

BARROW COUNTY, GEORGIA

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

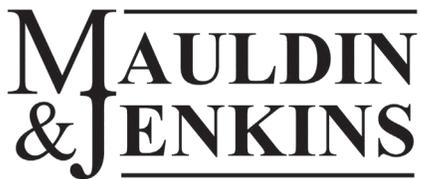
**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2014**

BARROW COUNTY, GEORGIA

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

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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 Members
of the Board of Commissioners
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, 2014, 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 30, 2015. Our report includes a reference to other auditors. 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

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 questioned costs, 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 questioned costs, as items 2014-001 and 2014-002, 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*.

The County's Responses to Findings

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. 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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
March 30, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY OMB CIRCULAR A-133**

**The Chairman and Members
of the Board of Commissioners
Barrow County, Georgia**

Report on Compliance for Each Major Federal Program

We have audited **Barrow County Georgia's** (the "County") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the fiscal year ended September 30, 2014. 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.

The County's basic financial statements include the operations of the Barrow County Board of Health, which received \$341,007 in federal awards which is not included in the Schedule of Expenditures of Federal Awards for the fiscal year ended September 30, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Basis for Qualified Opinion on the Drug Court Discretionary Grant Program

As described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding allowable costs that are applicable to its Drug Court Discretionary Grant Program (CFDA 16.585), as described in item 2014-003. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinion on the Drug Court Discretionary Grant Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Drug Court Discretionary Grant Program the fiscal year ended September 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the County complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs, for the fiscal year ended September 30, 2014.

Other Matters

The County's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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.

We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-003 to be a material weakness.

The County's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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 Barrow County Georgia as of and for the fiscal year ended September 30, 2014 and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We have issued our report thereon dated March 30, 2015 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 County's basic financial statements. 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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 basic financial statements as a whole.



Atlanta, Georgia
March 30, 2015

BARROW COUNTY, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended September 30, 2014

FEDERAL GRANTOR Pass-through Grantor/Program Title	FEDERAL CFDA NUMBER	PASS-THROUGH STATE or GRANT NUMBER	EXPENDITURES
U.S. Department of Transportation			
Pass-through Georgia Department of Transportation:			
FAA-Airport Improvement Program (GDOT)	20.106	AP014-9017-25(013)	\$ 150,000
Subtotal - Airport Improvement Program			<u>150,000</u>
State and Community Highway Safety Program	20.600	2014-TEN-0208-00	18,565
Subtotal - Highway Safety Program			<u>18,565</u>
Highway Planning and Construction Program	20.205	EGXJ4700	17,378
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	OHM13-004	3,850
Subtotal - Emergency Planning Committee Award			<u>3,850</u>
Total U.S. Department of Transportation			<u>189,793</u>
Appalachian Regional Commission			
Pass-through Tennessee Valley Authority			
Appalachian Area Development	23.002	GA-17745	<u>209,358</u>
U.S. Department of Justice			
Pass-through - Georgia Criminal Justice Coordinating Council			
Edward Byrne Memorial Justice Assistance Grant	16.738	2012-DJ-BX-0756	10,654
Edward Byrne Memorial Justice Assistance Grant	16.738	2013-H5530-GA-DJ	16,340
Subtotal - Edward Byrne Memorial Justice Assistance Grants Program Cluster			<u>26,994</u>
Passed through Council of Juvenile Court Judges of Georgia			
Drug Court Discretionary Grant Program	16.585	2012-DC-BX-0062	129,068
Subtotal - Juvenile Accountability Block Grants Program			<u>129,068</u>
Total U.S. Department of Justice			<u>156,062</u>
U.S. Department of Health and Human Services			
Direct Award:			
Nutrition Services Incentive Program	93.053	N/A	<u>137,681</u>
Total U.S. Department of Health and Human Services			<u>137,681</u>
U.S. Department of Homeland Security			
Direct Award:			
Emergency Management Performance Program	97.042	OEM13-007S01	21,310
Emergency Management Performance Program	97.042	OEM13-007	8,245
Subtotal - Emergency Management Performance Program			<u>29,555</u>
Hazard Mitigation Planning Grant	97.039	HMPG-1973-0035	14,924
Emergency Operations Center Program	97.052	FIPS #013-00000-03	24,341
Assistance to Firefighters	97.044	EMW-2009-FO-11891	2,174
Total U.S. Department of Homeland Security			<u>70,994</u>
Total Expenditures of Federal Awards			<u>\$ 763,888</u>

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 September 30, 2014

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, 2014**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued Unmodified

Internal control over financial reporting:

Material weaknesses identified? X yes no

Significant deficiencies identified? yes X none reported

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 none reported

Type of auditor’s report issued on compliance for major programs

Qualified for the Drug Court Discretionary Program.
Unmodified for other major programs.

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>
16.585	Drug Court Discretionary Grant Program
20.106	Airport Improvement Program
23.002	Appalachian Area Development Grant Program

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, 2014**

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**

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.

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

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.

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

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.

**BARROW COUNTY, GEORGIA
STATUS OF PRIOR FISCAL YEAR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

Section IV – Status of Prior Fiscal Year Audit Findings

None in the prior fiscal year pertaining to federal awards.