



**FULTON COUNTY**

**FULTON COUNTY, GEORGIA  
OFFICE OF INTERNAL AUDIT**

**Cooperative Extension Audit**

**June 30, 2014**

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## **Introduction**

The Office of Internal Audit performed an audit of the Fulton County Cooperative Extension Department. Our review encompassed the cash handling procedures utilized by the department to ensure fiscal accountability and compliance with the University of Georgia's policies and procedures. This audit was requested by the Board of Commissioners.

## **Background**

The Fulton County Cooperative Extension Service, backed by the resources of Fulton County and the University of Georgia, provides educational programs, information, and actual assistance to citizens of the County. The mission of the Fulton County Cooperative Extension Service is to extend lifelong learning to families, youth and professionals in Fulton County using unbiased, research-based education delivered through: Agriculture and Natural Resources, 4-H Youth Development, Family and Consumer Sciences, and the Expanded Food and Nutrition Education Program.

## **Objective**

The objectives of this audit were to evaluate internal controls, verify the accuracy of selected transactions within the accounting records, and determine if the Cooperative Extension Department is operating in accordance with University policies and appropriate governmental laws and regulations.

## **Scope**

The audit period for this review is January 1, 2013 through December 31, 2013.

## **Methodology**

We conducted this audit in accordance with Generally Accepted Government Auditing Standards. To accomplish our objectives, we:

- Reviewed policies and procedures, the memorandum of understanding, and governmental laws and regulations;
- Interviewed key personnel;
- Reviewed bank statements, deposit slips, voucher request for rental facilities, receipts, and bank reconciliations; and
- Reviewed payment transactions to ensure they were properly authorized and allowable.

## **Findings and Recommendations**

### **Finding 1 – Lack of Oversight and Management of Fulton County Rental Facility Funds**

All funds received from the rental of Fulton County facilities should be maintained in a Fulton County account. During the course of our audit, we noted that the rental income for Camp Truitt for 2013, which is approximately \$40,000, is being deposited into a University of Georgia

account held at Bank of America. This is the result of the failure to properly implement accounting procedures for rental income. Consequently, Fulton County has not received revenue due from the rental of the Camp Truitt facility.

In addition, we found that 2 of the 24 rental agreement payments reviewed were untraceable to a deposit. Cooperative Extension did not follow the guidelines of the Policy to ensure that all deposits were made weekly. When deposits are not made in a timely manner or payments are untraceable to a corresponding deposit, the program's exposure to theft or loss of funds becomes greater.

### **Recommendation**

We recommend that all dollars received from the rental of Camp Truitt be placed in a Fulton County revenue account. We also recommend that the management of Cooperative Extension review previous records to determine the total amount of revenue due the County for rental income from the Camp Truitt facility. In addition, utilizing a County fund would allow the program to utilize the County's tax-exempt status and could help eliminate most of the control weaknesses noted in this report.

Cooperative Extension should also ensure that deposits are made timely. The sooner cash/checks are deposited the less exposure to theft or loss of funds. A verification process of ensuring that deposit slips and the general ledger agree should be performed monthly by the management of Cooperative Extension.

### **Finding 2 – Inadequate Segregation of Duties**

According to best practices, checks should not be signed by the individual to whom they are made payable; an individual cannot be the payee and the authorized signer as you cannot authorize your own disbursement. Our audit revealed that the Director of Cooperative Extension signed approximately 26 checks totaling \$1,443.08 that listed her as the payee. Currently, the Director is the only individual with signing authority and is currently in the process of adding an additional signor. If adequate segregation of duties over disbursements is not in place, it heightens the risk of mistakes, inappropriate actions, and gives the appearance of fraudulent activity.

### **Recommendation**

The Director should ensure that there is adequate segregation of duties over cash handling/disbursements.

### **Finding 3 – Untimely Deposits**

According to the County Funds Policy, deposits should be made weekly. During our audit, we found that of the 198 deposits we sampled, 50 of those deposits were not made timely. Cooperative Extension did not adhere to the requirements of the County Funds Policy. When

deposits are not made in a timely manner, the program's exposure to theft or loss of funds is higher.

**Recommendation**

Cooperative Extension should comply with the County Funds Policy and ensure that all deposits are made in accordance with the Policy.

**Finding 4 – Untimely Bank Reconciliations**

The signed “Monthly Reconciliation Checking Account Summary” cover page report should be completed by the County Extension Coordinator (CEC) for each account and shall be sent along with the QuickBooks online “Reconciliation Detail Report” to the University of Georgia’s district office within 30 days of receiving the bank statements. We noted that three of the monthly reconciliations were not completed in a timely manner. Cooperative Extension failed to comply with the requirements of the County Funds Policy. Untimely bank reconciliations increase the risk of discrepancies going undetected and unresolved.

**Recommendation**

We recommend that the bank reconciliations are completed within the allotted 30 days after receiving the bank statement.

**Finding 5 – Noncompliance with Signatory Requirements**

County Funds Policy states that checks written by County Extension offices that exceed \$500 in total amount must have two signatures. During our test of disbursements, we identified that of the 98 disbursements we sampled, 17 disbursements exceeded \$500 and only one approver was reflected. Management did not comply with the disbursement procedures of the County Funds Policy. Failure to implement or carry out procedures reflected in the County Funds Policy can result in disciplinary action including possible termination.

**Recommendation**

Management should assign signatory authority to an additional individual. This will ensure compliance with the policy and strengthen internal controls.

**Finding 6 – Lack of Supporting Documentation**

All expenditures must have a voucher, approved by the CEC that records the date, check number, payee, amount, and reason for payment. The original invoice or receipt should be attached to the voucher form. Of the 114 expenditures that we sampled, 33 had no supporting documentation. Management did follow the guidelines outlined in the County Funds Policy in reference to supporting documentation. The effect of not maintaining adequate records could result in purchases that are not properly documented.

**Recommendation**

Good record keeping is vital to providing accurate and substantive information. To ensure compliance with policies and procedures, we recommend that an effective record keeping system be implemented.

**Finding 7 – Incomplete and Inadequate Supporting Documentation**

The payee, amount, and date on an invoice should agree to the prepared voucher. Also, the total dollar amount of the supporting cash receipts should agree to the total dollar amount per the deposit slip. During our audit, we identified invoices and cash receipts that were missing dates, vouchers with incorrect dates, invoice totals that didn't agree with check totals, and cash receipt totals that did not agree with deposit slip totals. The proper internal controls are not being implemented to ensure accurate recordkeeping and adherence to the policies and procedures. Poor record keeping can hinder the program's ability to provide accurate information for sound decisions for the program in the future.

**Recommendation**

Management should strengthen the internal control system to ensure that recorded transactions are valid, properly authorized, complete, properly classified, and summarized correctly. Supervisory reviews of these records should be performed on a consistent basis so any noncompliance issues can be readily identified and remediated.

**Finding 8 – Inaccurate Recordation of Deposits and Disbursements into QuickBooks**

Pursuant to the County Funds Policy, all deposits and disbursements should be separated by program in accordance with deposit/disbursement details. However, Cooperative Extension entered all deposits and disbursements as a "Journal" entry into QuickBooks. Cooperative Extension did not comply with the requirements of the policy. As a result, QuickBooks does not reflect the income for each program.

**Recommendation**

Management should ensure that it complies with applicable policies and procedures for the recordation of deposits.

**Audit Concern – Undated Receipt**

The County Funds Policy states that cash receipts should record the following information:

- Date of payment
- Payee
- Dollar amount
- Method of payment (cash or check)
- Program for which funds were received

- Name of the staff member preparing the receipt

The date was missing on a rental agreement payment receipt. Cooperative Extension needs to strengthen internal controls over financial transactions. Incomplete financial records are a main contributor to inaccurate reporting.

### **Recommendation**

In order to ensure that accurate information is always reported, internal controls need to be strengthened. Accurate reporting increases reliability and utility. We recommend that management conduct routine reviews of the receipt book to ensure the accuracy of information reported, which should agree with the supporting documentation. In addition, all receipts should be retained and organized in a clear and concise manner. This will help alleviate any deviation from the policies and procedures.

### **Conclusion**

Our audit identified internal control weaknesses regarding inaccurate recordkeeping, segregation of duties and noncompliance with the County Funds Policy. We highly recommend that the program implements the necessary internal controls to prevent inaccurate records and seek ways to improve the processes that are currently in place for financial transactions to ensure compliance with applicable policies and procedures.

Please provide a written response to this audit within 30 days. You may email your written response to the County Manager and Brigitte Bailey, Administrative Coordinator III in the Office of Internal Audit at [Brigitte.Bailey@fultoncountyga.gov](mailto:Brigitte.Bailey@fultoncountyga.gov). We would like to thank management and staff for their timely cooperation and assistance during this audit. The distribution of this report is reserved for the executive management of Fulton County and the Board of Commissioners.