

DEKALB COUNTY, GEORGIA

SINGLE AUDIT REPORTS

**FOR THE YEAR ENDED
DECEMBER 31, 2013**

DEKALB COUNTY, GEORGIA
SINGLE AUDIT REPORTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 29, 2014. Our report includes a reference to other auditors. 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 and a significant deficiency.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2013-002, 2013-003, 2013-004, and 2013-005 to be material weaknesses.

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 deficiency described in the accompanying schedule of findings and questioned costs as item 2013-006 to be a significant deficiency.

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 2013-001.

The County's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Atlanta, Georgia
August 29, 2014



**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, 2013. 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 \$12,667,931 in federal awards which are not included in the schedule of expenditures of federal awards for the year ended December 31, 2013. 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, HOME Investment Partnership, Neighborhood Stabilization Program 3, and the Highway Planning and Construction

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 (CFDA 14.218), as described in item 2013-007; allowable costs that are applicable to its HOME Investment Partnership program (CFDA 14.239), as described in item 2013-008; allowable costs that are applicable to its Neighborhood Stabilization Program 3 (CFDA 14.264), as described in item 2013-009; and Davis Bacon Act that is applicable to its Highway Planning and Construction (CFDA 20.205), as described in item 2013-010. 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, HOME Investment Partnership, Neighborhood Stabilization Program 3, and the Highway Planning and Construction

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, HOME Investment Partnership, Neighborhood Stabilization Program 3, and the Highway Planning and Construction for the year ended December 31, 2013.

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, 2013.

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 2013-011, 2013-012, 2013-013, and 2013-015. 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 2013-007, 2013-008, 2013-009, and 2013-010 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 2013-011, 2013-012, 2013-013, 2013-014, and 2013-015 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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated August 29, 2014 which contained unmodified opinions on those financial statements. Our report includes a reference to other auditors. 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".

Atlanta, Georgia

September 30, 2014, except for our report on the schedule of expenditures of federal awards, for which the date is August 29, 2014

DEKALB COUNTY, GEORGIA
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2013

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:			
2013 SUMMER FOOD PROGRAM (601425)	10.555	08025 PY 2011	\$ 549,339
Total U.S. Department of Agriculture			549,339
U.S. Department of Housing and Urban Development:			
Community Development Block Grant (CDBG) Cluster:			
CDBG 2008 (600901)	14.218	B-08-UC-13-0001	50,854
CDBG 2009 (601009)	14.218	B-09-UC-13-0001	38,897
CDBG 2009 PI (601011)	14.218	B-09-UC-13-0001	2,617
CDBG 2010 (601128)	14.218	B-10-UC-13-0001	132,533
CDBG 2010 PI (601100)	14.218	B-10-UC-13-0001	7,535
CDBG 2011 (601241)	14.218	B-10-UC-13-0001	227,211
CDBG 2012 (601326)	14.218	B-10-UC-13-0001	2,424,562
CDBG-BY2012 (601381)	14.218	B-01-UC-13-0001	15,452
CDBG-2013 PI (601402)	14.218	B-10-UC-13-0001	84,897
CDBG-RECAP (601434)	14.218	B-12-UC-13-0001	1,667
CDBG 2013 (601459)	14.218	B-13-UC-13-0001	738,629
CDBG-108 LOAN (601244)	14.218	B-08-UC-13-0001	5,918,462
NSP (600984)	14.218	B-08-UN-13-0003	134,732
NSP-PI-2011 (601200)	14.218	B-08-UN-13-0003	675,529
NSP-PI-20121 (601288)	14.218	B-09-UY-13-0001	71,839
Total CDBG Cluster			10,525,416
Emergency Shelter Grant Programs:			
ESGP-2011 (601266)	14.231	E-11-UC-13-0009	142,534
ESGP 2012 (601350)	14.231	E-11-UC-13-0009	294,025
ESGP-2013 (601485)	14.231	E-11-UC-13-0009	45,690
			482,249
HOME Investment Partnership:			
HOME 2009 (601010)	14.239	M-09-UC-13-0208	195,658
HOME 2009 PI (600983)	14.239	M-09-UC-13-0208	22,293
HOME 2010 (601232)	14.239	M-10-UC-13-0208	1,482,214
HOME - 2011 (601262)	14.239	M09-UC-13-0208	784,427
HOME-PI-2012 (601292)	14.239	M10-UC-13-0208	119,137
HOME 2012 (601408)	14.239	M10-UC-13-0208	206,641
HOME-PI-2013 (601411)	14.239	M10-UC-13-0208	34,465
			2,844,835
NSP3-PI-20-2013 (601423)	14.264	B-08-UN-13-0003	73,190
NSP-3 (601299)	14.264	B-08-UN-13-0003	1,575,116
			1,648,306
Total U.S. Department of Housing and Urban Development			15,500,806
U.S. Department of the Interior Fish and Wildlife Service:			
Partners for Fish & Wildlife (601362)	15.631	F12ACO1433	8,600
Total U.S. Department of the Interior Fish and Wildlife Service			8,600

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DEKALB COUNTY, GEORGIA
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2013

Grantor/program title	Federal CFDA No.	State pass through or grant No.	Total Expenditures
U.S. Department of Justice (DOJ):			
Pass-Through Judicial Council of Georgia - Administrative Office of the Courts:			
OVW-Training and Improvement (601431)	16.013	2011-WC-AX-K014	25,388
Pass-Through Council of Juvenile Court Judges:			
CJCJ- COUNSELING (601379)	16.523	J12-8-063	12,919
CJCJ- COUNSELLING DRUG/ALCOHOL (601454)	16.523	A13-8-025	27,542
CJCC JOURNEY (601455)	16.523	A13-8-025	6,896
Total CJCJ			47,357
Pass-Through Children and Youth Coordinating Council/Office:			
EVIDENCE-BASED JUV OFFENDERS (601467)	16.523	Y13-8-008	72,418
U.S.Department of Justice (JAG) #15 (601172)			
U.S.Department of Justice (JAG) #16 (601249)	16.738	2010-DJ-BX-1437	323,507
U.S.Department of Justice (JAG) #17 (601340)	16.738	2011-DJ-BX-3460	108,595
U. S Department of Justice (JAG) #18 (601470)	16.803	2012-DJ-BX-0131	105,336
ARRA JAG - MARSHALL (601024)	16.804	2013-DJ-BX-0315	38,381
ARRA JAG - Solicitor (601028)	16.804	2009-SB-B9-0289	97,886
ARRA JAG - Solicitor (601028)	16.804	2009-SB-B9-0289	15,515
Total Justice Assistance Grant (JAG) Cluster			689,220
DOJ VAW SAFE HAVEN (601108)	16.527	2009-CW-AX-K012	142,503
2012-2013 VOCA (601370)			
CJCC/VOCA 2012-2013 (601375)	16.575	C12-8-042	75,890
CJCC/VOCA 2013-2014 (601481)	16.575	C12-8-043	43,957
CJCC/VOCA 2013-2014 (601489)	16.575	C13-8-048	30,206
		C13-8048	57,994
			208,047
2010 DOJ/BJA (601182)	16.585	2010-DC-BX-0095	92,070
2013 CJCC/VAWA (601400)	16.588	W12-8-016	50,786
DOJ - OVW (601177)	16.590	2010-WE-AX-0062	133,672
R11-RSAT (601417)	16.593	R11-8-002	67,612
SCAAP BJA06 (600664)			
SCAAP RESTRICTED (600982)	16.606	115-0404-0-1-754	25,124
	16.606	115-0404-0-1-754	470,896
			496,020
2011 BVP (601272)			
2011 BVP-DA (601272)	16.607	2011-BO-BX-11057936	4,713
2011 BVPP- (601312)	16.607	2011-BO-BX-11057936	4,548
		2011-BO-BX-11057936	4,620
			13,881
2009 ARRA C.O.P.S. (601115)			
FY 2011 CSPP (601263)	16.710	2009RJWX0037	452,311
	16.710	2011CSWX0010	106,686
			558,997
Law Enforcement Confiscated Assets Program:			
Police	16.922	N/A	1,512,444
Sheriff	16.922	N/A	355,574
Total Law Enforcement Confiscated Assets Program			1,868,018
Total U.S. Department of Justice			4,465,989

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DEKALB COUNTY, GEORGIA
 Schedule of Expenditures of Federal Awards
 Year Ended December 31, 2013

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 12 (601281)	17.258	11-12-11-03-005	15,448
FY13 ADULT (601395)	17.258	11-12-13-03-005	1,414,176
WIA FY14 Adult Program (601486)	17.258	11-13-14-03-005	234,883
WIA PY13 Adult Program (601463)	17.258	11-13-13-03-005	44,319
WIA Youth PY 11 (601240)	17.259	15-11-11-03-005	11,004
WDD YOUTH SYSTEM TIME PROGRAM (601336)	17.259	6-26-2012	86,116
WDD YOUTH SYSTEM YAP PROGRAM (601337)	17.259	6-26-12	63,732
PY12 YOUTH (601399)	17.259	15-12-11-03-005	1,316,526
PY13 WIA YOUTH (601441)	17.259	15-13-11-03-005	459,212
WDD YOUTH SYSTEM YAP (601450)	17.259	6-26-2012	61,150
WDD YOUTH SYSTEM TIME (601451)	17.259	6-26-12	63,497
WIA-Dislocated Worker (601248)	17.278	31-11-11-03-005	3,375
FY 13 DSLW (601396)	17.278	31-12-13-03-005	1,313,731
WIA-DSLW (600485)	17.278	31-05-11-03-005	188
FY 13 DSLW PROGRAM (601464)	17.278	31-13-13-03-005	150,089
FY14 DSLW (601487)	17.278	31-13-14-03-005	2,596
WIA PY13 RAPID RESPONSE (601465)	17.278	31-13-13-03-006	146
Total U.S. Department of Labor/GOWD - WIA Cluster			5,240,188
WIA Dislocated worker Formula Grants (Recovery):			
PY12 DSLW (601394)	17.260	30-12-12-03-005	457,614
Reintegration of Ex-Offenders:			
U. S. DOL Training-Employment (601457)	17.270	PE-24511-13-60-A-13	31,591
Workforce Innovation Fund 2012 (601344)	17.283	IF-23243-12-60-A-13	75,387
Total U.S. Department of Labor			5,804,780
U.S. Department of Transportation (U.S. D.O.T.):			
Pass-Through Georgia Department of Transportation (GDOT):			
GDOT Rockbridge BOC 1/9/07 (600782)	20.205	P.I. 0008401	76,537
GDOT-PED SFTY ON P'TREE RD (601224)	20.205	0010326	8,136
GDOT SR8 & SR141 TRFFC SIGNALS (601279)	20.205	P. I 0010287	102,500
GDOT- PANOLA IMP (600844)	20.205	0006880, 0006879, 6890,5905	3,051
GDOT - LAKE (601319)	20.205	0010164	2,565,643
GDOT ROW LAVISTA @ OAK GROVE (601233)	20.205	0008374	500,000
GDOT CANDLER RD IMPRMNT (601427)	20.205	0009567	502,389
2008 TEA FUNDS (601339)	20.205	9027	255,345
ARC- COMP TRANSP PLAN (601234)	20.205	U01119	771,040
ARC-STONECREST LCI (601320)	20.205	LCI	97,600
Total Highway Planning and Construction			4,882,241
Pass-Through Department of Motor Vehicle Highway Safety:			
2009 MCSAP (601085)	20.218	MC-10-13-1	389
2010 MCSAP (601214)	20.218	MC-FY2010	23,257
			23,646
U.S. Department of Transportation - Federal Transit Administration:			
MARTA FREEDOM PROGRAM (601162)	20.521	10-800731	17,909
MARTA FREEDOM PROGRAM - NEW FREEDOM PROGRAM (601162)	20.521	MARTA NEW FREEDOM	68,425
			86,334
U.S. D.O.T. - National Highway Traffic Safety Administration (NHTSA):			
Pass -Through Governor's Office of Highway Safety:			
2013 GOHS/H.E.A.T. (601368)	20.600	GA-2013-44-00381	41,229
FY 13 INTOXDILYZER 9000 (601437)	20.600	GA-2013-44-00571	7,998
FY 14GOHS/H.E.A.T. (601477)	20.600	GA-2014-44-00281	7,927
			57,154

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DEKALB COUNTY, GEORGIA
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2013

Grantor/program title	Federal CFDA No.	State pass through or grant No.	Total Expenditures
Pass -Through Georgia Emergency Management Agency: FY 2012 INTER HAZ MAT PUB SECT (601305)	20.703	OHM12-012	2,623
GEMA - FY '13 LEPC (601428)	20.703	OHM13-012	3,992
			6,615
Total U.S. Department of Transportation (U.S. D.O.T.)			5,055,990
U.S. Department of Treasury:			
Law Enforcement Confiscated Fund (DeKalb County)			
Police	21.000	N/A	196,651
Total U.S. Department of Treasury			196,651
U.S. Department of Energy:			
Conservation Research and Development: ARRA-DOE Efficiency Grant (601071)	81.128	DE-EE0000804	587,901
Total U.S. Department of Energy			587,901
U.S. Department of Health and Human Services (HHS):			
2010 U.S. Department of Health & Human Services - SAMHSA (601185)	93.243	1H79TI023389-01	122,547
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	274,467
ARC Nutrition Services	93.045	AG0937 NHD2 908ANH	760,351
ARC Nutrition Services Incentive Program	93.053	AG0937 NHD2 908ANH	14,362
Total Aging Cluster			1,049,180
Pass-through State of Georgia Department of Human Services (GDHS): Pass-through Atlanta Regional Commission			
ARC Social Services Block Grant	93.667		43,899
ARC National Family Caregiver Support	93.052		73,618
ARC Care Transition	N/A		2,279
Enhance Safety of Children Affected By Substance Abuse: DOHH/GSU - DRG CT (601397)	93.087	90cu0062-01	159,358
Pass-Through Governor's Office for Children and Families:			
MIECHV Program (601265)	93.505	HV12-004/HV12-009	86,924
MIECHV-Early Childhood (601409)	93.505	CC11-01-003	298,999
MIECHV-2013-2014 (601480)	93.505	CC11-01-003	1,000
DeKalb MEEPE/MIECHV Program (601421)	93.505	HVC13-005	74,993
			461,916
GOCF System of Care 2013 (601413)	93.558	CC11-03-002	192,373
G.O. CH & FAM SOC Caring Comm 2 (601290)	93.590	CC11-01-003	9,875
Pass-Through Georgia Department of Human Services (GDHS): UIFSA Child Support	93.563	401-00000-12648 (Jan-Jun 2013)	476,754
Enforcement Fed (3920)	93.563	401-000000-8429 (Jul-Dec 2013)	489,129
			965,883
Block Grants for Prevention and Treatment of Substance Abuse: 12 GA Dept. of Behavioral Health & Development Disabilities (601361)	93.959	441-93-1333058	141,986
Total U.S. Department of Health & Human Services			3,222,914

(continued)

DEKALB COUNTY, GEORGIA
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2013

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	1,360
2012 FEMA - PPA (601352)	97.042	EMW-2012-EP-00051-S01	98,916
FEMA: FY'13 PPA (601472)	97.042	OEM 13-046	607
			<u>99,523</u>
GEMA-PDMC-PJ-04GA210-001 (601328)	97.047	GEMA-PDMC-PJ-04-GA-2010-001	7,125
GEMA-DHS (601093)	97.073	2008-GE-T8-0017	34
GEMA: 2010 DHS - HS #2488 (601210)	97.073	2010-SS-TO-0034	127,213
2011 HSGP (601324)	97.073	EMW-2011-SS-00081-S01	3,070
GEMA: 2011 GSAR WS# 2781 (601342)	97.073	2011-SS-00081-S01	15,222
GEMA: 2011 GSAR WS# 27801 (601343)	97.073	2011-SS-00081-S01	1,012
GEMA: HLS (601407)	97.073	2010 SS-TO-0034	21,031
GEMA: 2011 GSAR WS#2782 (601341)	97.073	2011-SS-0081-S01	5,748
GEMA; HS #2871 (601412)	97.073	GAN #2010-SS-T0-0034	6,713
			<u>180,043</u>
Total U.S. Department of Homeland Security/FEMA/GEMA			<u>288,051</u>
Executive Office of the President:			
Pass-through Office of National Drug Control Policy:			
High Intensity Drug Trafficking Areas Program:			
HIDTA 2010 (601129)	95.001	G10GA0002A	19,280
HIDTA 2011-ONDCP (601323)	95.001	G11GA0002A	91,258
HIDTA 2012 (601318)	95.001	G12GA0002A	276,204
HIDTA 2013(601426)	95.001	G13GA0002A	64,798
Total For Office Of The President			<u>451,540</u>
Total Federal Expenditures			<u>\$ 36,132,561</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, 2013

(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, 2013, 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 2013 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 2013 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	\$ 1,986,474
HOME Investment Grant CFDA #14.239	1,179,854
Total	<u>\$ 3,166,328</u>

DEKALB COUNTY, GEORGIA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2013

(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, 2013 is as follows:

<u>Federal Program</u>	<u>Balance Outstanding</u>
Community Development Block Grant CFDA #14.218	\$ 1,222,718
HOME Investment Grant CFDA #14.239	16,814,070

DEKALB COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2013

(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: **yes**
- (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 (CFDA #14.218), HOME Investment Partnership (CFDA #14.239), Neighborhood Stabilization Program 3 (CFDA #14.264), and Highway Planning and Construction (CFDA #20.205). 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, CFDA #14.218**
 - HOME Investment Partnership, CFDA #14.239**
 - Neighborhood Stabilization Program 3, CFDA #14.264**
 - Highway Planning and Construction, CFDA #20.205**
 - Law Enforcement Confiscated Assets, CFDA # 16.922**
 - Workforce Investment Act Cluster, CFDA #17.258, 17.259, & 17.278**
- (h) Dollar threshold to distinguish between Type A and Type B programs: **\$1,083,977**
- (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, 2013

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

Finding 2013-001 – Governmental Budgets Compliance

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 plus the final amended budgeted revenue less expenditures resulted in a budgeted deficit.

- Grant-in Aid Special Revenue Fund Budgeted Deficit – no beginning fund balance plus original and final amended budgeted deficiency of revenues under expenditures of \$30,314,000 resulted in an ending original and final budgeted fund deficit of \$30,314,000.
- 2005 Justice Assistance Grant Special Revenue Fund Budgeted Deficit - no beginning fund balance plus original and final amended budgeted deficiency of revenues under expenditures of \$342,000 resulted in an ending original and final budgeted fund deficit of \$342,000.
- Law Library Revenue Fund Budgeted Deficit - no beginning fund balance plus original and final amended budgeted deficiency of revenues under expenditures of \$55,000 resulted in an ending original and final budgeted fund deficit of \$55,000.
- Alternative Dispute Resolution Special Revenue Fund Budgeted Deficit – no beginning fund balance plus original and final amended budgeted deficiency of revenues under expenditures of \$69,000 resulted in an ending final budgeted fund deficit of \$69,000.

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 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.

DEKALB COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2013

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 2013-002 – Restatement of Beginning Net Position for DeKalb Peachtree Airport 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, 2012 which represent the beginning balances for the 2013 financial statements.

Context/Cause: During our audit for the year ended December 31, 2013, the following misstatement was identified that caused the need to restate financial statement net position reported as of and for the year ended December 31, 2012. The nature and magnitude of the correction for the prior period error is as follows:

- The County did not properly remove accumulated depreciation associated with the disposal of certain capital assets in the DeKalb Peachtree Airport Fund in the prior year. An adjustment to increase net capital assets and beginning net position for the DeKalb Peachtree Airport Fund, Nonmajor Proprietary Funds, and Business-type Activities in the amount of \$2,976,000 was necessary to properly remove the accumulated depreciation.

Effects: The error discussed above created the need for an adjustment of beginning net position and capital assets of the DeKalb Peachtree Airport Fund.

Recommendation: We recommend the County carefully review its detail capital assets to ensure 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, 2013

Finding 2013-003 – 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. In addition, the first draft of the client prepared trial balance worksheets was not provided to the external auditors until approximately May 15, 2014.

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. In addition, the first draft of the client prepared trial balance worksheets was not provided to the external auditors until approximately May 15, 2014.

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. The County should work towards posting all accrual adjustments to its Oracle general ledger system and leaving its’ general ledger open after year-end for at least two (2) months to ensure all necessary

DEKALB COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2013

accrual journal entries are timely and correctly posted to its' Oracle general ledger system. 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. In addition, we recommend the County provide the first version of the working trial balance worksheets for all funds as soon as possible, subsequent to each fiscal year end, in order to ensure the County will have ample time to issue its CAFR prior to the June 30 state deadline.

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.

Finding 2013-004 – 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, 2013. An adjustment to decrease capital assets and increase interest expense for the Watershed System Fund in the amount of \$7,987,000 was necessary to properly record capitalized interest.
- The County did not properly remove accumulated depreciation associated with the disposal of certain capital assets in the Watershed Fund and the Sanitation Fund thus the following adjustments were made to current year depreciation expense (which was adjusted in the initial entry instead of the gain on the disposal of capital assets). An adjustment to increase capital assets and decrease depreciation expense by approximately \$3,445,000 in the Watershed Fund and an adjustment to decrease capital assets and increase depreciation expense by approximately \$200,000 in the Sanitation Fund were necessary to properly remove the accumulated depreciation and to make other corrections to capital assets.
- The County did not record approximately \$870,000 in construction in progress costs that were federal grant funded. An adjustment of \$870,000 was made in governmental activities to increase capital assets and to decrease expenses.

DEKALB COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2013

- The County did not record retainage payable and the related capital assets pertaining to governmental funds/governmental activities in the amount of \$1,058,000 for which an adjustment to increase retainage payable and increase capital outlay expenditures was required in the County's nonmajor governmental funds while, in the government-wide statements for governmental activities, an entry to increase capital assets and increase retainage payable of \$1,058,000 was required. In addition, the County did not initially record construction in progress transactions pertaining to capital projects reflected in the County's nonmajor governmental fund in the amount of \$5,274,195.

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 significantly 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 (including construction in progress and retainage payable) 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.

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.

Finding 2013-005 – 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 as 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 abilities, we noted the following issues:

- During our testing of the Watershed System Fund's accounts payable, we noted the County did not record approximately \$1,354,000 in invoices paid subsequent to year-end but related to 2013 as services were rendered prior to December 31, 2013. An adjustment to increase accounts payable and related expenses of \$1,354,000 was required.

DEKALB COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2013

- During our testing of the nonmajor governmental funds' accounts payable, we noted the County did not record approximately \$411,000 in invoices paid subsequent to year-end but related to 2013 as services were rendered prior to December 31, 2013. An adjustment to increase accounts payable and related expenditures of \$411,000 was required.
- During our testing, we noted the County did not record approximately \$743,000 in invoices paid subsequent to year-end but related to 2013 as services were rendered prior to December 31, 2013. An adjustment to increase accounts payable and related expenditures of \$743,000 was required for the County's nonmajor governmental funds.
- During our testing of the General Fund's accounts payable, we noted the County accrued an invoice as accounts payable at year-end, however, the invoice service period was for 2014 and should not have been recorded as of December 31, 2013. An adjustment to decrease accounts payable and related expenditures of approximately \$2,886,000 was required.

Effects/Possible Effects: If the above mentioned adjustments and corrections were not made, the accounts payable 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 accrued liabilities at year-end, the County should put procedures in place to prevent errors from occurring when recording 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 2013-006 – Accounting for Intergovernmental Receivables and Revenue

Criteria: Internal controls should be in place to ensure receivables and revenue 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 grant receivable balances and revenue within one of the County's capital projects funds.

DEKALB COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2013

Context/Cause: During our testing of intergovernmental revenues and receivables, it was noted that the County did not record intergovernmental revenue and receivables related to reimbursable construction costs incurred during 2013.

Effects/Possible Effects: In the nonmajor governmental funds (Capital Projects Fund), an adjustment was required to increase intergovernmental receivables and revenue by approximately \$870,000.

Recommendation: There should be a periodic reconciliation of the intergovernmental receivable and revenue balances to related reimbursable expenditures/expenses. 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.

(3) Federal Award Findings and Questioned Costs

Finding 2013-007 – Documentation of Payroll

Program: CFDA No. 14.218

CFDA Program Title: Community Development Block Grants (CDBG)

Federal Award Years: 2009, 2010, 2011, 2012, and 2013

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.

DEKALB COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2013

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 its entire 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 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: \$1,059,088.

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 2013 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 year with the implementation of changes to Circular A-87.

Auditee's Response: The County accepts the external audit finding and has enacted controls which require all personnel, who charge time to a grant, to record and distribute their activity among the

DEKALB COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2013

grants on which they work and then allocate costs based on this documentation. The lack of signature on the existing personnel activity reports has been resolved by inserting a signature on personnel activity reports. The changes went into effect January 2014.

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 multiple 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 2013-008 – Documentation of Payroll

Program: CFDA No. 14.239

CFDA Program Title: HOME Investment Partnership (HOME)

Federal Award Years: 2009, 2010, 2011, 2012, and 2013

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 &

DEKALB COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2013

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 its entire 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. 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: \$202,654.

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 2013 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 year with the implementation of changes to Circular A-87.

Auditee's Response: The County accepts the external audit finding and has enacted 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

DEKALB COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2013

on the existing personnel activity reports has been resolved by inserting a signature on personnel activity reports. The changes went into effect January 2014.

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 multiple 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 2013-009 – Documentation of Payroll

Program: CFDA No. 14.264

CFDA Program Title: Neighborhood Stabilization Program 3 (NSP)

Federal Award Years: 2012 and 2013

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

DEKALB COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2013

to the NSP-3 grant is the same process used by the County for its entire 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: \$421,061.

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 NSP-3 grant program. All the personnel costs charged to the NSP-3 program in 2013 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 year with the implementation of changes to Circular A-87.

Auditee's Response: The County accepts the external audit finding and has enacted 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 has been resolved by inserting a signature on personnel activity reports. This change took effect in January 2014.

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 multiple 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

DEKALB COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2013

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 2013-010 – Davis Bacon Act

Program: CFDA No. 20.205

CFDA Program Title: Highway Planning and Construction

Federal Award Years: 2012

Criteria: Non-federal entities shall include in their construction contracts, subject to the Davis-Bacon Act, a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations (29 CFR part 5, Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction). This includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls).

Condition: Internal controls were not sufficient to enable the County to obtain the weekly certified payrolls as required.

Effects or Possible Effects: The County did not obtain two (2) of the four (4) weekly certified payroll report samples we selected for testing, and as such, the County was non-compliant with the requirements of the Davis Bacon Act. Also, we noted payroll reports are not reviewed by anyone at the County prior to disbursing payments to the contractors.

Questioned Costs: Unknown

Context/Cause: During our testing, we were not able to obtain the certified payroll documents for two (2) of the total of four (4) contractors used in this program which were subject to the Davis Bacon Act during 2013. In addition, payroll reports are not reviewed by anyone at the County prior to disbursing payments to these two contractors.

Recommendation: We recommend certified payroll reports, when the Davis Bacon Act applies, should be obtained from all contractors prior to payment of invoices.

Auditee's Response: The County agrees with the recommendation above. The County has implemented procedures to ensure all certified payroll information is being obtained.

DEKALB COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2013

Finding 2013-011 – 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 www.sam.gov 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 excluded parties listing, 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.

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.

DEKALB COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2013

Finding 2013-012 – 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, 2013

Finding 2013-013 – Annual Vendor Monitoring

Program: CFDA No. 17.258, 17.259, and 17.278

CFDA Program Title: Workforce Investment Act Program (WIA)

Criteria: As stated in 20 CFR Section 667.400, recipients must conduct regular oversight and monitoring of its subrecipients and contractors (vendors) in order to determine whether or not there is compliance with provisions of the Act and applicable laws and regulations and provide technical assistance as necessary and appropriate.

Condition: During our review of twelve (12) vendors out of fifty-four (54) approved WIA vendors for the 2013 year, we noted one (1) of the twelve vendors reviewed lacked a 2013 monitoring review on file. The selected vendor was reviewed in January 2014.

Effects or Possible Effects: County did not perform a timely review of a WIA vendor during the year under audit (2013) and therefore, the County is not in compliance with conducting a regular monitoring review for an approved vendor.

Questioned Costs: None.

Cause/Context: County did not perform a timely review of a WIA vendor during the current year. The last onsite review done by the County for this WIA vendor was done on August 23, 2012 until the review performed in January 2014.

Recommendation: We recommend the County strengthen internal controls and implement procedures to ensure all annual monitoring reviews are completed and complete documentation is retained for each approved WIA vendor file. There is a recap prepared annually by the County on planned vendor monitoring dates. It is important for the County to ensure all complete documentation is maintained in each vendor file.

Auditee's Response: The County agrees with the recommendation above. The County will strengthen internal controls to ensure all annual monitoring reviews are completed and that complete documentation is retained for all approved WIA vendor files.

DEKALB COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2013

Finding 2013-014 – Eligibility

Program: CFDA No. 17.258, 17.259, and 17.278

CFDA Program Title: Workforce Investment Act Program (WIA)

Criteria: As stated in 20 CFR Section 664.200, 664.205, 664.210, 663.240, and 663.310, there are certain requirements individuals must meet in order to be eligible to receive WIA funding. The County may then use this list of eligible, active participants to provide allowable training or benefits or for reporting the number of active participants in annual reporting provided to the U.S. Department of Labor or the Statement of Georgia. As a result, it is an important internal control for the County to maintain an up to date detail of active and eligible WIA participant files.

Condition: During our review of forty (40) WIA active participant files for the 2013 year, we noted six (6) participant files had incomplete files without a clear recent determination on the participant's case status. Information included in the files was either old (more than one year old and as far back as 2008) or showed evidence of the case being closed out.

Effects or Possible Effects: The County did not ensure that all active WIA participant files were updated with current documentation to support eligibility and therefore, there is the potential that inactive participants could be reported as active participants in performance reporting or that ineligible participants may participate in a WIA program.

Questioned Costs: None.

Cause/Context: In our testwork for reporting we did not note any misreporting of participant data. We also did not note any participation in a WIA program by any of the six (6) noted individuals with old eligibility information.

Recommendation: We recommend the County strengthen internal controls and implement procedures to ensure the County is periodically updating all participant files for current case status. This can be achieved in a staggered, scheduled manner to provide a current status of WIA participants. Any participants no longer active in the WIA programs; which have not responded to WIA communication and/or concluded programs per the WIA procedures and criteria should be noted as a closed case and therefore removed from the active participant list.

Auditee's Response: The County agrees with the recommendation above. The County will strengthen internal controls to ensure all WIA participant files are updated.

DEKALB COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2013

Finding 2013-015 - 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 2013, separate revenue and expenditure tracking was performed by the County on the Equitable Sharing funds, but the County was depositing the federal Equitable Sharing Program funds in both the County's general concentration bank account and the confiscated asset bank account.

Effects or Possible Effects: The County did not fully 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 solely use the separate bank account throughout 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 were 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, 2013

(4) Status of Prior Year Findings

Finding Reference: 2012-9 – Documentation of Payroll – Community Development Block Grants Cluster (CDBG)

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 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.

Auditee Response/Status: The County did not correct this condition. Repeat finding at 2013-007.

Finding Reference: 2012-10 – Documentation of Payroll – HOME Investment Partnership (HOME)

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. The employees do not sign or approve the allocation of their effort to the various grants, activities, or cost objectives.

Auditee Response/Status: The County did not correct this condition. Repeat finding at 2013-008.

DEKALB COUNTY, GEORGIA
STAUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2013

Finding Reference: 2012-11 – Documentation of Payroll – Neighborhood Stabilization Program 3 (NSP)

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.

Auditee Response/Status: The County did not correct this condition. Repeat finding at 2013-009.

Finding Reference: 2012-12 – Documentation of Payroll – Justice Assistance Grant Cluster (JAG)

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.

Auditee Response/Status: The County did not correct this condition. This program was not determined to be a major federal program or a high risk Type B Program.

DEKALB COUNTY, GEORGIA
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2013

Finding Reference: 2012-13 – Suspension and Debarment – Justice Assistance Grant Cluster (JAG)

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.

Auditee Response/Status: The County corrected this condition. The Purchasing Department established a formal process to ensure that all grant related information is included in the contracts in the future.

Finding Reference: 2012-14 – Suspension and Debarment – Law Enforcement Confiscated Assets

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.

Auditee Response/Status: The County did not correct this condition. Repeat finding at 2013-011.

Finding Reference: 2012-15 – Reporting – Law Enforcement Confiscated Assets

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.

Auditee Response/Status: The County did not correct this condition. Repeat finding at 2013-012.

Finding Reference: 2012-16 – Commingling of Funds – Law Enforcement Confiscated Assets

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.

Auditee Response/Status: The County did not correct this condition. Repeat finding at 2013-015.