



Cobb County...Expect the Best!

INTERNAL AUDIT DIVISION

Report Number: 2011-017

***FINAL REPORT - Review of Cobb County
Cooperative Extension 4-H Checking Account
for the year ended December 31, 2010 and
2011 Plant Sale Activities***

October 13, 2011

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

Table of Contents

Transmittal Letter	Page i
Background	Page 1
Results of Review	Page 2
Cash receipt and deposit procedures could be strengthened	Page 2
Control log of cash receipt books	Page 2
Cash receipt forms	Page 2
Untimely deposits	Page 2
Cash receipt documentation process	Page 3
Transfer log	Page 3
Recommendations 1 & 2	Page 3
Recommendations 3 & 4	Page 4
Controls over inventory and sales procedures could be strengthened	Page 4
Consignment sales	Page 4
Plant sales	Page 4
Recommendations 5 & 6	Page 5
Disbursement procedures could be strengthened	Page 5
Missing voucher	Page 5
One signature on checks	Page 5
Recommendation 7	Page 5
Recommendation 8	Page 6
Status of prior years' audit recommendations	Page 6
2010 Recommendation 3	Page 6
2010 Recommendation 9	Page 7
2010 Recommendation 11	Page 7
2008 Recommendation	Page 7

Appendices

Appendix I – Detailed Objective(s), Scope, and Methodology	Page 8
Appendix II – Abbreviations and Glossary	Page 9
Appendix III – Major Contributors to the Report.....	Page 10
Appendix IV – Report Distribution List	Page 11
Appendix V – Outcome Measure(s)	Page 12
Appendix VI – Auditee’s Response to the Draft Report	Page 13



COBB COUNTY INTERNAL AUDIT

Latona Thomas, CPA

100 Cherokee Street, Suite 250
Marietta, Georgia 30090
phone: (770) 528-2559 • fax: (770) 528-2642
TDD/TTY: (678) 581-5429
latona.thomas@cobbcounty.org

Division Manager

October 13, 2011

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 year ended December 31, 2010 and 2011 Plant Sale
Activities

This report presents the results of the subject report. 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 (Funds Policy).

Executive Summary

We concluded the Extension office was not in compliance with specific aspects of five of the nine categories of the UGA policy. The results of our audit revealed weaknesses in Extension's cash receipt and deposit, disbursement, plant sale inventory, and reconciliation procedures. The cash receipt documentation process had been changed without written approval; missing information noted on cash receipt forms; checks lacked the required number of signatures; missing voucher and backup; and reconciliations were submitted late. These and other opportunities for strengthening Extension's overall controls have been included in the accompanying report.

We also determined that 11 of the 15 prior year recommendations have been fully implemented. The remaining four recommendations were partially implemented, and Extension management expects to fully implement these within the next year.

Recommendations

Following are some areas that could be strengthened:

1. Have an independent person periodically reconcile cash receipt book date ranges and receipt number ranges for completeness;
2. Require the Accountant to communicate any missing information on the cash receipts;
3. Ensure cash receipt deposits are made within one week of receipt;
4. Require the Director to initial the transfer log as evidence of monitoring;
5. Maintain a consignment inventory tracking and reconciliation of monies received and items sold;
6. Require checking account signatories re-compute all supporting documentation as part of review and agreement;
7. Require the Accountant identify and request support for any missing documents prior to recordation; and
8. Staff to ensure each check contains two signatures prior to distribution.

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

Response

Extension management has agreed with each of the eight current year recommendations presented in the report: seven will be implemented immediately or completed by the end of 2011 and one will be implemented with 2012 Master Gardener Tour ticket sale. The four prior year recommendations that remain partially implemented will be fully implemented in 2011 or with the next upcoming 2012 plant sale.

Copies of this report will be sent to managers affected by the report recommendations. Please contact me at (770) 528-2559 if you have any questions or Miranda Wang, Auditor-in-Charge, at (770) 528-2557.

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 Funds Policy, Extension maintained an independent checking account 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 (the County). The amount reimbursed by the County to the 4-H checking account for the fiscal year ended 2010 was \$9,325.72.

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 designated day at Jim Miller Park.

During 2010, Extension also handled ticket consignment sales for the Master Gardener tour¹. This was performed as a courtesy as Extension did not make any profit from the ticket sales.

¹ The Master Gardener tour is a self-guided tour sponsored by the Master Gardener local chapter. The Master Gardener Association is a non-profit organization specialized in providing horticulture information.

Results of Review

We concluded the Extension office was not in compliance with specific aspects of five of the nine categories of the UGA policy. The results of our audit revealed weaknesses in Extension's cash receipt and deposit, disbursement, plant sale inventory, and reconciliation procedures. We also determined that:

- All funds were secured in federally insured bank account;
- No separate accounts were maintained by program type;
- All disbursements were made through the checking account;
- All transactions were monitored using a standard computer accounting system;
- Checking account is audited annually;
- County Extension Account Statement of Review completed in connection with annual audit; and
- IRS Form 990 for calendar year ended December 31, 2010 was filed by its due date.

As such, following are some areas we believe could be improved or strengthened.

Cash receipt and deposit procedures could be strengthened

Control log of cash receipt books

We reviewed the control log of cash receipt books and noted one cash receipt book provided to us was not on the control log. Extension was unable to determine why one book was left off; however, a periodic reconciliation of dates and receipt number ranges would provide added control to the completeness assertion of cash receipt transactions.

Cash receipt forms

We tested 10% of the 1,265 and 132 cash receipt forms for 2010 and plant sales 2011 activities, respectively, and noted seven forms did not record the method of payment and two did not reference the type of program. All other required information was recorded correctly. Adhering to existing procedures, along with a subsequent review by the accountant will eliminate these types of errors.

Untimely deposits

The Funds Policy requires deposits to be made at least weekly. We tested 125 cash receipt forms and noted two of them were deposited later than one week of receipt. Except for the two cash receipts, which were deposited more than one week after received, all cash receipts were deposited within one week.

Cash Receipt Documentation Process

The Funds Policy requires that all collections be recorded on a multi-copy, pre-numbered cash receipt form. In November 2010, Extension changed their cash receipt documentation process from the multi-copy paper form to a Microsoft Excel spreadsheet. During our follow-up review in March 2011, this change and the significant weaknesses associated with such a record-keeping system was identified and discussed with Extension. Per the current Director, verbal approval was obtained from the UGA District office prior to making the change; but when written approval was requested at the direction of Internal Audit staff, Extension was told to return to established Funds Policy. As a result, Extension decided to switch back to the multi-copy paper form. As communicated with the current Director, any deviation from the approved Funds Policy should be obtained in writing from the UGA District office prior to implementation.

Transfer Log

In connection with a prior year recommendation, Extension implemented a transfer log to record the transfer of monies between staff and the designated custodian. The custodian receives all monies collected for the day before securing them in the safe. The current Director monitors this process by periodically reviewing the log, cash boxes, and deposits to ensure non-authorized staff are not collecting monies and to ensure Extension staff's continued compliance with the established procedures. We reviewed the transfer log and noted there was no evidence to indicate the Director's review. Without written evidence such as initials or signatures, there is no way to ensure monitoring has taken place.

Recommendations

Recommendation 1: Extension should continue to follow its current procedures of immediately adding new books to the control log as purchased. An added control would be to have an independent person periodically reconcile the date and receipt number ranges to ensure all receipts have been properly identified. For ease of identification, Extension should also consider adding a sequentially numbering order to the books, as purchased, as well.

Auditee's Response

Agree. Will be implemented immediately. See Appendix VI on page 13 for the complete response and corrective action plan.

Recommendation 2: Extension should continue to follow its existing procedures for completing cash receipt forms; however, any missing information noted by the Accountant should be communicated to the Director so corrective action measures can be discussed with the respective staff person.

Auditee's Response

Agree. Will be implemented immediately. See Appendix VI on page 13 for the complete response and corrective action plan.

Recommendation 3: The custodian should ensure all cash receipts are deposited to the bank within a week of receipt. This can be accomplished during the end of day review of the cash receipts transfer log prior to securing in the safe overnight. Any deviation should be documented for the Director's review and agreement on the transfer log.

Auditee's Response

Agree. Corrective action will be implemented immediately. See Appendix VI on page 13 for the complete response and corrective action plan.

Recommendation 4: The Director should initial or sign the transfer log each time as evidence of monitoring the process for compliance.

Auditee's Response

Agree. Will be implemented immediately. See Appendix VI on page 14 for the complete response and corrective action plan.

Controls over inventory and sales procedures could be strengthened

Consignment sales

Extension provided a free service for the consignment sale of annual Master Gardener garden tour tickets. As part of the arrangement, Extension received tickets and served as a point of sale for customers including the collection and securing of related monies. Periodically throughout the sale, all monies collected and any unused tickets were returned to the Master Gardener staff. An initial inventory of tickets received was performed; however, no transfer of responsibility was completed, and no final inventory of tickets, reconciliation of monies to ticket count, or a final transfer of responsibility was performed. In addition, we noted no tracking system to monitor the Master Gardener tour ticket sales. Consignment inventory tracking and reconciliation is necessary to protect the integrity of the process and eliminate any potential risk to Extension for lost or missing tickets or monies.

Plant sales

During our follow-up on prior year recommendations, we identified two new weaknesses in the process which could be strengthened. Extension staff verified the price and quantities on the vendor invoices to the purchasing document before initiating the check request; however, no independent person re-computed these numbers prior to payment. As a result, a \$41 overpayment was made in 2011. While it is Extension's current procedure for the check signatory to agree all supporting documentation prior to payment, we believe an independent verification of the details is necessary to prevent any future overpayments. In addition, we found the vendor provided two free plants that were subsequently sold by Extension; however, these plants were not included on the overall plant sale reconciliation as inventory available for sale. We believe including all plants in the plant sale reconciliation for ease of analysis and completeness.

Recommendations

Recommendation 5: We recommend that Extension develop a consignment inventory tracking and reconciliation of all ticket sales and monies received. Transfer of tickets and monies between Extension and Master Gardener staff should also be signed by both parties.

Auditee's Response

Agree. Will be implemented with the 2012 Garden tour ticket sale. See Appendix VI on page 14 for the complete response and corrective action plan.

Recommendation 6: We recommend that the checking account signatories be required to re-compute all supporting documentation as part of their review and agreement to check requests.

Auditee's Response

Agree. Will be implemented immediately. See Appendix VI on page 14 for the complete response and corrective action plan.

Disbursement procedures could be strengthened

Missing voucher

We tested 10% of the 334 disbursements for 2010 and discovered that Extension was unable to locate a voucher (check request and backup documentation) to support a \$14.93 disbursement.

One signature on checks

We reviewed three hundred thirty four (334) cleared check images on the bank statements and noted seven cancelled checks only had one signature. The Funds Policy requires that all checks written have two signatures. The issue was actually identified by the current Director during her review of the monthly reconciliations, but by then it was too late to take any corrective action. Corrective action will be implemented to ensure this does not occur in the future.

Recommendations

Recommendation 7: Extension should continue to follow its existing procedures with an added control of requiring the Accountant to notify the Director of any missing vouchers and then request the missing document be located or re-created from its original source prior to recordation in the financial statements.

Auditee's Response

Agree. Corrective action will be implemented immediately. See Appendix VI on page 14 for the complete response and corrective action plan.

Recommendation 8: Staff responsible for the distribution of checks should independently review to ensure the check contains two signatures prior to releasing. If not, the check and its supporting documentation should be returned to the Director.

Auditee's Response

Agree. Corrective action will be implemented immediately. See Appendix VI on page 14 for the complete response and corrective action plan.

Status of prior years' audit recommendations

2010 and 2008 recommendations, respectively

We concluded that 11 of the 15 prior years' recommendations were fully implemented. The remaining four recommendations were partially implemented. Extension staff plans to fully implement the remaining recommendations within the next year. Following is the current status of the remaining four recommendations, which were partially implemented:

2010 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, the 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 variance(s) should be explained, and the 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.

Current Status: Partially Implemented - Written documentation was maintained to support all nursery plant purchases, but the price comparison and vendor selection process was not available.

Auditee's Response

The auditee agrees with the recommendation, documentation will be provided with 2012 plant sale. See Appendix VI on page 15 for the complete response and corrective action plan.

2010 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.

Current Status: Partially Implemented - We reviewed Extension's 'Contribution, Donation and Sponsor' policy and noted that only Internal Revenue Service reporting guidelines were included. No reference was made to the UGA and/or Cobb County policies regarding donations for consistency.

Auditee's Response

The auditee agrees with the recommendation, and will use Cobb County's Gifts and Gratuities Policy. See Appendix VI on page 15 for the complete response and corrective action plan.

2010 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.

Current Status: Partially Implemented - Three of the five staff members have yet to attend the class. The rest are scheduled to attend during 2011.

Auditee's Response

Agree. They will enroll the remaining staff members in 2011. See Appendix VI on page 16 for the complete response and corrective action plan.

2008 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: Partially Implemented - During our current review, we found the monthly report was submitted late five times out of the 12 month period covered. It is our understanding this was partially due to the part-time status of the outgoing Extension Director (four) and learning curve for the new Director (one).

Auditee's Response

Agree. Additional effort will be given to ensuring the monthly reports in on time. See Appendix VI on page 16 for the complete response and corrective action plan.

Detailed Objective(s), Scope, and Methodology

We conducted this review to ensure Extension's compliance with the University of Georgia Cooperative Extension County Operations County Funds Policy, June 2009 revision. The audit covered the period beginning on January 1, 2010 and ending on December 31, 2010 and the 2011 plant sale activities. The 2010 plant sale activities were reviewed in limited scope only as Extension's corrective actions resulting from the prior year recommendations were implemented subsequent to the completion of the 2010 plant sale fundraiser in March/April 2010. In addition, the actual issuance of the prior year final report was dated August 19, 2010, subsequent to the 2010 plant sale activities.

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

- I. Determined Extension's compliance with the general guidelines of the Funds Policy.
- II. Determined whether the Extension office complied with the Cash receipt and deposit procedures on page 2 of the Funds Policy.
 - a. Determined whether the cash receipt book was maintained in compliance with the 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 Funds Policy.
- IV. Determined whether the Extension office followed the Disbursement procedures on page 3 of the Funds Policy.
- V. Determined if travel advances were in compliance with the Funds Policy.
- VI. Determined whether the Extension office complied with the Accountability and reconciliation procedures on page 5 of the Funds Policy.
- VII. Determined if the Extension office complied with the Investment account procedures on page 6 of the Funds Policy.
- VIII. Determined whether County staff responsibilities on page 6 of the Funds Policy were incorporated in the operational policy and procedures.
- IX. Verified whether the IRS Form 990 was filed annually by the due date.

Abbreviations and Glossary

Funds Policy	The University of Georgia Cooperative Extension County Operations County Funds Policy, June 2009 revision
CEC	County Extension Coordinator/Extension Director
Master Gardener	A non-profit organization specialized in providing horticulture information

Major Contributors to the Report

Latona Thomas, CPA, Manager

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

Report Distribution List

Hope Warren, Cobb County Cooperative Extension Director
Internal Audit Division File

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(s):

- Protection of Resources – Actual: Recommendations, when implemented, will increase the safeguards over the cash receipts. For calendar year 2010, total cash receipts, per the IRS Form 990, were \$83,208. (See pages 2-5)
- Reliability of Information – Potential: Recommendations to strengthen the controls over cash receipts and deposits, inventory and sales, and disbursements 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 2-6)


Methodology Used to Measure the Reported Benefit:

We examined the Extension office's compliance with the Funds Policy. We also determined the total cash receipts amount for the calendar year 2010 from the IRS Form 990.

Auditee's Response to the Draft Report



To: Latona Thomas, Division Manager
Internal Audit

From: Hope Warren, Director 
Cobb County Extension

RE: Response to checking account audit

Date: September 16, 2011

Response to Recommendations

Recommendation 1: Extension should continue to follow its current procedures of immediately adding new books to the control log as purchased. An added control would be to have an independent person periodically reconcile the date ranges and receipt number ranges to ensure all receipts have been properly identified. For ease of identification, Extension should consider adding a sequentially numbering order to the books as purchased as well.

Response: Agree. Will implement immediately.

Recommendation 2: Extension should continue to follow its existing procedures for completing cash receipt forms; however, any missing information noted by the Accountant should be communicated to the Director so corrective action measures can be discussed with the respective staff person.

Response: Agree. Will implement immediately. Cashiers will be reminded of the importance of recording all required information.

Recommendation 3: The custodian should ensure all cash receipts are deposited to the bank within a week of receipt. This can be accomplished during the end of day review of the cash receipts transfer log prior to securing in the safe overnight. Any deviation should be documented for the Director's review and agreement on the transfer log.

Response: Agree. We will emphasize need to deposit all funds within one week. Deviations will be noted on the Transfer Log.

Recommendation 4: The Director should initial or sign the transfer log each time as evidence of monitoring the process for compliance.

Response: Agree. Will implement immediately.

Recommendation 5: We recommend that Extension develop a consignment inventory tracking and reconciliation of all ticket sales and monies received. Transfer of tickets and monies between Extension and Master Gardener staff should also be signed by both parties.

Response: Agree. Will implement recommendation with the 2012 garden tour.

Recommendation 6: We recommend that the checking account signatories be required to re-compute all supporting documentation as part of their review and agreement to check requests.

Response: Agree. Implement immediately. Check signers will be instructed to (1) re-compute supporting documents and (2) ensure documents agree with the amount on the check request prior to signing check.

Recommendation 7: Extension should continue to follow its existing procedures with an added control of requiring the Accountant to notify the Director of any missing vouchers and then request the missing document be located or re-created from its original source prior to recordation in the financial statements.

Response: Agree. Files will be reviewed regularly; any missing Request for Payment will be recreated, and copies of missing documentation secured, if possible.

Recommendation 8: Staff responsible for the distribution of checks should independently review to ensure the check contains two signatures prior to releasing. If not, the check and its supporting documentation should be returned to the Director.

Response: Agree. Check signers will be reminded of this requirement. Under extraordinary situations (payment required immediately and only one check signer available) one signature will be acceptable. Request for Payment to be annotated why only one signature on the check.

Part II – Status of 2010 and 2008 audit report recommendation

2010 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, the 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 variance(s) should be explained, and the 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.

Current Status: Partially Implemented - Written documentation was maintained to support all nursery plant purchases, but the price comparison and vendor selection process was not available.

Response: Agree. Documentation will be provided with the 2012 plant sale. Quality and delivery of plants, and grower's replacement policy are critical for a successful plant sale. We want to continue our excellent reputation with our customers. One bad year with a vendor that is not known to us could result in decreased plant sales with our customers for years. Using vendors that are specialty growers for our recommended plants means we get healthy, resilient plants that maintain or increase our sales by reputation.

2010 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.

Current Status: Partially Implemented - We reviewed Extension's 'Contribution, Donation and Sponsor' policy and noted that only Internal Revenue Service reporting guidelines were included. No reference was made to the UGA and/or Cobb County policies regarding donations for consistency.

Response: Extension will use Cobb County's Gifts and Gratuities Policy. There is no policy established by UGA in reference to small donations. The policy through UGA is for 4-H Foundation donations and are on a much larger scale. Approval has been given by Greg Price, NW District Director to adhere to Cobb County's established policy.

2010 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.

Current Status: Partially Implemented – Three of the five staff members have yet to attend the class. The rest are scheduled to attend during 2011.

Response: Agree. We will enroll required staff members in 2011.

2008 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: Partially Implemented - During our current review, we found the monthly report was submitted late five times out of the 12 month period covered. It is our understanding this was partially due to the part-time status of the outgoing Extension Director (four) and learning curve for the new Interim Director (one).

Response: Agree. Extra effort will be given to getting the monthly reports in on time. Inquiry will be made with the District Extension Office as to whether an "Acting Director" can be place in case of emergency or extended absences.