

BARROW COUNTY, GEORGIA

**REPORT OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2013**

BARROW COUNTY, GEORGIA

**REPORT OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

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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*

The Chairman and Commissioners of Barrow County, Georgia

We have audited, 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 25, 2014. Our report includes a reference to the implementation of new accounting standards which modified the presentation of two of the County's component units, and a reference to a change in accounting principles resulting from the implementation of Governmental Accounting Standards Board Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. Our report also includes a reference to other auditors who 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

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting ("internal control") to determine the 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2013-001, 2013-002, and 2013-003 to be material weaknesses.

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 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*.

Barrow County Georgia's Responses to Findings

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 result 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.



Atlanta, Georgia
March 25, 2014

BARROW COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued	Unmodified
Internal control over financial reporting: Material weaknesses identified?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no
Significant deficiencies identified?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no

Federal Awards

There was not an audit of major federal award programs as of September 30, 2013 due to the total amount of federal awards expended being less than \$500,000.

BARROW COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Section II – Financial Statement Findings

Finding 2013-001 – Recording of Revenue and Related Receivables

Criteria: Internal controls should be in place to ensure amounts reported as revenue and related receivables are valid receivables and properly recorded in accordance with accounting principles generally accepted in the United States of America (GAAP).

Condition: Internal controls did not detect a misstatement of revenues and related receivables in the County's Water and Sewerage Authority Fund.

Context/Cause: During the course of our audit, we noted an incorrect report was used by the County to record revenue and related receivables in the Water and Sewerage Authority Fund. As a result, revenues and receivables were overstated by \$52,062.

Effects: An audit adjustment of \$52,062 was needed to reduce revenue and related receivables.

Recommendation: We recommend the County's Finance Department implement and/or strengthen internal controls to ensure all revenue and related receivables are properly recorded on a full accrual basis of accounting.

Auditee's Response: The County agrees with the recommendation and we will take necessary steps in the future to ensure that revenue and related receivables are properly recorded.

Finding 2013-002 –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:

BARROW COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED SEPTEMBER 30, 2013

Section II – Financial Statement Findings (Continued)

Finding 2013-002 –Segregation of Duties (Continued)

Condition (continued):

- 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 at the Tax Commissioner Office have the ability to receive payments on customer accounts also have the ability to post adjustments to those accounts.
- 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 the Airport Authority.
- Receipting of cash, making deposits, posting cash receipts, and investigating receivable discrepancies are not segregated in the Water & Sewerage Authority and Tax Commissioner Office.
- The Airport Authority has one employee performing all purchasing, receiving, and cash duties.
- The Joint Development Authority has one employee performing all purchasing, receiving, and cash duties.
- The Industrial Building 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 RESPONSES FOR THE YEAR ENDED SEPTEMBER 30, 2013

Section II – Financial Statement Findings (Continued)

Finding 2013-002 – 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 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.

Finding 2013-003 – Prior Period Adjustments

Criteria: Internal controls should be in place to ensure the cash and activity of all County funds and Authorities is recorded in the general ledger.

Condition: Internal controls were not in place to record the cash and activity of the Joint Development Authority and Industrial Building Authority in the County's fiscal year 2012 general ledger and financial statements.

Context/Cause: The Joint Development Authority and Industrial Building Authority never conveyed the cash balances or activity to the County finance department. As a result, the fund balance of the Joint Development Authority and Industrial Building Authority were understated by \$81,024 and \$128,232 at September 30, 2012.

Effects: A restatement of beginning fund balance was required for the Joint Development Authority and Industrial Building Authority as defined above.

Recommendation: We recommend the County's Finance Department implement controls to ensure all activity of the Authorities is recorded in the County's general ledger and financial statements.

BARROW COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Section II – Financial Statement Findings (Continued)

Finding 2013-003 – Prior Period Adjustments (Continued)

Auditee's Response: The County agrees with the recommendation and we will take necessary steps in the future to ensure all activity of the Authorities is recorded in the County's general ledger and financial statements.

Section III– Federal Award Findings and Questions – Not applicable

BARROW COUNTY, GEORGIA

STATUS OF PRIOR FISCAL YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

Finding Reference: 2012-3 Equipment Management

Condition: The County did not denote in its capital asset system assets which 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.

Finding Reference: 2012-4 Procurement, Suspension, and Debarment Requirements

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.

Auditee Response/Status: The County corrected the finding from the prior year and is properly checking the SAM website, collecting a certification from the vendor, or adding a clause or condition to the covered transaction with vendors.