



*Cobb County...Expect the Best!*

***INTERNAL AUDIT DIVISION***

***Report Number: 2010-002***

***Review of Cobb County Cooperative Extension  
4-H Checking Account for the years ended  
December 31, 2008 and 2009***

***August 19, 2010***

***Latona Thomas, CPA, Manager  
Miranda Wang, CPA, Staff Auditor I  
Barry Huff, Staff Auditor I***

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## COBB COUNTY INTERNAL AUDIT

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*Division Manager*

August 19, 2010

### MEMORANDUM TO COUNTY MANAGER

FROM: Latona Thomas, CPA, Manager *LT*

SUBJECT: **FINAL REPORT** - Review of Cobb County Cooperative Extension 4-H  
Checking Account for the years ended December 31, 2008 and 2009

This report presents the results of our review of Cobb County Cooperative Extension 4-H Checking Account for the years ended December 31, 2008 and 2009. Per your request, the objective of our review was to ensure the Extension office's compliance with the University of Georgia Cooperative Extension County Operations County Funds Policy.

### Executive Summary

We conducted this review based on the University of Georgia Cooperative Extension County Operations County Funds Policy, June 2006 revision. We subsequently received a June 2009 revision of UGA policy. The 2009 revision, effective June 2009, included one additional responsibility of the Extension Director to discuss the revenue and expenditures with the program leader each month. Because we did not receive a copy of the revised policy until after the exit conference, we did not include the new requirement in our audit procedure. All other requirements remained the same.

We concluded the Extension office was not in compliance in two of the nine categories of the UGA policy. The results of our audit revealed weaknesses in Extension's internal controls over cash receipt and deposit procedures, and controls over plant inventory and sales procedures. Extension made a significant improvement in its use of cash receipt forms; however, the controls over the transfer of funds and safeguards of un-deposited cash receipts were not in place. In addition, Extension was unable to provide sufficient documentation to support variances between total plants purchased and sold for both the 2008 and 2009 plant sales. In the other seven categories, the Extension office complied with minor errors, or the categories were not applicable. We also noted other opportunities for strengthening Extension's overall controls which have been included in the accompanying report.

## Recommendations

Following are some areas we consider need improvement:

- Implement a control log of all blank cash receipt books;
- A more frequent deposit of the cash receipts is required;
- Maintain written documentation to support all plant sale purchases;
- Reconcile all plant sale vendor invoices to the written purchasing documentation;
- Reconcile plant quantities purchased to those sold;
- Make excess plant sale inventory available to public;
- Ratify any verbal approval of disbursements;
- Assign a separate staff member to collect the seminar fee at the door for Green Industry seminar;
- Develop written policy and procedures for accepting donations;
- Develop or update all written procedures to reflect current practice; and
- Require all persons handling cash receipts to attend the County's cash handling training class.

Further details of audit results and recommendations are included in the accompanying report.

## Response

Extension management has agreed with each of the eleven current year and four prior year recommendations presented in the report: nine will be implemented immediately, one will be implemented with an acceptable alternative method, three will be implemented during the 2011 plant sales, and two have already been addressed with the appointment of a full-time interim director.

In connection with our follow-up process, we will perform a review three months from the date of this report and periodically thereafter, until the recommendations have been fully implemented.

## *Background*

Extension's mission is to work in partnership with the University of Georgia to extend lifelong learning to the people of Georgia through unbiased, research-based education in agriculture, the environment, communities, youth, and families. The Learning for Life approach is a cooperative effort of Cobb County Government, the United States Department of Agriculture, and the University of Georgia College of Agriculture & Environmental Sciences and Family & Consumer Sciences. Extension's mission is carried out through the dissemination of timely, accurate, and comprehensive information via programs, classes, training, office and telephone consultations, volunteer development, publications, technology, and media.

In accordance with the UGA County Operations County Funds Policy (UGA Funds Policy), Extension maintained an independent checking account, titled "Cobb County 4-H Club", with Bank of America. This account is used to deposit program fees, other service fees, occasional donations, and to write checks for the related expenses. Certain expenditures paid through the checking account are reimbursable from Cobb County Government.

There were five major program participation fees during the audit period: 4-H, Family and Consumer Sciences (FACS), soil test, green industry, and plant sales. All program receipts were deposited in the 4-H checking account. Except for plant sales, all other programs were conducted throughout the year. The only fundraising activity was the plant sale, held each spring to raise funding for 4-H activities. All plant sales were pre-ordered and customers picked up their plants on a certain pick-up day at Jim Miller Park.

A designated custodian was assigned with the responsibility of receiving payments from the mail and walk-ins, recording payments in the cash receipt book, and preparing the deposit slips, while another person made the bank deposit. For soil test fees, the responsible staff member prepared the deposit slips. During busy times or in the absence of the designated custodian, a back-up custodian would complete the receipt process and forward to the designated custodian for safekeeping and deposit.

When expenses are incurred, the person responsible for the expenses would initiate a check request form and then forward to the Extension Director with supporting documents for approval.

The Extension Director would review the check request form and supporting documents, approve the check request, write the check, obtain a second signature, and hand-deliver the check to the staff who originated the check request or mail the checks directly to vendors. Two administrative staff functioned as second signers. The accountant separates the County-reimbursable check requests and give them to the Administrative Assistant to request reimbursement from the County.

Because the Extension Director worked part-time, either of the second signers could obtain verbal approval from the Extension Director over the phone, sign the check request form, write the check, get the second signature from the other signer and issue the check.

A part-time accountant entered the bank deposits and checks issued for the month into the “QuickBooks” accounting software and performed the bank reconciliations. The accountant also performed a reconciliation of the cash receipts to the bank deposit on a monthly basis.

## *Results of Review*

We concluded the Extension office was not in compliance in two of the nine categories of the UGA policy. The results of our audit revealed weaknesses in Extension's internal controls over cash receipt and deposit procedures, and controls over plant inventory and sales procedures. Extension made a significant improvement in its use of cash receipt forms; however, the controls over the transfer of funds and safeguards of un-deposited cash receipts were not in place. In addition, Extension was unable to provide sufficient documentation to support variances between total plants purchased and sold for both the 2008 and 2009 plant sales. In the other seven categories, the Extension office complied with minor errors, or the categories were not applicable. We also noted other opportunities for strengthening Extension's overall controls which have been included in the accompanying report.

We tested 10% of the 1,365 cash receipt forms for 2008 and 10% of the 1,592 cash receipt forms for 2009. We only discovered 12 forms that did not record the method of payment and two forms that did not record the type of program; all other UGA policy required information was recorded correctly. Except for one cash receipt, which was deposited a month late and five other receipts deposited more than one week after received, all cash receipts were deposited within one week. We were able to trace each sampled cash receipt form to the bank deposit and recording in "QuickBooks."

We also tested 10% of the 364 disbursements for 2008 and 10% of the 305 disbursements for 2009, and discovered 11 checks where no supporting documentation was included or the documentation provided was insufficient. Extension was subsequently able to provide sufficient supporting documentation for seven of these disbursements.

In addition, we found that Extension was late eight times out of the 24 month period reviewed to submit the monthly bank reconciliation report to the District Office. As such, following are some areas we believe could be improved or strengthened.

### ***Control over cash receipts could be improved***

#### **Tracking of cash receipt books**

We noticed that Extension staff did not maintain a sequential cash receipt number order in the recording of cash receipts; the staff randomly pulled a new book when they completed another book. In one of the receipt books we reviewed, several pages of the front section had been torn away. Extension staff was unable to determine the applicable dates of the missing pages, but believe they were removed at the conclusion of previous audits. We were unable to substantiate this assertion and believe all receipts should be maintained in accordance with the required retention schedules for state and local governments. We understand it is difficult to maintain a sequential cash receipt number order because Extension staff purchases cash receipt books from various retailers. We believe maintaining a log of blank cash receipt books, as they are purchased, will ensure a complete and accurate list of all cash receipts.



## ***Recommendation***

**Recommendation 1:** We recommend that Extension maintain a control log of all blank cash receipt books as they are purchased. This log should then be used to check books out to staff members as needed. With this process, Extension management will always know which cash receipt books are in rotation and be able to accurately account for all the receipts they have written for the year. In addition, Extension staff should maintain receipts and documentation for all operating activities in accordance with the retention schedules for both state and local governments.

## ***Auditee's Response***

The auditee agrees with the recommendation and corrective action will be implemented within 30 days. See Appendix VII on page 19 for the complete response and corrective action plan.

## **More timely deposit of funds required**

We noticed that all monies, usually checks and occasionally cash, were stored in a cash box in a file cabinet until the scheduled weekly deposit. On the weekly deposit day, the custodian would take the monies from the cash box, prepare a deposit slip by the program type, and forward to the designated person making the deposit. The soil test staff would prepare the soil test deposit and is the designated person to take the money to the bank. A copy of the deposit slip and copies of the checks were then attached to the validated bank deposit slip.

Each month, the unopened bank statement, cash receipt and disbursement documents were given to the accountant to record in the accounting system. After recording in the accounting system and preparing the bank reconciliation, the part-time accountant would then forward the bank reconciliation package, including financial statement, bank statement, bank reconciliation, and cash receipt and disbursement source documents to the Extension Director. The Extension Director would review and verify all bank deposit slips to the bank statement.

We noticed that during plant sale pre-orders and other high participation events, the daily collections were consistently above \$500. Maintaining large amounts of checks and cash increases the risk of misappropriation, theft, or loss.

## ***Recommendation***

**Recommendation 2:** We recommend that Extension make more frequent deposits during periods of increased activity, such as plant sale pre-orders. The County's Cash Handling Manual should be referenced when deciding the frequency. The Extension Director should also periodically monitor the amount of un-deposited funds in the cash box to ensure staff are adhering to this requirement.



## ***Auditee's Response***

The auditee agrees with the recommendation and corrective action will be implemented within 30 days. See Appendix VII on page 19 for the complete response and corrective action plan.

## ***Controls over plant sales should be strengthened***

### **Purchases**

The Extension office sold plants on a pre-order basis only. Customers placed their orders during the pre-order period and picked up the plants, at a specified date, at Jim Miller Park. The 4-H administrative staff maintained a Microsoft Excel spreadsheet to keep track of the customer orders by plant type on a weekly basis. About two or three weeks before the end of the pre-order period, the 4-H administrative staff would give the Horticulture program leader an up-to-date cumulative quantity of each plant type to use as a preliminary tool to begin coordinating with vendors. At the end of the pre-order period, a final cumulative total was forwarded to the Horticulture program leader to use for the final order.

The Extension office did not maintain written documentation to support items purchased and approved. As such, we were unable to explain the variances between quantities purchased and the total pre-order sales. It is our understanding that the Horticulture program leader conferred with horticulture agents from three other metropolitan counties on plant selection and periodically reviewed supplies, stock quality, and prices. All counties conducting plant sales use the same suppliers for standard plants (crepe myrtle, and berries) and other nurseries may be selected for special plants. The Horticulture program leader contacted the nurseries for preliminary plant selections, quantity, and unit prices in the fall and stayed in contact with the nurseries until the final order confirming quantities and unit prices. The Horticulture program leader, based on his experience, sometimes ordered three to five extra plants of various varieties. The extra plants were used as substitutes in case there was a shortage of other plants on pick-up date. Extension added that written notes to support these transactions are normally maintained, but were no longer available for the 2008 and 2009 audit period.

As such, we noted nothing to support the purchases described above other than the vendor's invoices. In addition, we were unable to determine if prior approval for purchases was obtained. Without written documentation to support purchases, Extension management has no way of verifying the accuracy of vendor invoices, specifically plant type, quantities ordered, and agreed-upon cost per plant item.

### **Delivery**

As the Extension office prepared for pick-up day, vendor invoices were faxed to the staff responsible for accepting the delivery prior to the delivery date. The staff would then submit the invoices via the check request process for approval. Vendor invoices are approved with no internal verification or reconciliation. Once on site, Extension staff would count and agree the quantity delivered to that reflected on the vendor invoice.

If the quantity delivered was different from the quantity on the invoice, Extension staff would go back to the office, submit a revised check request, and obtain another check for the actual quantity delivered.

The Horticulture program leader is responsible for accepting the plant delivery, which includes checking quantities and unit prices; however, the documentation used for the 2008 and 2009 plant sales were no longer available. It is also our understanding that the nurseries, at their discretion, may deliver a few extra plants to replace plants that may be damaged in transit.

Once deliveries were verified, the 4-H agent, staff and volunteers were responsible for facilitating customer pick up. Customer order forms were used to gather plants for the customers, and customers were required to initial on the customer order form as acknowledgement of receipt. Any remaining plants at the end of pick-up day were brought back to the office, where Extension staff would contact the customers directly. All pre-order sales are deemed final; therefore, if the remaining plants were not picked up by a designated date, the remaining plants were made available to Extension staff members and volunteers at a reduced price. Making the remaining plants available to staff members and volunteers only can be perceived as an inequity to Extension's public constituents.

### **Reconciliation**

Per the UGA Funds Policy, we noted the Extension office was unable to provide a reconciliation of plant sales detailing the beginning inventory, quantity purchased, quantity sold to the customers, and ending inventory. As there was no beginning inventory and ending inventory was zero, the reconciliation should support total quantities purchased equal to total quantities sold. The reconciliation provided by the Extension office reflected several items where the quantity purchased exceeded the quantity sold and several items where the quantity sold exceeded the quantity purchased for both 2008 and 2009. In each of these instances, Extension was unable to provide written documentation to support the variances noted.

### **Recommendations**

**Recommendation 3:** We recommend that the Extension office maintain written documentation to support all nursery plant purchases. The documentation should list the vendor name, quantity of each plant type, unit price for each type of plant, and the total dollar amount of the order. The total quantity of each plant type should agree with the quantity on the final cumulative quantity on the pre-order spreadsheet. Any variances should be explained, and documentation should then be submitted for the Extension Director's approval. Price comparison and vendor selection processes should be documented to further explain the vendor selection.

### ***Auditee's Response***

The auditee agrees with the recommendation and corrective action will be implemented for the 2011 plant sale. See Appendix VII on page 19 for the complete response and corrective action plan.

**Recommendation 4:** We recommend that Extension staff responsible for accepting the delivery verify the price and quantities on the vendor's invoices with those on the purchasing document before initiating a check request.

### ***Auditee's Response***

The auditee agrees with the recommendation and corrective action will be implemented for the 2011 plant sale. See Appendix VII on page 19 for the complete response and corrective action plan.

**Recommendation 5:** We recommend that the Extension office maintain a reconciliation detailing the quantity of plants purchased by type to those of plants sold. The quantity purchased should be supported by the quantity per vendor invoices. The quantity sold to customers should be supported by the customer pre-order forms and any subsequent sales or refunds. Documentation should be maintained to justify any variances.

### ***Auditee's Response***

The auditee agrees with the recommendation and corrective action will be implemented for the 2011 plant sale. See Appendix VII on page 19 for the complete response and corrective action plan.

**Recommendation 6:** We recommend Extension make any excess plant sale inventory available to the public so there are no inequities. In addition, rather than selling at a reduced price, the excess inventory should be made available to the highest bidder such as during an auction. The resulting accounting and distribution should be maintained in connection with Recommendation 5.

### ***Auditee's Response***

The auditee agrees with the recommendation and an alternative action will be implemented for the 2011 plant sale. See Appendix VII on page 19 for the complete response and corrective action plan.

### ***Verbal approvals should be ratified***

Because the Extension Director worked part-time for a limited number of hours, there were times when her verbal approval was obtained for disbursement(s) by one of the authorized check signers.

We found that upon her return to the office, the Extension Director did not ratify the verbal approval for agreement. Without the subsequent ratification, there is no documented evidence to support the Extension Director's knowledge and approval prior to issuing the disbursement.

### ***Recommendation***

**Recommendation 7:** We recommend the Extension Director ratify the verbal approval of all disbursements by initialing on the approval line.

### ***Auditee's Response***

The auditee agrees with the recommendation. Effective July 1, 2010, Extension has an interim full-time Director, and verbal approvals will no longer be required. See Appendix VII on page 20 for the complete response and corrective action plan.

## ***Segregation of duties should be strengthened***

### **Green Industry seminar fee**

We noted that the part-time accountant was assigned to collect fees at the door for three (3) Green Industry seminars each year. Because the part-time accountant is responsible for the recordation of entries in the accounting system and the bank reconciliation process, a separate staff person should be designated to collect fees or another compensating control added to the process. As a general rule, the person who maintains and reconciles the accounting records should not perform a cash receipt function.

### ***Recommendation***

**Recommendation 8:** We recommend that a separate staff member be designated to collect fees for the Green Industry seminars. If this is not practical, we recommend the part-time accountant prepare a sign up sheet for the participants to sign in. The sign up sheet could then be pre-printed with each registered participant's name. For on-site participants who sign up at the door, they could print their name and then sign in. At the end of seminar, the part-time accountant should reconcile the money collected, participant sign-in sheet, and cash receipt book and forward to the custodian for verification. The custodian's verification should be evidenced by initialing on the reconciliation.

### ***Auditee's Response***

The auditee agrees with the recommendation and corrective action will be implemented. See Appendix VII on page 20 for the complete response and corrective action plan.

### ***Policy concerning accepting donations should be established***

During our review of the cash receipt books, we noted Extension accepted various cash donations from vendors to sponsor their seminars or classes, in return for an opportunity to briefly discuss their product or service. Although we understand the donations are receipted, we believe written policies and procedures clearly stating the prior approval required, any limitations on donations, and any IRS reporting guidelines should be established.

#### ***Recommendation***

**Recommendation 9:** We recommend that Extension review any established policies regarding donations of both UGA and Cobb County, and if necessary, confer with staff of both agencies. Extension should then develop internal policies and procedures regarding donations that are consistent with both agencies. The internal policies should include the level of approval required and include procedures to guard against relationships which might be construed as evidence of favoritism, coercion, unfair advantages, or collusion.

#### ***Auditee's Response***

The auditee agrees with the recommendation and corrective action will be implemented. See Appendix VII on page 20 for the complete response and corrective action plan.

### ***Written policies and procedures should be developed or updated***

During our review of the cash receipt books, we noted Extension's current practice was different from the written procedures provided. Specifically, there were several procedures noted in the written procedures for cash receipts and disbursements that had been changed in practice, but the written procedures had not been updated. In addition, we noted that Extension staff members with the responsibility of handling cash receipts had not completed the County's required cash handling class.

#### ***Recommendation***

**Recommendation 10:** We recommend that the Extension office develop or update written procedures, in accordance with the UGA Funds Policy, to reflect its current practices. They should also confer with the County's cash handling manual when developing and updating their written procedures.

#### ***Auditee's Response***

The auditee agrees with the recommendation and corrective action will be implemented. See Appendix VII on page 20 for the complete response and corrective action plan.

**Recommendation 11:** We recommend that all Extension staff members responsible for the cash receipting process attend the County's required cash handling training class offered through Human Resources C.O.B.B. Academy.

***Auditee's Response***

The auditee agrees with the recommendation and corrective action will be implemented. See Appendix VII on page 20 for the complete response and corrective action plan.

## **Appendix I**

### ***Status of Prior Years' Audit Recommendations***

#### ***PART I – Status of 2008 audit report recommendations***

We concluded that three of the five recommendations were fully implemented or an acceptable alternative method was implemented. Following is the current status of the remaining two recommendations, which were partially implemented or not implemented.

##### ***Untimely submission of monthly report***

###### ***Recommendation***

Although it appeared to be an isolated incident, we recommended that coordinated efforts between the accountant and Director, through the use of various communicative resources, would ensure the timeliness of each monthly report. We further recommended the Extension office request an opinion from the District Extension Office on whether it would be acceptable for the Director to appoint an 'Acting Director' in cases of emergency or extended absences. Such would be an additional measure of ensuring the timely submission of the monthly reports.

###### ***Current Status***

The recommendation is still not implemented. During our current review, we found the monthly report was submitted late eight out of the 24 month period covered. It is our understanding this was partially due to the part-time status of the Extension Director.

###### ***Auditee's Response***

The auditee agrees with the current status and the reports will be submitted on time with the appointment of a full-time interim Director. See Appendix VII on page 20 for the complete response and corrective action plan.

##### ***Insufficient Supporting Documentation***

###### ***Recommendation***

We recommended that all disbursement requests be reviewed to ensure supporting documentation (i.e. invoice or receipt) is in its original form, and that the amount per the invoice or receipt agrees to the requested amount. If obtaining an original invoice or receipt is not possible, the acceptance of an alternative should be documented and approved by the Director prior to payment. For example, all County reimbursable expenses will only have a copy of the receipt or invoice because the original is required to be submitted to the County. We also recommended that each refund paid to program participants include a copy of the cash receipt form notating when the monies were originally received.



### ***Current Status***

The recommendation is partially implemented. We noted that eleven (11) of the sixty-six (66) checks in our sample list did not provide documentation to support the disbursement or the supporting documentation provided was insufficient. Extension was subsequently able to provide sufficient documentation for seven (7) of them.

### ***Auditee's Response***

The auditee agrees with the current status and corrective action has taken place. See Appendix VII on page 21 for the complete response and corrective action plan.

## ***PART II – Status of 2006 audit report recommendations***

We concluded that three of the five recommendations were fully implemented or an acceptable alternative method was implemented. Following is the current status of the remaining two recommendations, which were partially implemented or not implemented.

### ***No documented evidence during transference of money***

#### ***Recommendation***

We recommended that management appoint a designated custodian and substitute (in the absence of the designated custodian) of all un-deposited cash receipts and require that this person initial each cash receipt package (registration list, deposit slip, check copies, etc...) prior to filing in the lock box. We also recommended management implement a 'transfer of money log' that should reflect all lock box transactions including both incoming and outgoing. A transfer log would provide an added tracking mechanism to aid in the safeguarding of assets against loss. In addition, as stated in the *Funds Policy*, no other staff should have access to the funds once the receipts are transferred to the designated custodian, and a designated substitute custodian can be appointed to cover during extended periods of leave as long as the transfer of funds are properly documented.

#### ***Current Status***

The recommendation is partially implemented. The Extension office designated a custodian and two back-up custodians; however, they did not use the transfer log. The back-up custodians and other staff members continue to take payments from customers in the custodian's absence and put the money in the cash box directly. We also noticed that program leaders accepted program fees and put them in the cash box while the designated custodian was not in the office or busy. The unlocked cash box was kept in a cabinet inside the custodian's workstation, and the cabinet was only locked overnight. There was no transfer of responsibility documentation maintained, as staff just put the money in the cash box. There was no documentation requirement for the transfer of money to the back-up custodian or vice versa, when the custodian took a scheduled leave.

### ***Revised Recommendation***

As stated previously, the Extension office should limit access to the cash box to only the custodian or designated back-ups in her absence. The custodian should continue to initial on the yellow copy of the cash receipt form when she takes possession of any money collected by other staff. We further recommend that the custodian put all money stored in the cash box in a sealed envelope and sign over the seal before she turns over access to the cash box to the back-up custodian. The back-up custodians should proceed with the cash receipt process, putting all monies they collect in the cash box. Upon the custodian's return, she will initial the yellow copies of cash receipt forms as evidence of transfer of money. The custodian should also review the envelope seal, and at the end of the day, verify the envelope contents.

The Extension office should also acquire a fire-proof safe to maintain cash receipts. Of course, prior approval and justification is required. The keys to the fire-proof safe should be locked at a separate location.

### ***Auditee's Response***

The auditee agrees with the revised recommendation and corrective action will be implemented. See Appendix VII on page 21 for the complete response and corrective action plan.

## ***Lack of segregation of duties***

### ***Recommendation***

In consideration of the limited staff resources of Extension, we recommended that management implement alternative internal control procedures to minimize its risk or exposure. Such procedures could include a blank check stock log that is periodically reviewed by a person other than the Director, assign check writing responsibilities to a non-key holder of the blank check stock, and/or allow the second authorized check signer to sign checks first after reviewing and agreeing the supporting documentation prior to forwarding to the Director for signature. Another alternative could include allowing the Accountant who is independent of cash receipt and disbursement responsibilities to receive the bank statements unopened from the bank.

### ***Current Status***

The recommendation is partially implemented. The accountant receives the unopened bank statements, but the Director still has access to the blank check stock and performs a verification of blank check stock log each time she gets the checkbook out to write checks. In the absence of the Director, authorized second signers are allowed to write the checks after verbal approval.

### ***Auditee's Response***

The auditee agrees with the current status and corrective action will be implemented. See Appendix VII on page 21 for the complete response and corrective action plan.

## Appendix II

### *Detailed Objective(s), Scope, and Methodology*

We conducted this review, per request from the Extension Director, to ensure Extension's compliance with the University of Georgia Cooperative Extension County Operations County Funds Policy, June 2006 revision. The audit covered the period beginning on January 1, 2008 and ending on December 31, 2009.

We subsequently received a June 2009 revision of UGA policy. The 2009 revision, effective June 2009, included one additional responsibility of the CEC to discuss the revenue and expenditures with the program leader each month. Because we did not receive a copy of the revised policy until after the exit conference, we did not include the new requirement in our audit procedure. All other requirements remained the same.

In order to accomplish our objective, we performed the following sub-objectives:

- I. Determined Extension's compliance with the seven general guidelines of the UGA Funds Policy.
- II. Determined whether the Extension office complied with the cash receipt and deposit procedures on page 2 of the UGA Funds Policy.
  - a. Determined whether the cash receipt book was maintained in compliance with the UGA Funds Policy.
  - b. Determined whether un-deposited cash receipts were adequately secured and safeguarded.
  - c. Verified all funds were deposited timely.
- III. Determined whether the Extension office complied with the Inventory and sales procedures on page 3 of the UGA Funds Policy.
- IV. Determined whether the Extension office followed the Disbursement Procedures on page 3 of the UGA Funds Policy.
- V. Determined whether travel advances were in compliance with the UGA Funds Policy.
- VI. Determined whether the Extension office complied with the Accountability and Reconciliation procedures on page 5 of the UGA Funds Policy.
- VII. Determined if the Extension office complied with the Investment account procedures on page 6 of the UGA Funds Policy.
- VIII. Determined whether County staff responsibilities on page 6 of the UGA Funds Policy were incorporated in the operational policy and procedures.
- IX. Verified whether the IRS form 990 was filed annually by the due date.

## Appendix III

### *Abbreviations and Glossary*

UGA Funds Policy	The University of Georgia Cooperative Extension County Operations County Funds Policy, June 2006 revision.
CEC	County Extension Coordinator/Extension Director

## **Appendix IV**

### *Major Contributors to the Report*

Latona Thomas, CPA, Manager

Miranda Wang, CPA, Staff Auditor I, Auditor-in-Charge

*Final Report Distribution List*

Gregory C. Price, UGA Northwest District Extension Director  
Hope Warren, Interim Extension Director

### *Outcome Measure(s)*

This appendix presents detailed information on the measurable impact our recommended corrective action(s) will have on County operations.

#### **Type and Value of Outcome Measure:**

- Protection of Resources – Actual: Recommendations, when implemented, will increase the safeguards over the cash receipts. For calendar years 2008 and 2009, total cash receipts per the IRS Form 990 were \$70,234 and \$84,031, respectively. (See pages 3-4, 8, and 11-12)
- Reliability of Information – Potential: Recommendations to implement segregation of duties, reconciliations, reviews, and verifications will provide greater assurance of the accuracy and completeness of information used to monitor and report on the Extension office's financial and operational activities. (See pages 4-12)

#### **Methodology Used to Measure the Reported Benefit:**

We examined the Extension office's compliance with the UGA Funds Policy. We also determined the total cash receipts amount for the calendar years 2008 and 2009 from the IRS Form 990s.



## Appendix VII

### *Auditee's Response to the Draft Report*



To: Latona Thomas, Division Manager  
Internal Audit

From: Hope Warren, Interim Director  
Cobb County Extension



RE: Response to checking account audit

Date: August 13, 2010

#### Response to Recommendations

Recommendation 1 (pg 4): Agree. Will implement within 30 days. We are in the process of obtaining the various retention schedules.

Par 3 (pg 4): Add financial statements to documents given to director.

Recommendation 2 (pg 4): Agree. Will implement within 30 days. We will obtain a copy of the County's Cash Handling Manual.

Recommendation 3 (pg 6): Agree. Required analyses and report will be available for the 2011 Plant Sale.

Recommendation 4 (pg 7): Agree. Will be implemented for the 2011 Plant Sale.

Recommendation 5 (pg 7): Agree. Will be implemented for the 2011 Plant Sale.

Recommendation 6 (pg 7): Considering the demands on the staff: storage and care of plants, advertising an auction to the public, staffing for the auction (auctioneer, 1 administrative person, cashier, and 1 plant handler) to conduct an auction, we do not wish to adopt this recommendation. We offer the following options:

OPTION #1: Sale of plants to staff, Cobb County Master Gardeners and public by Thursday following pick up.

This would involve storage of plants at the Extension Office, notification of excess plants (list plant, quantity, price), via Cobb County News & Events and Extension website. All remaining plants would be donated to Cobb County Parks & Recreation for installation at county owned property.

OPTION #2: Donate all excess plants to Cobb County Parks & Recreation for installation at county owned property.

- Recommendation 7 (pg 7): Interim Director in place eliminates need for verbal approval.
- Recommendation 8 (pg 8): Agree. We will have participants sign in and reconcile the documents outlined.
- Recommendation 9 (pg 9): Agree. We have requested a copy of UGA's policy on donations. We request your assistance in obtaining a copy of Cobb County's policy. Upon receipt of these documents, we will develop policies and procedures for donations received by Extension.
- Recommendation 10 (pg 9): Agree. We will adopt UGA's County Operations County Funds Policy dated June 2009. We will review Cobb County's Cash Handling Manual. We will review procedures and reporting requirements with the staff as applicable.
- Recommendation 11 (pg 9): Agree. Staff members responsible for cash receipting will attend the Cash Handling Class offered by Cobb County.

#### Response to Appendices

#### Appendix I (pg 8) - Status of Prior Year Audit Recommendation

##### Part I – Status of 2008 audit report recommendations

##### Untimely submission of monthly report

- Recommendation: Agree. Effective July 1, 2010 Extension will have a full time Acting Director and reports will be submitted on time. The Acting Director will review all reports and procedures for compliance to UGA policy. Acting Director will review the UGA policy each time the monthly report is prepared to maintain compliance.

Insufficient supporting documentation

Recommendation: Agree. The staff will be instructed to submit proper documentation. Check signers will be responsible for ensuring that proper documentation is provided.

Part II – Status of 2006 audit report recommendation

No documentation evidence during transference of money

Revised Recommendation: Agree. We will implement the following procedure within 30 days: Have a separate cash box for the designated cashier and for an alternate cashier. At the end of the day the alternate cashier will transfer funds to the designated cashier, (funds counted by both) and both will sign the Funds Transferred Register. The receipt # will be entered on the checks or on the envelop containing cash. The cash box will be stored in our fire-proof safe.

We will purchase a fire-proof safe.

Lack of segregation of duties

Recommendation: Agree. Verification of blank check stock will be assigned to an independent staff member.