



**BARROW COUNTY, GEORGIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

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**Section II – Financial Statement Findings**

**Finding 2014-001 –Liability Recognition and Related Capital Assets**

**Criteria:** Generally accepted accounting principles call for liabilities to be reported when goods or services have been received, regardless of the timing of cash payments.

**Condition:** Internal controls did not detect a misstatement in reporting liabilities and related capital assets in the County's Airport Authority general ledger.

**Context/Cause:** During the course of our audit, we noted one invoice for \$81,434 for which services had been received but no liability was recorded as of fiscal year-end. The transaction was for a capital purchase and the capital asset was also not recorded.

**Effects:** An audit adjustment of \$81,434 was needed to properly record liabilities and capital assets in the Airport Authority general ledger.

**Recommendation:** We recommend the County's Finance Department implement and/or strengthen internal controls to ensure all liabilities and capital assets are properly recorded.

**Auditee's Response:** The County agrees with the recommendation and we will take necessary steps in the future to ensure that liabilities and capital assets are properly recorded.

**BARROW COUNTY, GEORGIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

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

**Finding 2014-002 –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 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.
- 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 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 Airport Authority.
- The Airport Authority has one employee performing all purchasing, receiving, and cash duties.
- The Joint Development Authority and Industrial Building Authority have 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.

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

**Finding 2014-002 –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. 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 2014-003 – Allowable Costs (Documentation of Payroll)**

**Program:** CFDA No. 16.585

**CFDA Program Title:** Drug Court Discretionary Program

**Criteria:** OMB Circular A-87, *Cost Principles for State, Local and Indian Tribe Governments*, Attachment B, 8(h) specifies the requirements of support for salaries and wages charged to federal awards, whether treated as direct or indirect costs. OMB Circular A-87 Attachment B, 8(h) 1 requires that all charges for such salaries and wages to be based on payrolls documented in accordance with the generally accepted practice of the governmental unit.

Where employees are expected to work solely on a single Federal award or cost objective, OMB Circular A-87 Attachment B, 8(h) 3 requires that charges for their salaries and wages be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications are to be prepared at least semi-annually and should be signed by the employee or a supervisory official having firsthand knowledge of the work performed by the employee.

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

**Finding 2014-003 – Allowable Costs (Documentation of Payroll) - Continued**

**Program:** CFDA No. 16.585

**CFDA Program Title:** Drug Court Discretionary Program

**Criteria: (continued)** Where the employees work on multiple cost objectives (including more than one Federal Award or a Federal Award and non-Federal award activity), OMB Circular A-87 Attachment B, 8(h) 4 & 5 require that the distribution of salaries or wages for the employees be supported by personnel activity reports or equivalent documentation which reflect an after-the-fact distribution of the actual activity of each employee, be prepared at least monthly, and be signed by the employee.

**Condition:** The County's Drug Court Discretionary Program includes salaries or wages charged as direct costs for employees that are considered multiple activity employees (they work on the Drug Court Discretionary Program as well as other County programs and court related activities). Although the County does track the time of each employee; however, the County did not obtain periodic certifications for the employee's efforts on the grant and other programs. The employees do not sign or approve the allocation of their effort to the various grants or cost objectives.

**Effects or Possible Effects:** As the allocation of salaries and wages are not based on certified or signed documentation requirements as described in the condition above, all personnel costs charged to the grant could potentially be unallowable.

**Questioned Costs:** \$50,741.

**Context/Cause:** The County does track the time of each employee; however, the County was not aware of the requirements for tracking efforts and allocating time to federal grant programs.

**Recommendation:** We recommend the County enact controls which require all personnel who charge time to a grant to provide the certification or signed documentation. Note that these requirements are subject to change in the next fiscal year with the implementation of changes to Circular A-87.

**Auditee's Response:** The County agrees with the finding and will enact controls which require all personnel who charge time to a grant to provide the certification or signed documentation.

#### **Section IV – Status of Prior Fiscal Year Audit Findings**

None in the prior fiscal year pertaining to federal awards.

A handwritten signature in black ink, reading "R. Kisaalita". The signature is written in a cursive, flowing style.

Rose K. Kisaalita, CPA  
Chief Financial Officer.