

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*

May 18, 2007

Board of Commissioners  
Jackson County, Georgia  
Jefferson, 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 JACKSON COUNTY, GEORGIA as of and for the year ended December 31, 2006, which collectively comprise JACKSON COUNTY, GEORGIA's basic financial statements and have issued our report thereon dated May 18, 2007. Our report was modified to include 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 JACKSON COUNTY HEALTH DEPARTMENT, as described in our report on JACKSON COUNTY, GEORGIA's basic 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, we considered JACKSON COUNTY, GEORGIA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of JACKSON COUNTY, GEORGIA'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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

## MATERIAL WEAKNESSES

### CLERK OF COURT

06-01	<b><u>Statement of Condition:</u></b>	<b>This was a prior year finding.</b> The Clerk's office does not have a detailed listing of custodial funds including restitution, cash bonds, and other items that agrees to the balance in the bank accounts.
	<b><u>Criteria:</u></b>	Since the Clerk's funds are all held in trust for some entity, the amounts of money due to each entity should be identifiable at the end of each month.
	<b><u>Effect of Condition:</u></b>	The absence of detailed listings lends itself to errors and a failure to disburse money to the appropriate parties.
	<b><u>Cause of Condition:</u></b>	Before 2005, the Clerk had never created a system to track funds held in trust. In 2005 and 2006, it identified \$39,754 of the excess balance as restitution payable and cash bonds, but it cannot identify the parties to whom the remaining excess balance of \$112,521.
	<b><u>Recommendation:</u></b>	We recommend that the Clerk pay the remaining unidentified balance of \$112,521 to the County with the condition that the County will pay for amounts from this balance that are later identified. To track future restitution, cash bonds and other items that the Clerk receives, we recommend utilizing the interface to QuickBooks that is in the existing computer system in order to track the restitution and cash bonds not yet disbursed. Furthermore, a detailed listing of the makeup of the balance in the accounts should be prepared on a monthly basis and the total payables should be reconciled to the bank balance.

**Response:**

In 2007, the Clerk of Courts will turn over the unidentified excess balances of \$112, 521 to the County. The County will hold these funds in trust and pay out amounts as they are identified. In an effort to better track these custodial funds in the future, the Clerk of Courts will implement training for the staff to utilize the existing QuickBooks software. By using QuickBooks to track cash bonds, future restitution, and other items, the clerk will be able to reconcile the book balances to the bank statements on a monthly basis.

06-02

**Statement of Condition:**

**This was a prior year finding.** The actual deposits made to bank accounts are not balanced to the computer system "Monthly Summary" report nor are they balanced to the disbursements being made.

**Criteria:**

The reports used to summarize information for disbursing funds should be agreed to the bank deposits before checks are issued.

**Effect of Condition:**

If funds were misappropriated, the Court may not catch the difference in a timely manner. In addition, the Court would not know about errors in disbursements, and these errors may cause the bank account balance to be insufficient to cover payables.

**Cause of Condition:**

A great deal of this is caused by the excessive workload on the Clerk's bookkeeper due to the increased volume of transactions handled by the office. It is further caused by not utilizing the automatic features built into the existing software. There has been a lack of training related to those features. Lastly, some parts of the disbursements, including the Transfer tax and Intangible tax, are disbursed before the recording fees and criminal fees are ready to be disbursed.

**Recommendation:**

We recommend that this balancing be done. In 2006, we prepared an Excel worksheet to assist in this process. We recommend that a list of overpayments and refunds due should be attached to the State, Superior, and Juvenile Court "audit" sheets just like the sheet of miscellaneous items is attached to the Civil "audit" report. On both of these lists, we suggest that the check number and date disbursed be noted to provide a record of which items have been disbursed. We suggest writing these checks on a monthly basis. If funds received for condemnations get deposited into another account, that fact and the date of the deposit should be noted on these lists.

**Response:**

The Clerk of Courts will begin to utilize the Excel worksheets created in 2006 for use in balancing the accounts to the bank statements. In addition, a coded list of overpayments and refunds due will be attached to the Excel worksheets for reference.

## SIGNIFICANT DEFICIENCIES

### CLERK OF COURT

- 06-03 **Statement of Condition:** This was a prior year finding. During 2001, the Clerk's office began handling partial payments for Superior Court Fines. Occasionally, fines are expunged by a court order. These balances are still reflected as if were still due from parolee.
- Criteria:** Proper controls should be established to remove remaining partial payment amounts due from the system that will never be paid.
- Effect of Condition:** Amounts due from parolees are overstated.
- Cause of Condition:** The Clerk's office did not have the staffing or proper procedures and controls to correct this deficiency until 2007.
- Recommendation:** We recommend establishing a procedure to remove the expunged balances currently in the system and developing a procedure that will ensure balances expunged in the future will be taken out of the system in a timely manner.
- Response:** With increased staffing in 2007, the Clerk of Courts will identify expunged fines and remove them from their respective cases. This should allow for the amounts due from parolees to no longer be overstated. As a control feature to keep this from reoccurring in the future, a staff member has been solely designated to help the clerk's bookkeeper in handling and maintaining these records.

### FIRE DISTRICTS

- 06-04 **Statement of Condition:** The Nicholson Fire Department opened a bank account without having it approved in the board meetings.
- Criteria:** All accounts opened and closed should be approved in the board meetings.
- Effect of Condition:** The assets may be understated as well as there may be inadequate monitoring of the activity in the accounts.
- Cause of Condition:** Unknown.
- Recommendation:** We recommend that all accounts opened and closed be approved in the board meetings.
- Response:** The Nicholson Fire Department will record all decisions regarding the opening and closing of bank accounts in 2007 and beyond and record these decisions in meeting minutes.

06-05     **Statement of Condition:**     The West Jackson Fire Department did not make timely payments during 2006. Invoices dating back to March and April 2006 were not paid until July.

**Criteria:**                             All payments should be made in a timely fashion to avoid late fees.

**Effect of Condition:**         These particular vendors did not charge late fees. However, most vendors assess late fees on overdue balances.

**Cause of Condition:**         Unknown.

**Recommendation:**         We recommend that all invoices be paid in a timely fashion.

**Response:**                     The West Jackson Fire Department will pay bills in a timely fashion in 2007 and beyond in order to avoid any penalty.

**LAW LIBRARY**

06-06     **Statement of Condition:**     **This is a prior year finding.** The Law Library bank accounts were not reconciled for the entire year of 2006.

**Criteria:**                             Cash accounts should be reconciled to the bank statements on a monthly basis as soon as the statements are available.

**Effect of Condition:**         Failure to reconcile bank statements is a serious flaw in internal controls. The responsible individual will not be held accountable and theft, bank error, or lost funds may go undetected.

**Cause of Condition:**         Unknown.

**Recommendation:**         We recommend the bank accounts be reconciled as soon as the statements are received from the bank.

**Response:**                     As of 2007, the Law Library accounts will be managed by the Jackson County Finance Department. All cash receipts, bank statements, and other items will be sent directly to the County to ensure that deposits are made and reconciled in a timely manner.

06-07     **Statement of Condition:**     **This is a prior year finding.** Cash receipts are not being deposited in a timely manner. Throughout the year, the average time between the date of remittance and the date of deposit was about 48 days for 2006.

**Criteria:**                             The office should deposit funds within a week of receipting them.

**Effect of Condition:** The risk of theft and other loss increases proportionately with the amount of funds on hand.

**Cause of Condition:** The law library clerk does not necessarily receive the remittances on a timely basis due to logistical problems in the mailroom. Cause of lag time once check is received is unknown.

**Recommendation:** We recommend deposits are made on a weekly basis.

**Response:** As of 2007, the Law Library accounts will be managed by the Jackson County Finance Department. All cash receipts, bank statements, and other items will be sent directly to the County to ensure that deposits are made and reconciled in a timely manner.

## PARKS AND RECREATION

06-08 **Statement of Condition:** We found \$5,611 in funds receipted by Parks and Recreation Office staff that was not included in deposits.

**Criteria:** All money receipted should be deposited in a timely manner.

**Effect of Condition:** The County did not receive all the fees generated by park and recreation activities.

**Cause of Condition:** Suspected theft.

**Recommendation:** We recommend that the Parks and Recreation office implement additional internal controls that will prevent loss of receipts, including listing receipts in sequence and requiring a second review of deposits.

**Response:** In May of 2006, the County entered into an Agreement with Active Network to provide an online registration website for program participants. Since the program is still relatively new, not all participants use the online registration. To help maintain more accurate records, receipts are to be tallied and deposited in the bank on a daily basis. At the end of each week, verification of all tallied receipts and deposits will be conducted by the Director, or someone other than the person collecting the receipts.

06-09 **Statement of Condition:** We noted 47 Hurricane Shoals Park reservations and 13 Sell's Mill Park reservations on the reservation calendars for which the Parks and Recreation Office did not have reservation forms.

**Criteria:** The Parks and Recreation office should maintain reservation forms on file

for all reservations made by independent parties.

**Effect of Condition:**

We had no reservation forms to refer to, and, therefore, could not confirm that fees related to these reservations had been receipted and deposited.

**Cause of Condition:**

Unknown.

**Recommendation:**

We recommend that the Parks and Recreation office use prenumbered reservation forms for all park facilities, and that staff note the form number on the calendar. In this way, the office will be sure it has all the reservation forms and that all the reservations on the calendar have corresponding reservation forms and information to confirm that the applicable fee was paid.

**Response:**

The Parks and Recreation Department will design and draft new coded reservation forms for use in reserving park facilities. In addition to the new forms, employees will cross reference the form code on the reservation calendar that will be reviewed on a weekly basis. The new forms are to be filed and kept for at least one year's time. This will allow for proper documentation and verification of fees collected and deposited.

**06-10** **Statement of Condition:**

The Parks and Recreation rental reservation forms do not include adequate information for a reviewer to confirm that fees receipted were deposited.

**Criteria:**

To ensure proper internal controls, staff should maintain adequate documentation of all transactions.

**Effect of Condition:**

We could not confirm that Parks and Recreation facility rental revenue was not understated and that all funds received had been deposited.

**Cause of Condition:**

The reservation forms' design does not prompt staff to document all necessary information. In addition, the forms were not always complete.

**Recommendation:**

We recommend that Parks and Recreation redesign the reservation forms to prompt staff to document the total amount paid, the date paid, and the receipt number.

**Response:**

On the new coded reservations forms, line items will be created for amount of funds received, the date it was received, and the receipt number. These criteria are to be reviewed periodically by management to ensure proper coding. This will allow for verification of receipts deposited.

**06-11** **Statement of Condition:**

In certain situations, the Parks and Recreation Office charges discounted rental rates, but the reasons for and the approval of the discount rental rates were not documented.

**Criteria:** To ensure proper internal controls, proper documentation should be maintained for rental rates that do not agree with the standard fee schedule. Proper documentation includes the reasons for the difference and approval from the Director.

**Effect of Condition:** Lack of documentation allows staff to grant unapproved discounts or to misappropriate funds and document only the amount deposited.

**Cause of Condition:** Unknown.

**Recommendation:** We recommend that Parks and Recreation add a section on the reservation form to document reasons for discounted rates. Staff should obtain approval and have the Director initial the form.

**Response:** The redesign of the new reservation forms is to also include a section for discounts allowed and the signature of the authorized person(s) allowing them.

## PAYROLL

06-12 **Statement of Condition:** An employee was paid a salary that was in excess of the salary the employee has on file with the Personnel Department. An overpayment of \$4.67 per bi-weekly pay period was made for the entire year in 2006 to this employee.

**Criteria:** The employee should have only been paid the bi-weekly salary that is approved in the employee's personnel file. The correct update in salary was a 2% increase. However, the employee also received a 2% merit increase in pay that had not been approved.

**Effect of Condition:** An overpayment has been paid to a county employee for an extended period of time.

**Cause of Condition:** The employee's salary was incorrectly entered during the last update in pay.

**Recommendation:** We recommend that the correct salary information be documented in the employee's file immediately. Also, any updates in salary should be carefully entered, checked, and documented in the employee file so that each employee only receives the approved rate of pay.

**Response:** The County is in the process of updating the employee's file to reflect the corrected salary amount. In the future, salary changes will be carefully documented and verified by the Human Resources Department (HR). In conjunction with careful analysis by the HR department, the payroll department can send written notification of the change in wages back to HR to be put in the employee's permanent file.

## STREET LIGHTING

- 06-13     **Statement of Condition:**     The County's revenues for street lighting were exceeded by the related expenses by \$11,655.67 during FY 2006. Revenues were \$35,243.84 (\$29,059.34 in property tax revenue and \$6,184.50 in administrative fees from Planning and Zoning), while expenses for the year were \$46,899.51.
- Criteria:**     The County should be collecting enough revenues in taxes and fees to cover the amount of expense that is paid for street lighting.
- Effect of Condition:**     The County is not generating enough street lighting revenue from taxpayers to cover the expense of the electricity to run the street lights.
- Cause of Condition:**     Unknown.
- Recommendation:**     The County needs to be sure that *all* months that street lights are functional (i.e. when the lights are initially being put into place in a subdivision throughout the year) are included in the calculations for the bills that are sent out to taxpayers and also that *all* subdivisions are included in the billing.
- We also recommend that the County add some sort of additional administrative fee to cover the extra expenses in staff time related to billing taxpayers for their share of the street lighting and paying the related bills and to protect against any uncollected tax bills.
- We also recommend that the fee charged per parcel be adjusted each year based on current anticipated electric charges.
- Response:**     The County will review the current rate at which street lights are billed to the taxpayers and make changes if necessary. In addition, the Planning and Zoning department will work to create a report showing all subdivision lights that are to be switched over to the County and mark the date at which the County is to start paying for them. This report will be submitted to the Tax Assessors' Office for proper coding and entry into the tax digest. The creation and use of the report should help to ensure that the County is not paying for street lights that are not being reimbursed from property taxes.

## PLANNING AND DEVELOPMENT

06-14     **Statement of Condition:**     **This was also a prior year finding** – In general, the Planning and Development Department does not print a report from the system that gives a detailed list of all the licenses or transactions processed that day, the amount paid for each license or transaction, and a total of the day's receipts. Nor does the office issue prenumbered handwritten receipts on a consistent basis. In addition, staff sometimes process license applications before receiving payment, and then hold the license for the applicant until receiving payment.

**Criteria:**     In order to insure proper controls, the Planning and Development Department either needs utilize the system they currently have in place to print a Daily Transaction Summary report that details the sequentially numbered licenses, or the office needs to issue prenumbered handwritten receipts for every transaction. The daily report should tie back to all receipts which should agree with the daily deposit. In addition, staff should only process applications after receiving payment.

**Effect of Condition:**     In order to insure proper controls, the Planning and Development Department either needs utilize the system they currently have in place to print a Daily Transaction Summary report that details the sequentially numbered licenses, or the office needs to issue prenumbered handwritten receipts for every transaction. The daily report should tie back to all receipts which should agree with the daily deposit. In addition, staff should only process applications after receiving payment.

**Cause of Condition:**     Unknown.

**Recommendation:**     We recommend that the software system be utilized in order to provide an adequate daily transaction summary. If the software is not utilized, we also recommend that the Business License staff issue a handwritten receipt for every transaction so that the day's funds can be balanced to the prenumbered receipts issued that day. The receipt should reference the license number and all license numbers referenced should be in sequential order. This will ensure that no license is processed without payment.

**Response:**     County staff is continuing efforts towards implementation of a new software program that will allow the Business License Office to issue computer-generated receipts for all transactions and print daily transaction reports. The goal is to have this system in place and fully operational by July 31, 2007.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 06-01 to 06-02 to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether JACKSON COUNTY, GEORGIA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* which are described below.

#### COMPLIANCE

#### FIRE DISTRICTS

06-15	<b><u>Statement of Condition:</u></b>	The Arcade Fire District Board did not meet to adopt the fiscal year 2007 budget.
	<b><u>Criteria:</u></b>	The budget should be adopted at a scheduled meeting of the board at which minutes of actions taken are kept.
	<b><u>Effect of Condition:</u></b>	It is unclear whether the budget was properly adopted.
	<b><u>Cause of Condition:</u></b>	Unknown.
	<b><u>Recommendation:</u></b>	We recommend that the budget be discussed and voted on in a board meeting.
	<b><u>Response:</u></b>	The Arcade Fire District board will hold public meetings to adopt all capital budgets from 2007 and beyond and keep these actions in the official meeting minutes.

## INDICATIONS OF POSSIBLE ABUSE

### CORRECTIONAL INSTITUTE

06-16 Statement of Condition:

1. There were reports made to the County manager that some items had been purchased at Home Depot that were for the Warden's personal house rather than a county building.
2. There were reports to the County manager that inmates had been used to move the warden from a county-owned residence which she was no longer entitled to live in to a private personal residence.
3. There was an instance where the warden's personal eye glasses were paid for by the county. When this was later discovered, the warden attributed it to a mistake.
4. There was \$1,100 each paid to the warden and two of her senior staff for uniforms. The requisition submitted identified this request as a clothing allowance. Apparently, it was for amounts allocated in the budget. No invoices to substantiate the expenditures were submitted to the county finance office. We had recommended that those amounts be added to the employees W2s since this was an unsubstantiated allowance.
5. The warden was paid \$5,000 in moving expenses. No invoices to substantiate the expenditures were submitted to the county finance office. We had recommended that those amounts be added to the employees W2s since this was an unsubstantiated allowance.

Response:

A meeting has been scheduled to discuss the incidences of possible abuse with management personnel of the Jackson County Correctional Institute. Moreover, pending the outcome of the meeting, County Management will take the appropriate action to ensure that each of the aforementioned incidences is addressed.

JACKSON COUNTY, GEORGIA's response to the findings identified in our audit are described above. We did not audit JACKSON COUNTY, GEORGIA's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the audit committee, management, Board of Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Bates, Carter & Co., LLP.*