualified for Equipment Management and Procurement, Suspension, and Debarment for the Assistance to Firefighters grant, otherwise, unqualified for other requirements.

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?   X   yes        no

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
16.803/16.738	Edward Byrne Memorial JAG Program
20.106	Airport Improvement Program
97.044	Assistance to Firefighters Grant

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?        yes   X   no

**BARROW COUNTY, GEORGIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

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**Section II – Financial Statement Findings**

**Finding 2012-1 – Recording of Grant Revenue and Unearned Revenue**

**Criteria:** Internal controls should be in place to ensure amounts reported as revenue and any potential unearned revenue are appropriate and in accordance with accounting principles generally accepted in the United States of America (GAAP). Under the full accrual basis of accounting, revenues should be recognized as they are earned.

**Condition:** The County's Airport Authority required an audit adjustment after fiscal year end to properly record revenue and to eliminate unearned revenue.

**Context/Cause:** During the course of our audit, we noted the Airport Authority recorded unearned revenue associated with a grant which was actually earned. The grant was to reimburse expenses for the purchase of land during fiscal year 2008 at which time the grant revenue was not available. As expenses had already been incurred, the revenue was fully earned during fiscal year 2012 when the grant revenue became available. However, the Airport Authority recorded \$29,125 of the \$150,000 grant revenue as unearned until additional expenses were incurred.

**Effects:** An audit adjustment of \$29,125 was needed to properly recognize revenue and to eliminate unearned revenue. The audit adjustment also required an increase of expenditures on the County's Schedule of Expenditures of Federal Awards.

**Recommendation:** We recommend the County's Finance Department implement and/or strengthen internal controls to ensure all grant revenue is properly recorded on an accrual basis of accounting when earned.

**Auditee's Response:** The County agrees with the recommendation and we will take necessary steps in the future to ensure that grant revenues are properly recorded when earned.

**BARROW COUNTY, GEORGIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

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**Section II – Financial Statement Findings (Continued)**

**Finding 2012-2 –Segregation of Duties**

**Criteria:** Segregation of employee's duties is a common practice in an effective internal control structure. Segregation of duties occurs when specific employee functions related to important accounting areas (such as cash receipting or cash disbursements) are separated among different individuals to significantly reduce the risk that any one individual could intentionally or unintentionally misappropriate assets. Policies should be in place requiring the segregation of certain duties.

**Condition:** The size of the County's accounting and administrative staff precluded certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. Substantial duties relative to receipt and disbursement processes and general ledger functions are handled by one (1) individual. More specifically, the following was noted:

- Mail is opened and a list of daily receipts is not prepared by two or more people independent of the cashier and accounts receivable bookkeeping. These duties are not segregated in the probate court, Magistrate Court, or the Airport Authority.
- The list of daily cash receipts or lockbox listing from the bank is not compared to postings to customer accounts, contribution records, and deposits or to a validated deposit slip by a person independent of the cash receipts and accounts receivable functions. These duties are not segregated in the parks and recreation department or the Airport Authority.
- All individuals with the ability to receive payments on customer accounts also have the ability to post adjustments to those accounts.
- Purchasing is not separated from requisitioning, shipping, and receiving functions.
- Check signing (including control of mechanical check signers and signature plates) is not independent of the initiator of purchases, approver of purchases, receiving, shipping, preparer of checks, cash receipts, accounts payable, and cash bookkeeping. These duties are not segregated at the Airport Authority.
- At the Magistrate Court and Airport Authority, bank statements are not received directly by the appropriate level of management or another appropriate person (such as a governing body member) and are not reviewed prior to routing to accounting for reconciliation.
- Bank statements are not prepared and reviewed by separate individuals. The duties are not segregated in the magistrate court and the Airport Authority.
- Receipting of cash, making deposits, posting cash receipts, and investigating receivable discrepancies are not segregated.
- The Airport Authority has one employee performing all purchasing, receiving, and cash duties.

**Context/Cause:** We addressed this matter with County officials who understand that the size of the County's accounting and administrative staff precluded certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties.

**BARROW COUNTY, GEORGIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

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**Section II – Financial Statement Findings (Continued)**

**Finding 2012-2 –Segregation of Duties (Continued)**

**Effects:** Failure to properly segregate duties between recording, distribution, and reconciliation of accounts may allow for errors or irregularities to occur and not be detected in a timely manner by employees in the normal course of performing their assigned functions.

**Recommendation:** We understand the staffing limitations which result in these overlapping duties; however, we recommend the County's management implement additional controls that would reduce the risk of fraudulent activity and the risk that such activities go unnoticed by management and the Chairman and Board of Commissioners. No one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction.

**Auditee's Response:** We concur with the finding. We will continue to review our operations to determine the most efficient and effective solution to properly segregate duties.

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

**Finding 2012-3 - Equipment Management**

**Agency:** U.S. Department of Justice & U.S. Department of Homeland Security

**Program:** CFDA No. 16.803/16.738 & 97.044

**CFDA Program Title:** Edward Byrne Memorial JAG Program & Assistance to Firefighters

**Criteria:** The A-102 Common Rule requires that equipment purchased with federal funds be used in the program for which it was acquired or, when appropriate, other Federal programs, and equipment records shall be maintained.

**Condition:** The County did not denote in its capital asset system assets which were purchased with federal grant funds.

**Effects or possible effects:** Not denoting capital assets as being purchased with federal funds could result in proceeds from the disposal of such assets not being retained in the program in accordance with federal requirements.

**Questioned Costs:** None, as the County did not dispose of any capital assets during the fiscal year; however, capital assets acquired with values of \$21,114 and \$256,672 in the Edward Byrne Memorial JAG Program and Assistance to Firefighters grants, respectively, were not denoted in the County's capital asset system to have been purchased with federal funds.

**BARROW COUNTY, GEORGIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

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**Section III – Federal Award Findings and Questioned Costs (Continued)**

**Finding 2012-3 - Equipment Management (Continued)**

**Cause:** The County did not make the proper notations within its capital asset system.

**Context:** These were the only capital asset purchased with federal funds.

**Recommendation:** We recommend the County follow procedures to properly include all grant related information in the capital asset system for grant funded capital assets.

**Auditee's Response:** The County agrees with the recommendation. The procedures implemented concerning monthly and quarterly updating of capital assets will help ensure that all capital assets are included on the capital asset listing and denoted as being funded through federal grants.

**Finding 2012-4 – Procurement, Suspension, and Debarment Requirements**

**Agency:** U.S. Department of Homeland Security

**Program:** CFDA No. 97.044

**CFDA Program Title:** Assistance to Firefighters

**Criteria:** Local governments should use procurement procedures that conform to applicable Federal law and regulations and standards identified in the A-102 Common Rule, OMB Circular A-110. Internal controls should be in place to ensure that purchase orders and contracts related to expenditures of federal awards include any clauses required by Federal statutes and executive orders and their implementing regulations. Additionally, OMB guidance in 2 CFR Part 180 states that non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred, or whose principals are suspended or debarred.

**Condition:** During our testing of procurement, suspension, and debarment for covered transactions, we noted the County was not aware of the requirement regarding testing of vendors for inclusion on the federal suspended or debarred list, which prevents vendors from working on Federally funded projects, or ensuring that contracts include the necessary clauses as required by Federal statutes.

**Questioned Costs:** None

**Context/Cause:** The County was not aware of the requirement and therefore did not test the project vendors prior to awarding the contracts or include the appropriate language in the contract; however, during our testing there were no parties noted on the excluded parties listing.

**BARROW COUNTY, GEORGIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

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**Section III – Federal Award Findings and Questioned Costs (Continued)**

**Finding 2012-4 – Procurement, Suspension, and Debarment Requirements (Continued)**

**Effects:** Not performing a verification check for covered transactions, by checking the System for Award Management (SAM) website, collecting a certification from the vendor, or adding a clause or condition to the contract with the vendor could result in Federal funds being used to pay a vendor who has been suspended or debarred.

**Recommendation:** We recommend the County take necessary steps in the future to ensure that the verification check for covered transactions, by checking the SAM website, collecting a certification from the vendor, or adding a clause or condition to the covered transaction with a vendor is done prior to paying any Federal funds to a particular entity.

**Auditee's Response/Status:** We concur with the finding. We will take necessary steps in the future to ensure that the City is in compliance with this requirement.

**BARROW COUNTY, GEORGIA  
SCHEDULE OF PRIOR FISCAL YEAR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

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**Section IV – Status of Prior Audit Findings**

Finding Reference: 2011-8

**Condition:** The County did not add capital assets, purchased with federal grant funds, to its capital asset system, denoting that they were purchased with Federal grant funds

**Auditee Response/Status:** The County corrected the finding from the prior year and properly coded those assets as purchased with Federal grant funds. However, the finding was repeated this fiscal year for other federal grant programs. See finding 2012-3.