

DEKALB COUNTY, GEORGIA

SINGLE AUDIT REPORTS

**FOR THE YEAR ENDED
DECEMBER 31, 2012**

DEKALB COUNTY, GEORGIA
SINGLE AUDIT REPORTS
FOR THE YEAR ENDED DECEMBER 31, 2012

TABLE OF CONTENTS

| | <u>Page</u> |
|--|--------------------|
| 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 <i>GOVERNMENT AUDITING STANDARDS</i> | 1 |
| INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133 | 3 |
| SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS | 7-11 |
| NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS | 12 |
| SCHEDULE OF FINDINGS AND QUESTIONED COSTS | 14 |

**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 Board of Commissioners of DeKalb County
Decatur, Georgia**

We have audited, in accordance with the 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 **DeKalb County, Georgia** (the "County") as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 18, 2013. Our report includes a reference to other auditors and to the implementation of new accounting standards which modified terminology and presentation of certain accounts and changed the accounting for bond issuance costs. Other auditors audited the financial statements of the DeKalb 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 2012-2, 2012-3, 2012-4, 2012-5, 2012-6, 2012-7, and 2012-8 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2012-1.

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 results 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
November 18, 2013

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

**The Board of Commissioners of DeKalb County
Decatur, Georgia**

Report on Compliance for Each Major Federal Program

We have audited DeKalb 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 year ended December 31, 2012. 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 DeKalb County Board of Health, which received \$11,978,516 in federal awards which are not included in the schedule of expenditures of federal awards for the year ended December 31, 2012. Our audit, described below, did not include the operations of the DeKalb 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 Community Development Block Grant Cluster, HOME Investment Partnership, Neighborhood Stabilization Program 3, and the Justice Assistance Grant Cluster

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 Community Development Block Grant Program Cluster (CFDA 14.218 & 14.253), as described in item 2012-9; allowable costs that are applicable to its HOME Investment Partnership program (CFDA 14.239), as described in item 2012-10; allowable costs that are applicable to its Neighborhood Stabilization Program 3 (CFDA 14.264), as described in item 2012-11; and allowable costs that are applicable to its Justice Assistance Grant Cluster (CFDA 16.738, 16.803 & 16.804), as described in item 2012-12. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to those programs.

Qualified Opinion on the Community Development Block Grant Cluster, HOME Investment Partnership, Neighborhood Stabilization Program 3, and the Justice Assistance Grant Cluster

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 Community Development Block Grant Cluster, HOME Investment Partnership, Neighborhood Stabilization Program 3, and the Justice Assistance Grant Cluster for the year ended December 31, 2012.

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 year ended December 31, 2012.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2012-13, 2012-14, 2012-15, and 2012-16. Our opinion on each major federal program is not modified with respect to these matters.

The County's responses to the noncompliance 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 compliance and, accordingly, we express no opinion on the responses.

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 certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2012-9, 2012-10, 2012-11, and 2012-12 to be material weaknesses.

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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2012-13, 2012-14, 2012-15, and 2012-16 to be significant deficiencies.

The County's responses to the internal control over compliance 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 compliance and, accordingly, we express no opinion on the responses.

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 DeKalb County, Georgia as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated November 18, 2013 which contained unmodified opinions on those financial statements. Our report includes a reference to other auditors and to the implementation of new accounting standards which modified terminology and presentation of certain accounts and changed the accounting for bond issuance costs. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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.

A handwritten signature in cursive script that reads "Mauldin & Jenkins, LLC". The signature is written in black ink and is centered on the page.

Atlanta, Georgia

February 24, 2014, except for our report on the schedule of expenditures of federal awards, for which the date is November 18, 2013

DEKALB COUNTY, GEORGIA
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2012

| Grantor/program title | Federal CFDA No. | State pass through or grant No. | Total Expenditures |
|---|---------------------|------------------------------------|--------------------------|
| U.S. Department of Agriculture: | | | |
| Pass-Through Office of School Readiness: | | | |
| 2011 SUMMER FOOD PROGRAM (601217) | 10.555 | 08025 PY 2011 | \$ 368 |
| 2012 SUMMER FOOD PROGRAM (601310) | 10.555 | 08025 PY 2011 | 548,247 |
| | | | <u>548,615</u> |
| Natural Resource Conservation Services (601130) | 10.069 | 65-4310-10-418 | <u>11,565</u> |
| Total U.S. Department of Agriculture | | | <u>560,180</u> |
| U.S. Department of Housing and Urban Development: | | | |
| Community Development Block Grant (CDBG) Cluster: | | | |
| CDBG 2007 (600814) | 14.218 | B-07-UC-13-0001 | 24,164 |
| CDBG 2008 (600901) | 14.218 | B-08-UC-13-0001 | 70,605 |
| CDBG 2009 (601009) | 14.218 | B-09-UC-13-0001 | 1,017,472 |
| CDBG 2009 PI (601011) | 14.218 | B-09-UC-13-0001 | 8,230 |
| CDBG 2010 (601128) | 14.218 | B-10-UC-13-0001 | 1,264,161 |
| CDBG 2010 PI (601100) | 14.218 | B-10-UC-13-0001 | 98,406 |
| CDBG 2011 (601241) | 14.218 | B-10-UC-13-0001 | 1,992,446 |
| CDBG 2012 PI (601294) | 14.218 | B-10-UC-13-0001 | 223,379 |
| CDBG 2012 (601326) | 14.218 | B-10-UC-13-0001 | 2,151,961 |
| NSP-PI-2011 (601200) | 14.218 | B-08-UN-13-0003 | 1,357,749 |
| NSP-PI-20121 (601288) | 14.218 | B-08-UN-13-0003 | 795,052 |
| ARRA CDBG-R 2009 (601033) | 14.253 | B-09-UY-13-0001 | 366,104 |
| Total CDBG Cluster | | | <u>9,369,729</u> |
| Emergency Shelter Grant Programs: | | | |
| ESGP-2011 (601266) | 14.231 | E-11-UC-13-0009 | 179,985 |
| ESGP 2012 (601350) | 14.231 | E-11-UC-13-0009 | 58,855 |
| | | | <u>238,840</u> |
| HOME Investment Partnership: | | | |
| HOME 2008 (600899) | 14.239 | M-08-UC-13-0208 | 52,570 |
| HOME 2009 (601010) | 14.239 | M-09-UC-13-0208 | 555,312 |
| HOME 2010 (601232) | 14.239 | M-09-UC-13-0208 | 653,379 |
| HOME PI 2011 (601218) | 14.239 | M-10-UC-13-0208 | 6,613 |
| HOME - 2011 (601262) | 14.239 | M09-UC-13-0208 | 687,584 |
| HOME-PI-2012 (601292) | 14.239 | M10-UC-130208 | 341,645 |
| | | | <u>2,297,103</u> |
| NSP-3 (601299) | 14.264 | B-08-UN-13-0003 | <u>1,600,456</u> |
| ARRA HPRP 2009 (601016) | 14.257 | S09-UY-13-009 | <u>129,612</u> |
| Total U.S. Department of Housing and Urban Development | | | <u>13,635,740</u> |
| U.S. Department of Justice (DOJ): | | | |
| Pass-Through Council of Juvenile Court Judges: | | | |
| CJCJ- COUNSELING 3 (601264) | 16.523 | JB-09ST-0004 | <u>7,152</u> |
| Pass-Through Children and Youth Coordinating Council/Office: | | | |
| G. O. CH & FAM SOC CARING COMM (601166) | 16.523 | CC11-01-003 | 35,516 |
| GOFC MRIP 3 (601254) | 16.523 | JB-09FM-0005 | 8,624 |
| Total CYCC | | | <u>44,140</u> |
| Pass-Through Criminal Justice Coordinating Council: | | | |
| CJCC Diversion Treatment (601351) | 16.523 | J12-8-071 | 9,099 |
| CJCC -Rebound Drug Court Program (601354) | 16.523 | J12-8-063 | 3,100 |
| | | | <u>12,199</u> |
| Total CJCC | | | <u>63,491</u> |

(continued)

DEKALB COUNTY, GEORGIA
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2012

| Grantor/program title | Federal CFDA No. | State pass through or grant No. | Total Expenditures |
|---|---------------------|------------------------------------|-----------------------|
| U.S.Department of Justice (JAG) #14 (601056) | 16.738 | 2009-DJ-BX-0240 | 262,340 |
| U.S.Department of Justice (JAG) #15 (601172) | 16.738 | 2010-DJ-BX-1437 | 81,655 |
| U.S.Department of Justice (JAG) #16 (601249) | 16.738 | 2011-DJ-BX-3460 | 99,413 |
| U.S.Department of Justice (JAG) #17 (601340) | 16.738 | 2012-DJ-BX-0131 | 7,935 |
| ARRA CJCC IJIS DA (601103) | 16.803 | B82-8-287 | 386,813 |
| ARRA JAG - District Attorney (601020) | 16.804 | 2009-SB-B9-0289 | 33,497 |
| ARRA JAG - Drug Court (601021) | 16.804 | 2009-SB-B9-0289 | 265,770 |
| ARRA JAG - JUV CT (601022) | 16.804 | 2009-SB-B9-0289 | 88,182 |
| ARRA JAG - MARSHALL (601024) | 16.804 | 2009-SB-B9-0289 | 96,041 |
| ARRA JAG - Sheriff (601027) | 16.804 | 2009-SB-B9-0289 | 11,584 |
| ARRA JAG - Solicitor (601028) | 16.804 | 2009-SB-B9-0289 | 131,739 |
| ARRA JAG - CJSP (601029) | 16.804 | 2009-SB-B9-0289 | 72,101 |
| Total Justice Assistance Grant (JAG) Cluster | | | 1,537,070 |
| DOJ VAW SAFE HAVEN (601108) | 16.527 | 2009-CW-AX-K012 | 107,628 |
| 2011 VOCA (601274) | 16.575 | 2002-VA-GX-0013 | 63,519 |
| CJCC/VOCA 2011-2012 (601278) | 16.575 | C11-8-038 | 52,295 |
| 2012-2013 VOCA (601370) | 16.575 | C12-8-042 | 9,415 |
| CJCC/VOCA 2012-2013 (601375) | 16.575 | C12-8-043 | 48,795 |
| | | | 174,024 |
| 2010 DOJ/BJA (601182) | 16.585 | 2010-DC-BX-0095 | 92,295 |
| 2012 CJCC - VAWA (601286) | 16.588 | W10-8-015 | 50,786 |
| DOJ - OVW (601177) | 16.590 | 2010-WE-AX-0062 | 295,999 |
| 2011 RSAT-CJCC (601235) | 16.593 | R09-8-002 | 126,132 |
| SCAAP BJA06 (600664) | 16.606 | 115-0404-0-1-754 | 39,072 |
| SCAAP RESTRICTED (600982) | 16.606 | 115-0404-0-1-754 | 138,694 |
| | | | 177,766 |
| 2009 BULLETPROOF VEST - POLICE (601074) | 16.607 | 2009-BO-BX-0904-9122 | 206 |
| 2009 BULLETPROOF VEST - DA (601080) | 16.607 | 2009-BO-BX-0904-9122 | 550 |
| Pass-Through Criminal Justice Coording Council: 2010 BPV-POLICE (601215) | 16.607 | 2010BOBX10054565 | 59,974 |
| | | | 60,730 |
| 2009 ARRA C.O.P.S. (601115) | 16.710 | 2009RJWX0037 | 777,152 |
| FY 2011 CSPP (601263) | 16.710 | 2011CSWX0010 | 126,037 |
| | | | 903,189 |
| Law Enforcement Confiscated Assets Program: | | | |
| Police | 16.922 | N/A | 1,313,852 |
| Sheriff | 16.922 | N/A | 421,029 |
| District Attorney | 16.922 | N/A | 1,716 |
| Total Law Enforcement Confiscated Assets Program | | | 1,736,597 |
| Total U.S. Department of Justice | | | 5,325,707 |

(continued)

DEKALB COUNTY, GEORGIA
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2012

| Grantor/program title | Federal CFDA No. | State pass through or grant No. | Total Expenditures |
|---|---------------------|------------------------------------|-----------------------|
| U.S. Department of Labor (USDOL): | | | |
| Pass-Through Georgia Department of Labor (GADOL)/GOWD | | | |
| Workforce Investment Act (WIA) Cluster: | | | |
| WIA-ADULT FY 11 (601183) | 17.258 | 11-11-11-03-005 | 230,476 |
| WIA-ADULT FY 12 (601281) | 17.258 | 11-12-11-03-005 | 1,262,504 |
| WIA-ADULT PY 120 (601346) | 17.258 | 10-12-12-03-005 | 126,083 |
| FY13 ADULT (601365) | 17.258 | 11-12-13-03-005 | 103,623 |
| WIA Youth PY 11 (601240) | 17.259 | 15-11-11-03-005 | 1,118,401 |
| WIA YOUTH PY 12 (601327) | 17.259 | 15-12-11-03-005 | 508,732 |
| WDD YOUTH SYSTEM TIME PROGRAM (601336) | 17.259 | 6-26-2012 | 39,549 |
| WDD YOUTH SYSTEM YAP PROGRAM (601337) | 17.259 | 6-26-12 | 51,940 |
| WIA DSLW FY11 (601184) | 17.278 | 31-11-11-03-005 | 191,735 |
| WIA-Dislocated Worker (601248) | 17.278 | 30-11-11-03-005 | 10,370 |
| FY 12 - DSLW Services (601282) | 17.278 | 31-12-11-03-005 | 1,158,606 |
| PY12 WIA Dislocated Worker (601345) | 17.278 | 30-12-12-03-005 | 272,157 |
| FY 13 DSLW (601396) | 17.278 | 31-12-13-03-005 | 434,392 |
| FY 12 ADULT (601390) | 17.258 | 11-12-11-03-005 | 549,892 |
| FY 13 ADULT (601395) | 17.258 | 11-12-13-03-005 | 45,966 |
| PY WIA YOUTH (601399) | 17.259 | 15-12-12-03-005 | 50,538 |
| Total U.S. Department of Labor/GOWD - WIA Cluster | | | 6,154,964 |
| Innovation Fund 2012 (601344) | 17.283 | IF-23243-12-60-A-13 | 3,785 |
| Total U.S. Department of Labor | | | 6,158,749 |
| U.S. Department of Transportation (U.S. D.O.T.): | | | |
| Airport Improvement Programs: | | | |
| 2010 FAA/GDOT TAXIWAYS (601194) | 20.106 | AP-9016-45(089) | 8,363 |
| Pass-Through Georgia Department of Transportation (GDOT): | | | |
| GDOT-TEA FUNDS (600500) | 20.205 | PROJ#4-089-04-05 | 30,781 |
| GDOT Rockbridge BOC 1/9/07 (600782) | 20.205 | P.I. 0008401 | 40,750 |
| GDOT MAIN ST TUCKER LCI (600918) | 20.205 | CS0T0SIG110139/CS0T0SIG | 49,224 |
| GDOT Memorial Dr Streetscapes (600845) | 20.205 | CSSTP-0006-00(887), PI 000687 | 21,931 |
| GDOT-SO. INDAN CRK REDN SIGNAL (601158) | 20.205 | CS0T0SIG110117 | 46,257 |
| GDOT-PED SFTY ON P'TREE RD (601224) | 20.205 | 0010326 | 18,383 |
| GDOT SR8 & SR141 TRFFC SIGNALS (601279) | 20.205 | P.I. 0010287 | 48,311 |
| ARRA-LCI WESLEY CHAPEL (601150) | 20.205 | UP 1016.1 | 26,537 |
| Pass-Through Atlanta Regional Commission (ARC): | | | |
| ARC-LCI SUPPMNTL KENSINGTON (601228) | 20.205 | UNKNOWN | 33,500 |
| ARC-COMP TRANSP PLAN (601234) | 20.205 | UO1119 | 20,800 |
| Total Highway Planning and Construction | | | 336,474 |
| Pass-Through Department of Motor Vehicle Highway Safety: | | | |
| 2009 MCSAP (601085) | 20.218 | MC-10-13-1 | 38,154 |
| 2010 MCSAP (601214) | 20.218 | MC-FY2010 | 660 |
| | | | 38,814 |
| U.S. Department of Transportation - Federal Transit Administration: | | | |
| MARTA FREEDOM PROGRAM - NEW FREEDOM PROGRAM (601162) | 20.521 | MARTA NEW FREEDOM | 24,231 |
| U.S. D.O.T. - National Highway Traffic Safety Administration (NHTSA): | | | |
| Pass -Through Governor's Office of Highway Safety: | | | |
| 2010-2011 GOHS/H.E.A.T. (601170) | 20.600 | GA-2011-44-00397 | 3,660 |
| 2012 GOHS/H.E.A.T. (601268) | 20.600 | GA-2012-44-00364 | 44,030 |
| 2013 GOHS/H.E.A.T. (601368) | 20.600 | GA-2013-44-00364 | 5,123 |
| | | | 52,813 |
| Pass -Through Georgia Emergency Management Agency: | | | |
| FY 2011 LEPC (601238) | 20.703 | OHM110-012 | 1,162 |
| FY 2012 INTER HAZ MAT PUB SECT (601305) | 20.703 | OHM12-012 | 1,377 |
| | | | 2,539 |
| Total U.S. Department of Transportation (U.S. D.O.T.) | | | 463,234 |

(continued)

DEKALB COUNTY, GEORGIA
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2012

| Grantor/program title | Federal CFDA No. | State pass through or grant No. | Total Expenditures |
|--|---------------------|------------------------------------|-----------------------|
| U.S. Department of Energy: | | | |
| Partnership For Clean Transportation & Environment: | | | |
| ARRA CTE/DOE (601137) | 81.086 | DE-EE0000370 | 5,459,880 |
| ARRA-DOE Efficiency Grant (601071) | 81.128 | DE-EE0000804 | 658,480 |
| Total U.S. Department of Energy | | | <u>6,118,360</u> |
| U.S. Department of Health and Human Services (HHS): | | | |
| HHS/DDTC/ 9/09- 9/10 (601054) | 93.243 | 5 H 79 SM 058056-03 | 154,561 |
| 2010 U.S. Department of Health & Human Services - SAMHSA (601185) | 93.243 | 1H79TI023389-01 | 189,504 |
| | | | <u>344,065</u> |
| Pass-through State of Georgia Department of Human Services (GDHS): | | | |
| Pass-through Atlanta Regional Commission (ARC) - Aging Cluster: | | | |
| ARC Grants for Supportive Services and Senior Centers | 93.044 | AG0937 NHD2 908ANH | 293,974 |
| ARC Nutrition Services | 93.045 | AG0937 NHD2 908ANH | 551,836 |
| ARC Nutrition Services Incentive Program | 93.053 | AG0937 NHD2 908ANH | 102,345 |
| Total Aging Cluster | | | <u>948,155</u> |
| Pass-through State of Georgia Department of Human Services (GDHS): | | | |
| Pass-through Atlanta Regional Commission | | | |
| ARC Social Services Block Grant | 93.667 | | 67,472 |
| ARC National Family Caregiver Support | 93.052 | | 74,446 |
| Pass-Through Office of National Drug Control Policy: | | | |
| HIDTA 2009 (600992) | 93.276 | G09GA0002A | 141 |
| HIDTA 2010 (601129) | 93.276 | G10GA0002A | 140,573 |
| HIDTA 2011 - ONDCP (601323) | 93.276 | G11GA0002A | 86,126 |
| | | | <u>226,840</u> |
| Pass-Through Governor's Office for Children and Families: | | | |
| MIECHV PROGRAM (601265) | 93.505 | CC11-01-003 | 246,150 |
| G.O. CH & FAM SOC CARING COMM 2 (601290) | 93.590 | CC11-01-003 | 245,232 |
| DEKALB COUNTY SOC GRANT | 93.590 | CC11-01-003 | 1,139 |
| | | | <u>246,371</u> |
| Pass-Through Georgia Department of Human Services (GDHS): | | | |
| UIFSA Child Support | 93.563 | 401-000000-4815 (Jan-Jun 2011) | 469,187 |
| Enforcement Fed (3920) | 93.563 | 401-000000-8429 (Jul-Dec 2011) | 463,456 |
| | | | <u>932,643</u> |
| ARRA-HHS-Children & Families | 93.616 | 90SN0020/01 | 84 |
| 2011 GA Dept. of Behavioral Health & Developmental Disabilities (601245) | 93.959 | 441-93-1233AAM | 151,453 |
| Total U.S. Department of Health & Human Services | | | <u>3,237,679</u> |

(continued)

DEKALB COUNTY, GEORGIA
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2012

| Grantor/program title | Federal CFDA No. | State pass through or grant No. | Total Expenditures |
|--|---------------------|------------------------------------|-----------------------|
| U.S. Department of Homeland Security: | | | |
| Pass-Through Georgia Emergency Management Agency (GEMA): | | | |
| GEMA-HMGO-1686-0009 (601205) | 97.039 | GEMA-HMGP-1686-0009 | 164,272 |
| 2011 EMPG - PPA (601260) | 97.042 | OEM11-046 | 98,437 |
| 2012 FEMA - PPA (601352) | 97.042 | EMW-2012-EP-00051-S01 | 1,081 |
| | | | <u>99,518</u> |
| FEMA ASSIST FIREFIGHTERS 2010 (601124) | 97.046 | EMW-2009-FO-01375 | 1,950 |
| GEMA- PDMC-PJ-04-GA-FY2007-006 (600868) | 97.047 | PDMC-PJ-04-GA-FY2007-006 | 54,873 |
| GEMA - DHS/HSG (601035) | 97.073 | 2008-GE-T8-0017 | 135,152 |
| GEMA-DHS (601093) | 97.073 | 2008-GE-T8-0017 | 552 |
| 2009 GEMA - DHS (601102) | 97.073 | 2009-SS-T9-0047 | 19,955 |
| GEMA - 2010 DHS FY 2008 (601186) | 97.073 | 2008-GE-T8-0017 | 399,119 |
| GEMA: 2010 DHS - HS #2488 (601210) | 97.073 | 2010-SS-TO-0034 | 103,748 |
| GEMA: GSAR (601211) | 97.073 | 2010-SS-TO-0034 | 15,556 |
| 2011 HSGP (601324) | 97.073 | EMW-2011-SS-00081-S01 | 1,935 |
| 2009 GEMA - HSGP (601325) | 97.073 | 2009-SS-T9-0047 | 2,935 |
| GEMA: 2011 GSAR WS# 2781 (601342) | 97.073 | 2011-SS-00081-S01 | 893 |
| GEMA: 2011 GSAR WS# 27801 (601343) | 97.073 | 2011-SS-00081-S01 | 3,010 |
| | | | <u>682,855</u> |
| BUFFER ZONE # 2271 (601044) | 97.078 | 2008-BZ-T8-0034 | 2,677 |
| BUFFER ZONE # 2264 (601045) | 97.078 | 2008-BZ-T8-0034 | 47,318 |
| BUFFER ZONE # 2263 (601046) | 97.078 | 2008-BZ-T8-0034 | 420 |
| | | | <u>50,415</u> |
| 2009 FLOOD PROJECTS (601126) | 97.092 | FEMA-1858-DR-GA-AP | 26,119 |
| Total U.S. Department of Homeland Security/FEMA/GEMA | | | <u>1,080,002</u> |
| Total Federal Expenditures | | | <u>\$ 36,579,651</u> |

See accompanying notes to the schedule of federal awards.

DEKALB COUNTY, GEORGIA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2012

(1) Summary of Significant Accounting Policies

Basis of Presentation and Accounting

The basic financial statements of DeKalb County, Georgia (the County), as of and for the year ended December 31, 2012, include the operations of the DeKalb County Board of Health. The accompanying schedule of expenditures of federal awards does not include federal financial assistance received directly by the DeKalb County Board of Health, because this component unit engaged other auditors to perform an audit in accordance with the Single Audit Act. Accordingly, the accompanying schedule of expenditures of federal awards presents the federal financial assistance programs administered by the County, and does not reflect the federal financial assistance programs administered by the DeKalb County Board of Health.

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 liability is incurred.

In instances where the grant agreement requires the County to match grant awards with County funds, such matching funds are excluded from the accompanying schedule of expenditures of federal awards. Grant programs that did not have 2012 transactions have not been presented herein. The majority of these programs have completed their program activities but may not have been formally closed out. Grant revenues and expenditures incurred prior to 2012 under these grants remain subject to audit by either the grantor agency or its representatives within the limitations of the Single Audit Act.

Federal grant programs that are administered through State agencies (pass-through awards) have been included in the accompanying schedule of expenditures of federal awards. These programs are operated according to federal regulations promulgated by the originating federal agency providing the funding.

(2) Subrecipients

The total amount of federal expenditures provided to subrecipients by the County is as follows:

| Federal program | Amount |
|--|---------------------|
| Community Development Block Grant CFDA #14.218 | \$ 2,854,912 |
| HOME Investment Grant CFDA #14.239 | 1,223,752 |
| Emergency Shelter Grant CFDA # 14.231 | 237,573 |
| ARRA HPRP CFDA #14.257 | 129,612 |
| Workforce Investment Agency Cluster CFDA #17.258, 17.259 | 401,907 |
| Total | <u>\$ 4,847,756</u> |

DEKALB COUNTY, GEORGIA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2012

(3) Loans Outstanding

The County uses funds available under the Community Development Block Grant and HOME Investment Grant programs to provide low-interest loans to eligible persons. Principal payments received are used to make additional loans as part of the revolving loan fund. Disbursements of such loans are included as expenditures in the accompanying schedule of expenditures of federal awards in the year of disbursement.

The outstanding balance of these loans at December 31, 2012 is as follows:

| <u>Federal Program</u> | <u>Balance Outstanding</u> |
|--|--------------------------------|
| Community Development Block Grant CFDA #14.218 | \$ 893,812 |
| HOME Investment Grant CFDA #14.239 | 13,087,056 |

DEKALB COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

(1) Summary of Auditors' Results

- (a) The type of report issued on the financial statements: **unmodified opinion**
- (b) Internal control over financial reporting:
 - Material weaknesses identified: **yes**
 - Significant deficiencies identified: **none reported**
- (c) Noncompliance material to the financial statements noted: **yes**
- (d) Internal control over major programs:
 - Material weaknesses identified: **yes**
 - Significant deficiencies identified, not considered to be material weaknesses: **yes**
- (e) The type of report issued on compliance for major programs: **Qualified for Community Development Block Grant Cluster (CFDA #14.218 & 14.253), HOME Investment Partnership (CFDA #14.239), Neighborhood Stabilization Program 3 (CFDA #14.264), and Justice Assistance Grant Cluster (CFDA #16.738, 16.803 & 16.804). Unmodified for remaining major federal programs.**
- (f) Any audit findings which are required to be reported under Section .510(a) of OMB Circular A-133: **yes**
- (g) Major Programs:
 - Community Development Block Grant Cluster, CFDA #14.218 & 14.253**
 - HOME Investment Partnership, CFDA #14.239**
 - Neighborhood Stabilization Program 3, CFDA #14.264**
 - Justice Assistance Grant Cluster, CFDA #16.738, 16.803, & 16.804**
 - Law Enforcement Confiscated Assets, CFDA # 16.922**
 - Workforce Investment Act Cluster, CFDA #17.258, 17.259, & 17.278**
 - Partnership for Clean Transportation & Environment, CFDA #81.086**
- (h) Dollar threshold to distinguish between Type A and Type B programs: **\$1,097,390**
- (i) Audit qualified as a low-risk auditee under Section .530 of OMB Circular A-133: **no**

DEKALB COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

Finding 2012-1 – Governmental Budgets

Criteria: State of Georgia law (OCGA 36-81-3) states: a) Each unit of local government shall adopt and operate under an annual balanced budget for the general fund, each special revenue fund, and each debt service fund in use by the local government. The annual balanced budget shall be adopted by ordinance or resolution and administered in accordance with this article; and b) a budget ordinance or resolution is balanced when the sum of estimated revenues and appropriated fund balances is equal to appropriations.

Condition: State law requires local governments to adopt annual appropriated budgets for the general fund, each special revenue fund, and each debt service fund. We noted, during our audit, the County did adopt budgets for the appropriate funds however for the below funds the beginning fund balance (which for some funds started with a deficit) plus the final amended budgeted revenue less expenditures resulted in a budgeted deficit.

- Grant-in Aid Special Revenue Fund Budgeted Deficit - \$2,758,000 beginning fund balance deficit plus final amended budgeted deficiency of revenues under expenditures of \$23,311,000 resulted in an ending final budgeted fund deficit of \$26,069,000.
- 2002 Local Law Enforcement Block Grant Special Revenue Fund Budgeted Deficit - \$8,000 beginning fund balance plus final amended budgeted deficiency of revenues under expenditures of \$21,000 resulted in an ending final budgeted fund deficit of \$13,000.
- 2005 Justice Assistance Grant Special Revenue Fund Budgeted Deficit - \$87,000 beginning fund balance plus final amended budgeted deficiency of revenues under expenditures of \$367,000 resulted in an ending final budgeted fund deficit of \$280,000.
- ARRA Grant Special Revenue Fund Budgeted Deficit - \$449,000 beginning fund balance plus final amended budgeted deficiency of revenues under expenditures of \$7,624,000 resulted in an ending final budgeted fund deficit of \$7,175,000.
- Law Library Revenue Fund Budgeted Deficit - no beginning fund balance plus final amended budgeted deficiency of revenues under expenditures of \$122,000 resulted in an ending final budgeted fund deficit of \$122,000.
- Alternative Dispute Resolution Special Revenue Fund Budgeted Deficit – no beginning fund balance plus final amended budgeted deficiency of revenues under expenditures of \$14,000 resulted in an ending final budgeted fund deficit of \$14,000.

Context/Cause: During our inquiry of management about the County's governmental funds (required to have balanced budgets) and review of the financial statements, it was determined the final budgets

DEKALB COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

for the funds noted previously reflected budgeted deficits causing the County to be out of compliance with State law for adopting annual balanced budgets for these funds.

Effects: Lack of annual balanced budgets resulted in a compliance violation with State law.

Recommendation: We recommend the County adopt annual balanced budgets as required by State law, taking into account the beginning budgetary basis fund balance.

Auditee's Response: We concur with the finding. Controls are being strengthened for future fiscal periods to ensure appropriations will not exceed resources for any fund.

Finding 2012-2 – Restatement of Beginning Net Position and Beginning Assets and Liabilities of the Tax Commissioner Agency's Fund

Criteria: Internal controls should be in place to ensure that financial statements of the County are properly presented in accordance with accounting principles generally accepted in the United States of America.

Condition: Internal controls were not sufficient to detect material misstatements in the County's financial statements for the year ended December 31, 2011 which represent the beginning balances for the 2012 financial statements.

Context/Cause: During our audit for the year ended December 31, 2012, several misstatements were identified that caused the need to restate financial statement balances reported as of and for the year ended December 31, 2011. The nature and magnitude of these corrections for prior period errors are as follows:

- In previous years, the Agency Fund of the County Tax Commissioner did not report the amount of property taxes billed on behalf of other government entities, but not yet collected, as a receivable nor did the Agency Fund report the offsetting amounts owed to other governments or entities. An adjustment of approximately \$23,887,000 to increase beginning assets and liabilities for the Tax Commissioner's Agency Fund was required.
- The County did not correctly calculate its net pension asset which was reported on the statement of net position for its governmental activities. In previous years, the County used estimated employer contributions instead of actual employer contributions in its calculation of the net pension asset. An adjustment to decrease the net pension asset and beginning net position for the County's governmental activities in the amount of \$14,686,000 was necessary.
- The County did not properly capitalize, as part of the cost of the related capital asset, the net interest incurred on debt used to finance various projects during construction for its Watershed System Fund for the year ended December 31, 2011. An adjustment to increase capital assets and beginning net position for the Watershed System Fund and Business-type Activities in the amount of \$2,959,000 was necessary to properly record capitalized interest.

DEKALB COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

- The County incorrectly reported a significant portion of its Net Other Post-Employment Benefits (OPEB) obligation in the Vehicle Maintenance Internal Service Fund. As the internal service fund was never going to recover the costs of this obligation, which resulted in that internal service fund reporting a negative net position of \$24,065,000 as of December 31, 2011, the net OPEB obligation should have been allocated to the appropriate funds. Audit adjustments were required to reduce the net OPEB obligation and increase beginning net position for the Vehicle Maintenance Internal Service Fund in the amount of \$23,001,000 and to record the net OPEB obligation, and reduce beginning net position, in the County's Watershed System Fund for \$14,721,000, Sanitation Fund for \$7,590,000, and DeKalb Peachtree Airport Fund for \$690,000.
- The County did not properly report intergovernmental revenue and receivables in the Sanitation Fund as of December 31, 2011. For the year ended December 30, 2011, the County recorded certain grant-related disbursements as capital assets but did not record the related grant receivable and revenue in the same period. As a result, an audit adjustment was necessary to increase intergovernmental receivables and to increase beginning net position in the amount of \$4,725,000 in the County's Sanitation Fund and in its business-type activities.
- The County did not properly report intergovernmental receivables and revenue in the DeKalb Peachtree Airport Fund as of December 31, 2011. The County recorded, in error, \$1,232,000 as revenue and a receivable in this fund as of December 31, 2011. An audit adjustment was necessary to remove the intergovernmental receivable and to decrease beginning net position in the amount of \$1,232,000 in the County's DeKalb Peachtree Airport Fund and in its business-type activities.

Effects: The errors discussed above created the need for adjustments of beginning assets, liabilities, and net position for several reporting units of the County.

Recommendation: We recommend the County carefully review the financial statements and its applicable reporting requirements under generally accepted accounting principles to ensure that all information and financial data is being properly reported during a given year and at the close of each financial reporting period.

Auditee's Response: We concur with the finding. We will ensure that the necessary review of the financial information is being conducted to ensure that financial data is properly reported during the year and at the conclusion of each financial reporting cycle.

DEKALB COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

Finding 2012-3 – Year-end Financial Close and Reporting Controls

Criteria: Internal controls should be in place to ensure that all amounts reported within the financial statements are accurate, appropriately reported in accordance with accounting standards generally accepted in the United States of America and have been properly reconciled with subsidiary ledgers.

Condition/Cause: Due to ineffective controls surrounding the year-end financial close procedures, a number of audit adjustments and corrections were necessary at year-end as detailed below. The County continues to employ a manual process for preparing its annual comprehensive annual financial report (CAFR) which largely resides outside of the general ledger accounting system. The County relies on a number of linked Excel spreadsheets to create the CAFR and records a significant number of “CAFR adjustments” to bridge from the County’s general ledger to the final CAFR report. Such a process introduces the risk of material financial reporting errors. This process requires close attention and an in-depth and intricate knowledge and understanding of how each of the manual entries and components thereof is intended to roll-up into the final CAFR.

Context: During our initial review of the trial balance Excel worksheets, we noted that the journal entries as posted by the County to the CAFR Excel worksheets do not have documentation of who prepared the entries or who approved the entries. A number of manual adjustments left financial statement line items with incorrect balances (i.e., negative revenue or expenditure amounts) or out of balance as a result of the extensive linking required in the spreadsheets, and updating of linkings which needs to occur, to post journal entries. Several of the manual adjustments that affected inter-fund balances (due to and due from other funds, advances to and advances from other funds, and interfund transfers in and out) were only posted in one of the funds and required additional adjustments to ensure the symmetrical side of the entry was reflected in the other funds.

In addition, during our audit of the City’s unadjusted trial balances, we noted a significant number of deficiencies with respect to account balances, which are only adjusted annually as part of the financial close, not being accurate. Deficiencies noted are as follows:

- During our testing of the prepaid insurance in the Risk Management Internal Service Fund, it was noted the County’s imprest account for prepaid insurance had not been adjusted to reflect the true balance, per the year-end sub-ledger, requiring an adjustment of approximately \$540,000;
- During our testing of compensated absences, we noted the County did not include the County’s portion of FICA taxes in the compensated absences balances as required by GAAP. An adjustment of \$2,251,106 was required to properly record these amounts as part of the compensated absences liability as year-end for the County’s governmental activities and a similar adjustment of \$412,580 was required in the various funds which make up the County’s business-type activities reporting unit.

DEKALB COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

- During our testing of the Agency Fund of the County Tax Commissioner, we noted that the agency fund did not report the amount of property taxes billed on behalf of other government entities, but not yet collected, as a receivable nor did the agency fund report the offsetting amounts owed to other governments or entities. An adjustment of approximately \$29,916,000 to increase assets and liabilities for the Tax Commissioner's Agency Fund was required.

Effects/Possible Effects: If the above mentioned adjustments and corrections were not made, the financial statements for the County would have been materially misstated as of year-end, thus providing misleading information to the readers of the financial statements.

Recommendation: We recommend the County's Finance Department, including the Accounting Division, implement and/or strengthen internal controls surrounding the year-end financial close out procedures. We also recommend management reconcile account balances routinely to subsidiary ledgers to ensure proper and timely recording and consider performing a full financial close, of significant funds, mid-year so the process can become more routine. With respect to journal entries, we recommend the County implement controls to ensure that all journal entries (those made at year-end as part of the CAFR Excel worksheets) are properly reviewed and approved by someone other than the preparer and that it is clearly documented as such (preparer and reviewer initials and dates). As it relates to the preparation of the CAFR, we recommend the County employ a more automated process such that the need for significant adjustments outside of the general ledger is mitigated. To the extent that CAFR Excel worksheet adjustments remain a component of the County's financial reporting process, it is critical that those responsible for the completeness and accuracy of the CAFR review all entries to ensure that the adjustments will be properly reflected in the final statements.

Auditee's Response: We concur with the finding. We are taking necessary steps to ensure that the year-end financial close-out procedures are done accurately and in a timely manner. The Finance Department is working with Information Technology to implement several high priority related projects including upgrading of the Oracle financial information system. Furthermore, the Finance Department is implementing CAFR software to improve this process going forward.

DEKALB COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

Finding 2012-4 – Capital Asset Accounting

Criteria: Internal controls should be in place to ensure that all capital asset amounts reported within the financial statements are accurate, in accordance with generally accepted accounting principles, and represent assets that are owned by the County.

Condition/Cause/Context: During our testing of capital assets, we noted the following issues:

- The County did not properly capitalize, as part of the cost of the related capital asset, the net interest incurred on debt used to finance various projects during construction for its Watershed System Fund for the year ended December 31, 2012. An adjustment to increase capital assets and reduce interest expense for the Watershed System Fund in the amount of \$17,340,000 was necessary to properly record capitalized interest.
- For the Stormwater Utility Fund, the County had included, as part of its construction in progress (which is reported as capital assets on the statement of net position), work performed in relation to stormwater infrastructure improvement projects on behalf of certain municipalities within the County, through an intergovernmental agreement, when these municipalities own the infrastructure for which the County was providing the services. An adjustment to reduce capital assets and increase expenses by \$1,000,000 was necessary in order to properly account for these costs.
- The County did not routinely evaluate its construction in progress during the year, nor at year-end, to transfer completed projects to depreciable status and thus begin depreciating those assets in accordance with the County's policies and in accordance with generally accepted accounting principles. An adjustment was required to decrease construction in progress and increase depreciable assets by over \$1,000,000 across the County's various reporting units.

Effects/Possible Effects: If the above mentioned adjustments and corrections were not made, the capital assets and related accounts of the County would have been materially misstated as of year-end, thus providing misleading information to the readers of the financial statements.

Recommendation: We recommend the County carefully review its capital asset detail and related items to ensure that all capital assets and components thereof, are properly recorded during the year and at year-end in accordance generally accepted accounting principles. The Finance Department should routinely provide a detailed listing of the construction in progress to the applicable County department heads for review to ensure that items are appropriately included in construction in progress or are completed and ready to be moved to depreciable status.

Auditee's Response: We concur with the finding. We will ensure that capital assets are properly reported during the year and at the conclusion of each financial reporting cycle.

DEKALB COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

Finding 2012-5 – Accounts Payable Accounting

Criteria: Internal controls should be in place to ensure accounts payable and related accrued liabilities are properly reported within the financial statements. Generally accepted accounting principles require financial statements to be prepared either under the full accrual basis of accounting (for proprietary funds) in which all liabilities and related expenses are reported when incurred, regardless of the timing of related cash flows, or under the modified accrual basis of accounting (for governmental funds) in which liabilities, and related expenditures, are reported as incurred if expected to be paid from current, available resources.

Condition: Internal controls were not sufficient to detect duplicative accruals recorded by the County during the current year. In addition, several invoices were either improperly included or improperly excluded from the County's accounts payable detail at year end, based on when the applicable services had been provided.

Context/Cause: During our testing of accounts payable and other accrued liabilities, we noted the following issues:

- During our testing of the Watershed System Fund's due to other governments' liability, we noted the County originally estimated amounts owed to other governments for leasehold operating expenses for 2012 and recorded the accrued liability. However, when the invoices came in, the County recorded the actual invoices as part of its manual accounts payable accrual and did not reverse the initial entry which recorded an estimated amount. An adjustment to reduce accrued liabilities and related expenses of \$3,206,000 was required.
- We noted the County accrued certain items with 2012 invoice dates; however, upon review of the invoices, the items on the invoice were related to 2013. Additionally, we noted the County did not properly accrue certain items with 2013 invoices dates that related to 2012 receipt of goods and services. Adjustments related to these items resulted in a decrease in accounts payable and expenses in the Watershed System Fund of \$523,000; an increase in accounts payable and expenditures in the Special Tax District – Unincorporated Fund of \$330,000; and an increase in accounts payable and expenditures in the 2006 Transportation, Parks, and Libraries Bonds Fund of \$762,000.

Effects/Possible Effects: If the above mentioned adjustments and corrections were not made, the accounts payable, accrued liabilities, and related expenses or expenditures of the County would have been materially misstated as of year-end, thus providing misleading information to the readers of the financial statements.

Recommendation: We recommend the County strengthen its review of invoices that are paid subsequent to year-end to ensure items are recorded in the proper reporting period. If the Finance Department employs the use of several individuals to review invoices to record accounts payable and

DEKALB COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

accrued liabilities at year-end, the County should put procedures in place to prevent the duplication of accruals at year-end.

Auditee's Response: We concur with the finding. The County will continue to strengthen its controls surrounding the manual review of invoices and will continue to develop and train accounts payable staff with appropriate guidance for identifying accruals.

Finding 2012-6 – Accounting for Intergovernmental Receivables, Revenue, and Unearned Revenue (or Deferred Inflows of Resources)

Criteria: Internal controls should be in place to ensure receivables, revenue, and related unearned revenues (or deferred inflows of resources) are properly recorded at year-end in accordance with generally accepted accounting principles.

Condition: Internal controls were not sufficient to prevent misstatements in reporting of the County's intergovernmental receivable balances, revenue, and unearned revenue (or deferred inflows of resources) within the Stormwater Utility Fund, the Watershed Fund, Sanitation Fund, and in several special revenue funds in which grant activity is recorded.

Context/Cause: During our testing of intergovernmental revenues, receivables, unearned revenues, and deferred inflows of resources it was noted that the County is not reviewing the related ending balances at year-end. During our testing of intergovernmental receivables, we noted that the County uses an Excel worksheet to calculate the receivable with a formula that subtracts the life to date revenue that has been applied from the life to date expenditures for each cost center that is set up in the County's Oracle financial system. When obtaining support, it was noted that the evidence supplied from the departments did not match the receivables recorded. This difference, between the spreadsheet and the departmental information, was due to many different factors including, but not limited, to revenue not being applied to the appropriate cost center, expenditures not being posted to the correct cost center, and no accrual of expenditures or revenue in Oracle due to the manual process of determining the receivable. It was noted that there is a lack of communication and accountability between the individual departments administering the grants and the grants management and accounting function within the County's finance department to reconcile these receivable and revenue balances. During our testing of unearned revenue or unapplied revenue, it was noted that no reconciliation of these balances was being performed on a periodic basis. Once evidence was obtained to support the unapplied revenue balances, it was noted that the balances reported were much different than the evidence obtained for these balances. These differences resulted from issues similar to those described previously related to the receivable accrual. In addition, we noted advances between the Sanitation Fund and Watershed Fund were reflected as intergovernmental revenue and prepaid items instead of advances to and from these two funds.

DEKALB COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

Effects/Possible Effects: In the Stormwater Utility Fund, adjustments were required to increase intergovernmental revenue by approximately \$547,000, decrease unearned revenue by approximately \$636,000, and to decrease intergovernmental receivables by roughly \$89,000. In the DeKalb-Peachtree Airport Fund, an adjustment was required to decrease intergovernmental revenue and receivables by roughly \$413,000. In the Capital Improvement Projects Fund, an adjustment was required to decrease intergovernmental revenue and receivables by roughly \$97,000. In the ARRA Capital Project Fund, adjustments were required to decrease intergovernmental receivables and revenues by roughly \$44,000. In the Law Enforcement Confiscated Monies Fund, adjustments were required to decrease deferred inflow of resources by \$595,000, decrease due from other governments by \$73,000, and increase intergovernmental revenue by \$522,000. In the Grant-in Aid Fund, adjustments were required to decrease due from other governments by roughly \$1,789,000, decrease deferred inflows of resources by \$986,000, and to decrease intergovernmental revenues by roughly \$803,000. In the ARRA Grant Fund, adjustments were required to decrease deferred inflows of resources by roughly \$699,000, decrease due from other governments by roughly \$637,000, and to increase intergovernmental revenue by roughly \$62,000. In order to properly record inter-fund activity, in the Watershed Fund, an adjustment of \$6,000,000 was made to decrease prepaid items and increase advances to other funds, while, in the Sanitation Fund, an adjustment was made to decrease intergovernmental revenue and to increase the related advances from other funds.

Recommendation: There should be a periodic reconciliation of the intergovernmental receivable and unearned revenue (or deferred inflows of resources) balances to actual unapplied revenue balances. There should also be periodic communication between the different user departments administering the grants or intergovernmental activity and the departments accounting for the activity.

Auditee's Response: We concur with the finding. The County will implement new control processes and strengthen its reconciliation processes surrounding these areas. The County will also improve communication between the various departments to ensure that accountability in the appropriate areas is achieved.

Finding 2012-7 – Proper Preparation and Accounting of the Schedule of Expenditures of Federal Awards

Criteria: OMB Circular A-133 requires preparation of the schedule of expenditures of federal awards to include all federal grant program expenditures during the covered reporting period. As the schedule is audited in relation to the County's basic financial statements, which are prepared on the accrual and modified accrual basis of accounting, the schedule of expenditures of federal awards is also prepared on this basis of accounting.

Condition: Internal controls did not detect misstatements in the preparation of the schedule of expenditures of federal awards, which included that the County prepared the schedule of expenditures of federal awards on a cash basis instead of an accrual basis.

DEKALB COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

Context/Cause: During our testing of the schedule of expenditures of federal awards, the following issues were noted:

- Audit adjustments of approximately \$1,717,000 were required to add Confiscated funds federal programs to the schedule of expenditures of federal awards that were initially excluded. Adjustments of approximately \$767,000 were required to properly report the schedule of expenditures of federal awards on an accrual basis for the current year – adding the accrued liabilities as of year-end which related to federal grant programs. Due to the prior year schedule of expenditures of federal awards being accounted for on a cash basis, the current year schedule of expenditures of federal awards included prior year expenditures of approximately \$2,548,000 that should have been accrued and reflected in the prior year schedule of expenditures of federal awards but were not and thus included in the current year schedule to ensure accountability for those funds.
- The current year expenditures under the County's Community Development Block Grant (CDBG) program which were funded by proceeds of the American Recovery and Reinvestment Act (ARRA) were improperly excluded from the CDBG cluster on the schedule of expenditures of federal awards and thus had to be reclassified into the CDBG cluster.
- The Catalog of Federal Domestic Assistance (CFDA) numbers for several of the County's Justice Administration Grants (JAG) were incorrectly reported and, once corrected, resulted in changes to the County's clusters for its Department of Justice grants.

Effects/Possible Effects: Audit adjustments of \$2,484,000 were needed as described above to properly include all expenditures for the year in the schedule. Also, as described above, corrections to CFDA numbers and clustering were required in order to properly reflect the County's programs in the schedule of expenditures of federal awards.

Recommendation: We recommend the County establish procedures to ensure all federal grant expenditures are included in the schedule of expenditures of federal awards (on an accrual basis) and that CFDA numbers are reported correctly. As many accrued liabilities are generated by the Accounting Division of the County's Finance Department during the year-end closing process and the schedule of expenditures of federal awards is prepared by the grants management and accounting function in another division within the Finance Department, it is essential that these two functions communicate and work together to ensure that the schedule of expenditures of federal awards is accurately and appropriately prepared on the accrual basis of accounting.

Auditee's Response: We concur with the finding. The Accounting and Grant divisions of the Finance Department will work to determine that all federal grant expenditures are included and that the schedule of expenditures of federal awards is prepared on an accrual basis which is consistent with the basis of accounting used to prepare the County's financial statements.

DEKALB COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

Finding 2012-8 – Proper Reconciliation and Reporting of Cash Balances

Criteria: Internal controls should be in place to ensure that cash is properly reported at year-end.

Condition: Internal controls were not sufficient to detect that the County had not properly reconciled its pooled cash accounts as of year-end and were thus not appropriately reporting cash in the financial statements.

Context/Cause: During our audit of the County's General and Watershed Concentration accounts (both of which are considered pooled cash accounts - in which multiple funds of the County participate in the case of the General Concentration account and multiple Watershed funds participate in the Watershed Concentration account), we noted "adjustment" reconciling items on the reconciliation of the bank statement to the general ledger for each of these two accounts of approximately \$14,738,000 and \$4,756,000, respectively. These adjustments were not traditional reconciling items such as deposits in transit or outstanding checks but instead represented items that had cleared the bank but were not posted to the County's general ledger as of year-end, however these items should have been recorded in the general ledger.

Effects/Possible Effects: Audit adjustments of approximately \$14,738,000 (which affected the funds that participate in the general pooled cash account) and \$4,756,000 (Watershed Fund) were required to reduce cash. Some of these entries required a reclass of cash from the concentration account to cash at fiscal agents (for advance payment of principal and interest due on January 1, 2013) while other entries required reduction of cash and a reduction of accrued liabilities or increases to prepaid items.

Recommendation: We recommend the County establish procedures to ensure all bank reconciliations are properly reconciled and all transactions are timely and accurately posted to the County's general ledger system.

Auditee's Response: We concur with the finding. We are taking the necessary steps to ensure that all cash accounts are properly and timely reconciled and recorded to the County's general ledger system. The Finance Department is working with Information Technology to implement and configure additional capabilities in Oracle ERP to assist with this process.

DEKALB COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

(3) Federal Award Findings and Questioned Costs

Finding 2012-9 – Documentation of Payroll

Program: CFDA No. 14.218, 14.253

CFDA Program Title: Community Development Block Grants Cluster (CDBG)

Federal Award Years: 2009, 2010, 2011, and 2012

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.

Where the employees work on multiple activities or 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 CDBG grant includes salaries or wages charged as direct costs for both employees that are considered single activity employees (they only work on the CDBG program) and some that are considered multiple activity employees (they work on the CDBG program as well as other County HUD programs). The process, used by the County personnel responsible for managing the CDBG grant, for payroll charged to the CDBG grant is the same process used by the County for all of its payroll and is the generally accepted practice of the County. For employees who work solely on the CDBG grant, the County did not obtain periodic certifications that the employee worked solely on the CDBG grant that were signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee. The process, used by the County personnel responsible for managing the CDBG grant, for allocating salaries and wages among the multiple activities or cost objectives on which the employees worked was for management responsible for the grant to allocate

DEKALB COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

such costs to the grants based on their knowledge of what the employee worked on. The employees do not sign or approve the allocation of their effort to the various grants, activities, 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: \$1,042,957.

Cause: The County had the understanding that the breakout of personnel costs by supervisors with knowledge of the activities of the personnel was acceptable documentation of these costs.

Context: The County utilized the above described methodology of allocating personnel costs for all personnel costs charged to the CDBG grant program. All the personnel costs charged to the CDBG program in 2012 are included in the questioned costs above.

Recommendation: We recommend the County enact controls which require all personnel who charge time to a grant to provide the certification or signed documentation described above. Note that these requirements are subject to change in the next two years with the implementation of proposed changes, by OMB, to Circular A-87.

Auditee's Response: The County accepts the external audit finding and plan to enact controls which require all personnel, who charge time to a grant, to record and distribute their activity among the grants on which they work and then allocate costs based on this documentation. The lack of signature on the existing personnel activity reports will be resolved by inserting a signature on personnel activity reports.

All employee source documentations are signed by the employees as well as the Director and or Assistant Director. The process used by the County personnel that manages the CDBG grant is as following: Employees are hired based on the needs of the department. The Director and or Assistant Director assign job descriptions based on the approved action plan which agrees with the approved grant budget.

The County has concerns regarding implementation of multiple activity employee process with the current payroll system (KRONOS). KRONOS doesn't have the capability to allow multiplies accounting strings to be used for one employee expenses. Also the existing billing system (Oracle) will not allow for the accommodation of moving passed expenditures to various grant awards. Withstanding the concerns, the Department of Human and Community Development will continue to work along with the Finance Department to ensure an acceptable means to address the concerns.

DEKALB COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

Finding 2012-10 – Documentation of Payroll

Program: CFDA No. 14.239

CFDA Program Title: HOME Investment Partnership (HOME)

Federal Award Years: 2009, 2010, 2011, and 2012

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.

Where the employees work on multiple activities or 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 HOME grant includes salaries or wages charged as direct costs for both employees that are considered single activity employees (they only work on the HOME program) and some that are considered multiple activity employees (they work on the HOME program as well as other County HUD programs). The process, used by the County personnel responsible for managing the HOME grant, for payroll charged to the HOME grant is the same process used by the County for all of its payroll and is the generally accepted practice of the County. For employees who work solely on the HOME grant, the County did not obtain periodic certifications that the employee worked solely on the HOME grant that were signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee. The process, used by the County personnel responsible for managing the HOME grant, for allocating salaries and wages among the multiple activities or cost objectives on which the employees worked was for management responsible for the grant to allocate such costs to the grants based on their knowledge of what the employee worked on.

DEKALB COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

The employees do not sign or approve the allocation of their effort to the various grants, activities, 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: \$278,085.

Cause: The County had the understanding that the breakout of personnel costs by supervisors with knowledge of the activities of the personnel was acceptable documentation of these costs.

Context: The County utilized the above described methodology of allocating personnel costs for all personnel costs charged to the HOME grant program. All the personnel costs charged to the HOME program in 2012 are included in the questioned costs above.

Recommendation: We recommend the County enact controls which require all personnel who charge time to a grant to provide the certification or signed documentation described above. Note that these requirements are subject to change in the next two years with the implementation of proposed changes, by OMB, to Circular A-87.

Auditee's Response: The County accepts the external audit finding and plan to enact controls which require all personnel, who charge time to a grant, to record and distribute their activity among the grants on which they work and then allocate costs based on this documentation. The lack of signature on the existing personnel activity reports will be resolved by inserting a signature on personnel activity reports.

All employee source documentations are signed by the employees as well as the Director and or Assistant Director. The process used by the County personnel that manages the HOME grant is as following: Employees are hired based on the needs of the department. The Director and or Assistant Director assign job descriptions based on the approved action plan which agrees with the approved grant budget.

The County has concerns regarding implementation of multiple activity employee process with the current payroll system (KRONOS). KRONOS doesn't have the capability to allow multiplies accounting strings to be used for one employee expenses. Also the existing billing system (Oracle) will not allow for the accommodation of moving passed expenditures to various grant awards. Withstanding the concerns, the Department of Human and Community Development will continue to work along with the Finance Department to ensure an acceptable means to address the concerns.

DEKALB COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

Finding 2012-11 – Documentation of Payroll

Program: CFDA No. 14.264

CFDA Program Title: Neighborhood Stabilization Program 3 (NSP)

Federal Award Years: 2012

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.

Condition: The County's NSP-3 grant includes salaries or wages charged as direct costs for employees that are considered single activity employees (they only work on the NSP-3 program). The process, used by the County personnel responsible for managing the NSP-3 grant, for payroll charged to the NSP-3 grant is the same process used by the County for all of its payroll and is the generally accepted practice of the County. The County did not obtain periodic certifications that the employee worked solely on the NSP-3 grant which were signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

Effects or possible effects: As the salaries and wages charged to the grant 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: \$109,005.

Cause: The County had the understanding that the breakout of personnel costs by supervisors with knowledge of the activities of the personnel was acceptable documentation of these costs.

DEKALB COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

Context: The County utilized the above described methodology of allocating personnel costs for all personnel costs charged to the NSP-3 grant program. All the personnel costs charged to the NSP-3 program in 2012 are included in the questioned costs above.

Recommendation: We recommend the County enact controls which require all personnel who charge time to a grant to provide the certification or signed documentation described above. Note that these requirements are subject to change in the next two years with the implementation of proposed changes, by OMB, to Circular A-87.

Auditee's Response: The County accepts the external audit finding and plan to enact controls which require all personnel, who charge time to a grant, to record and distribute their activity among the grants on which they work and then allocate costs based on this documentation. The lack of signature on the existing personnel activity reports will be resolved by inserting a signature on personnel activity reports.

All employee source documentations are signed by the employees as well as the Director and or Assistant Director. The process used by the County personnel that manages the NSP grant is as following: Employees are hired based on the needs of the department. The Director and or Assistant Director assign job descriptions based on the approved action plan which agrees with the approved grant budget.

The County has concerns regarding implementation of multiple activity employee process with the current payroll system (KRONOS). KRONOS doesn't have the capability to allow multiplies accounting strings to be used for one employee expenses. Also the existing billing system (Oracle) will not allow for the accommodation of moving passed expenditures to various grant awards. Withstanding the concerns, the Department of Human and Community Development will continue to work along with the Finance Department to ensure an acceptable means to address the concerns.

Finding 2012-12 – Documentation of Payroll

Program: CFDA No. 16.738, 16.803, 16.804

CFDA Program Title: Justice Assistance Grant Cluster (JAG)

Federal Award Years: 2009, 2010, and 2011

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

DEKALB COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

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.

Condition: The County's JAG grant includes salaries or wages charged as direct costs for employees that are considered single activity employees (they only work on the JAG program). The process, used by the County personnel responsible for managing the JAG grant, for payroll charged to the JAG grant is the same process used by the County for all of its payroll and is the generally accepted practice of the County. For seven of the eight employees who had their costs charged to the JAG grant, the County did not obtain periodic certifications that the employee worked solely on the JAG grant which are signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

Effects or possible effects: As the salaries and wages charged to the grant 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: \$222,149.

Cause: The County had the understanding that the breakout of personnel costs by supervisors with knowledge of the activities of the personnel was acceptable documentation of these costs.

Context: Eight County personnel had their costs charged to the JAG program and for seven of these eight employees, the County did not obtain periodic certifications that the employee worked solely on the JAG grant that were signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee. The amount of the personnel costs related to those seven personnel who charged to the JAG program in 2012 are included in the questioned costs above.

Recommendation: We recommend the County enact controls which require all personnel who charge time to a grant to provide the certification or signed documentation described above. Note that these requirements are subject to change in the next two years with the implementation of proposed changes, by OMB, to Circular A-87.

DEKALB COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

Auditee's Response: The County agrees with the recommendation above. The current method of timekeeping is utilizing the Kronos system, which feeds into the PeopleSoft Payroll system and ultimately into the Oracle Projects & Grants ERP module. This automated methodology has constraints and limitations that precludes signing off on time allocation in the manner recommended. The County will work to develop certification processes of time allocation.

Finding 2012-13 – Suspension and Debarment

Program: CFDA No. 16.738, 16.803, 16.804

CFDA Program Title: Justice Assistance Grant Cluster (JAG)

Federal Award Years: 2009, 2010, and 2011

Criteria: In compliance with the guidance set forth in the grant agreements and with the OMB A-102 Common Rule, all grant recipients are required, during the procurement process, to ensure vendors are not cited as suspended or debarred or otherwise excluded from participation in federally funded contracts. This can be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration, collecting a certification from the entity, or adding a clause or condition to the contract with the vendor.

Condition: During our testing of the JAG grant cluster, it was discovered that the County did not verify whether three contractors were noted as excluded on the Federal government's suspension and debarred lists and did not include the appropriate language in the contracts with those vendors.

Effects or possible effects: The County could unintentionally enter into a noncompliant contract and be forced to reimburse the Federal government for all expenditures made with the debarred or suspended contractor. Based on a review of the EPLS, none of the contractors in this case were included as suspended or debarred.

Questioned Costs: None.

Cause: The County did not obtain suspension and debarment certifications from the contractors.

Context: Of the three contractors used with JAG funds, all of which were reviewed as part of our audit, none were noted as having the proper suspension and debarment certification in their contracts.

Recommendation: We recommend the County follow procedures to properly include all suspension and debarment clauses in the contracts involving grant funds.

DEKALB COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

Auditee's Response: The County agrees with the recommendation above. The Purchasing Department established a formal process to ensure that all grant related information is included in the contracts in the future.

Finding 2012-14 – Suspension and Debarment

Program: CFDA No. 16.922

CFDA Program Title: Law Enforcement Confiscated Assets (Confiscated Assets)

Criteria: In compliance with the guidance set forth in the cooperative agreements and with the OMB A-102 Common Rule (which applies to grants and cooperative agreements) Attachment 1 (d), all recipients are required, during the procurement process, to ensure vendors are not cited as suspended or debarred or otherwise excluded from participation in federally funded contracts. This can be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration, collecting a certification from the entity, or adding a clause or condition to the contract with the vendor.

Condition: During our testing of the Confiscated Assets program, it was discovered that the County did not verify whether three contractors were noted as excluded on the Federal government's suspension and debarred lists and did not include the appropriate language in the contracts with those vendors.

Effects or possible effects: The County could unintentionally enter into a noncompliant contract and be forced to reimburse the Federal government for all expenditures made with the debarred or suspended contractor. Based on a review of the EPLS, none of the contractors in this case were included as suspended or debarred.

Questioned Costs: None.

Cause: The County did not obtain suspension and debarment certifications from the contractors.

Context: Of the three contractors used with Confiscated Assets funds, all of which were reviewed as part of our audit, none were noted as having the proper suspension and debarment certification in their contracts.

Recommendation: We recommend the County follow procedures to properly include all suspension and debarment clauses in the contracts involving grant or cooperative agreement funds.

DEKALB COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

Auditee's Response: The County agrees with the recommendation above. The Purchasing Department has established a formal process to ensure that all grant related information is included in the contracts in the future.

Finding 2012-15 – Reporting

Program: CFDA No. 16.922

CFDA Program Title: Law Enforcement Confiscated Assets (Confiscated Assets)

Criteria: Under Section X of the Guide to Equitable Sharing for State and Local Law Enforcement Agencies, a state or local law enforcement agency must submit a signed Equitable Sharing Agreement and Certification Form. The Equitable Sharing Agreement and Certification Form is due 60 days after the agency's fiscal year end.

Condition: During our testing of the Equitable Sharing Agreements and Certification Forms submitted by the three participating County agencies: Sheriff, Police, and District Attorney, we noted that one of the three forms (from the Sheriff's department) was not submitted timely.

Effects or possible effects: Management of the Sheriff's Department did not perform a timely review of the report and therefore, the report was not submitted timely.

Questioned Costs: None.

Cause: The County did not submit the required report for the Sheriff's office until after being contacted directly by the federal agency.

Context: The one report which was not filed timely was the only required report noted to be filed late.

Recommendation: We recommend the County strengthen internal controls around management review of reporting to ensure that all required reports are submitted timely.

Auditee's Response: The County agrees with the recommendation above. The DeKalb County Sheriff Department has coordinated with the DeKalb County Finance Department Confiscated funds manager to ensure timely dissemination of financial records necessary to complete the Equitable Sharing for State and Local Law Enforcement Agencies reports in a timely manner.

DEKALB COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

Finding 2012-16 – Commingling of Funds

Program: CFDA No. 16.922

CFDA Program Title: Law Enforcement Confiscated Assets (Confiscated Assets)

Criteria: Under Section IX A.2. of the Guide to Equitable Sharing for State and Local Law Enforcement Agencies, a state or local law enforcement agency should not commingle Department of Justice equitable sharing funds with funds from any other source.

Condition: During our testing of the requirements of the Confiscated Assets program, we noted that the County did open a separate bank account for the federal Equitable Sharing Program fund in June 2012, as a result of a Department of Justice audit report. However, this account was not utilized until 2013 when the applicable federal program funds were transferred into the new account. During 2012, separate revenue and expenditure tracking was performed by the County on the Equitable Sharing funds, but the separate bank account was not utilized.

Effects or possible effects: The County did not comply with the federal program requirement related to commingling and could have resulted in funds being spent for non-program purposes.

Questioned Costs: None.

Cause: The County did learn about the requirement during 2012 and established the separate bank account but did not transfer assets until 2013.

Context: The bank account relates to all funds of the program.

Recommendation: We recommend the County ensure the assets and all related activity flow through the recently established bank account.

Auditee's Response: The County agrees with the finding. The Federal Government was provided the new bank account for all Federal Confiscated Funds Payments but information was not updated until 2013. The Banking information has been updated and deposits was made into to the new bank account as of March 13, 2013.

DEKALB COUNTY, GEORGIA
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2012

(4) Status of Prior Year Findings

Finding Reference: 2011-8

Condition: The County had five subrecipients under the ARRA WIA Adult and WIA Dislocated Workers programs. During the review, the auditor noted that four of the five subrecipient agreements did not have the federal number or the CFDA number included in the agreement, nor was it part of the request for proposal as required.

Auditee Response/Status: The County corrected the condition. The Workforce Development personnel worked with the Purchasing Department to ensure that the contracts and agreements with subrecipients included the required information.

Finding Reference: 2011-9

Condition: During the review of 40 subrecipients from the WIA program, the auditor noted the County did not have audit reports or Certificate of Exemptions for 17 subrecipients and there were no monitoring reports for 27 subrecipients.

Auditee Response/Status: The County corrected the condition. The County worked with each subrecipient to obtain either the audit report or a certificate of exemption due to expenditures not meeting the required threshold. The County also enhanced oversight and monitoring efforts of all subrecipients.

Finding Reference: 2011-10

Condition: During the review of 12 months of FSRs of the WIA program, the auditor noted the County did not timely submit 7 months of reports. Further, we noted the County did not submit any reports required under the Federal Funding Accountability and Transparency Act.

Auditee Response/Status: The County corrected the condition. All required monthly reports were completed and filed timely.

DEKALB COUNTY, GEORGIA
STAUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2012

Finding Reference: 2011-11

Condition: For the WIA program, during the review of vendors with expenditures greater than \$25,000, the auditor noted the County did not have contracts for 4 of the 11 vendors tested.

Auditee Response/Status: The County corrected the condition. The Workforce Development personnel worked with the Purchasing Department to ensure that proper contracts were obtained and retained for all vendors.

Finding Reference: 2011-12

Condition: During the review reports submitted by the County for the CDGB program, the auditor noted that the County did not submit any reports required under the Federal Funding Accountability and Transparency Act (FFATA).

Auditee Response/Status: The County corrected the condition. All required FFATA reports were completed and filed timely.

Finding Reference: 2011-13

Condition: For the Highway Planning and Construction program, during the review of all 22 reports submitted during 2011, the auditor noted 5 reports were not submitted by the 10th day following month end.

Auditee Response/Status: The County corrected the condition. All required monthly reports were completed and filed timely.

Finding Reference: 2011-14

Condition: For the Confiscated Assets funds program, during the review of the Equitable Sharing Agreement and Certification Form submitted by the three agencies; Sheriff, Police and District Attorney, the auditor noted that all three forms were not submitted timely.

Auditee Response/Status: The County partially corrected the condition. For the three participating County agencies: Sheriff, Police, and District Attorney, two of the three forms were completed as required, however one (from the Sheriff's department) was not submitted timely (as noted in current year finding 2012-15).

DEKALB COUNTY, GEORGIA
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2012

Finding Reference: 2011-15

Condition: Two employees in the County's Department of Public Water Works attempted to divert funding from the Highway Planning and Construction program by extorting contractors to inflate the cost of Highway Planning and Construction projects and falsify invoices to support the fictitious cost. These employees would then provide the approval needed for the invoice to be paid and would direct the contractor to pay them the amount in excess of the true contracted value. These same employees accepted approximately \$28,300 from contractors during an FBI directed investigation for favorable treatment of project assignments. The contractor involved has relinquished to the FBI all of the fraudulent funds received pursuant to the FBI investigation.

Auditee Response/Status: The two employees were terminated from employment and prosecuted by federal authorities. The County cooperated with the investigation. Management has placed a focus on monitoring of contract exceptions and overages.