



Cobb County...Expect the Best!

INTERNAL AUDIT DIVISION

Report Number: 2012-006

***FINAL REPORT - Review of Selected Activities of
the Friendship Club
for the calendar year ended December 31, 2011***

June 28, 2012

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

Table of Contents

Transmittal Letter	Page i
Background	Page 1
Results of Review	Page 2
Disbursements from the Friendship Club Were Properly Accounted For and In Accordance with Established Guidelines.....	Page 2
Appendices	
Appendix I – Detailed Objective(s), Scope, and Methodology	Page 3
Appendix II – Abbreviations and Glossary	Page 4
Appendix III – Major Contributors to the Report	Page 5
Appendix IV – Final Report Distribution List	Page 6



COBB COUNTY INTERNAL AUDIT

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Division Manager

June 28, 2012

MEMORANDUM TO COUNTY MANAGER

FROM: Latona Thomas, CPA, Manager 

SUBJECT: **FINAL REPORT** - Review of Selected Activities of the Friendship Club for the calendar year ended December 31, 2011

Attached for your review is the subject final report. The objective of our audit was to determine if funds of the Friendship Club (the Club) were properly accounted for and disbursements were properly supported by adequate documentation and in accordance with established by-laws.

Impact on the Governance of the County

The Friendship Club was formed as a cost-saving measure to provide charitable giving for the employees of Cobb County without the annual charity campaigns that were costly in terms of employee man-hours required. This year's assessment of the controls over the Club's finances gives assurance to the employees that their contributions are handled responsibly and are making an impact in the lives of their fellow employees and families in the community.

Executive Summary

Our review showed the funds of the Club were properly accounted for. Disbursements were made in accordance with established by-laws and were approved by the Club's Board and Treasurer. Bank reconciliations were conducted properly and financial reports were submitted timely to the Board. The Center for Family Resources (CFR) followed established guidelines for distribution of funds to employees.

We noted one procedural change. Recipients of the semi-annual allocations must now send a representative to pick up the award at the ceremony or make other arrangements to pick up the award in person within ten (10) days. The Club will no longer mail checks.

Recommendations

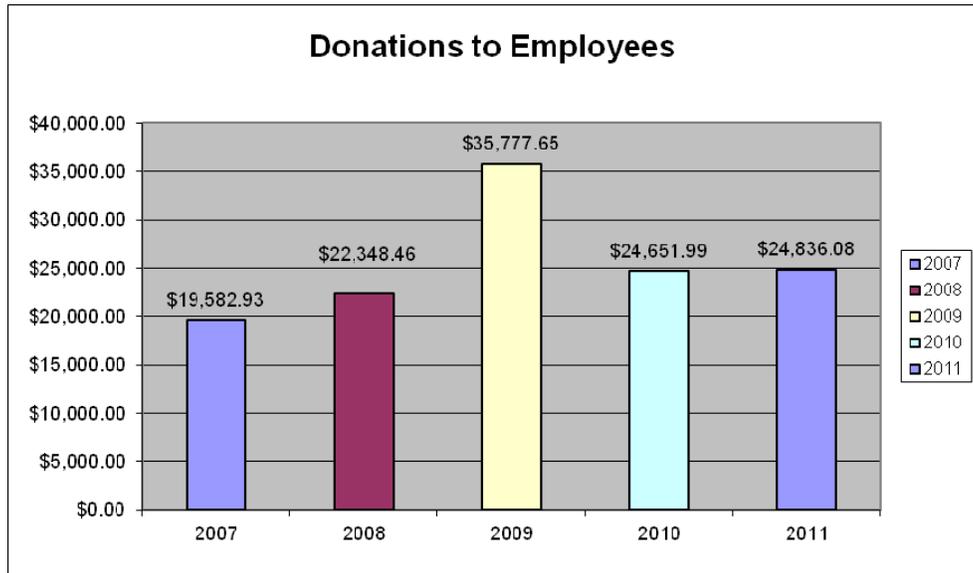
No formal recommendations resulted from our review; therefore, no formal written response is required.

Copies of this report will be sent to those affected by the results of the audit. Please contact me at (770) 528-2559 if you have questions or Barry Huff, Auditor-in-Charge, at (770) 528-2558.

Background

On March 28, 1972, the Board of Commissioners for Cobb County passed a resolution to establish a voluntary payroll deduction fund named the Cobb County Employee Friendship Club. The purpose of the Club is to reduce the number of direct solicitations to employees for contributions to charitable organizations and save on the associated cost of man-hours required to address them. Currently, a twelve-member board, representing employees of eight county agencies, administers the Club and determines the disbursement of awards to the various charitable causes. The trustees are nominated and elected by members of the Club (employees who contribute to the Club). The Club's Board has four subcommittees that oversee the elections of board trustees, changes to the by-laws, solicitation and maintenance of membership, and allocations to charitable organizations. Since its inception, as of December 31, 2011, **\$1,861,428** has been disbursed to charitable organizations, employees or other causes.¹

In 1990, the Club expanded its mission and established the Employee Emergency Fund to provide financial assistance to Cobb County employees. The assistance is provided confidentially through an arrangement with the Center for Family Resources (CFR) who administers the program free-of-charge, governed by a set of guidelines that determine eligibility and monetary assistance limits. As of December 31, 2011, the CFR has distributed **\$330,306** to employees in need, averaging \$25,439.42 over the last 5 years.



Source: Assistant Treasurer Financial Documents

Our audit period covered Friendship Club activities during calendar year 2011. Detailed information on our audit objective(s), scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix III.

¹ Over the years, the Board has authorized miscellaneous donations directly to employees and causes that were not part of the allocations to charities or assistance provided through the Employee Emergency Fund. In response to recommendations made to the Board in our previous year's report, the by-laws were changed to disallow similar contributions in the future.

Results of Review

Disbursements from the Friendship Club were Properly Accounted For and In Accordance with Established Guidelines

Our audit tests showed that the Club's funds were properly accounted for and disbursements were properly supported by adequate documentation and in accordance with established by-laws. During our audit period, the Club distributed a total of \$117,855 — **\$93,019** to charitable organizations and **\$24,836** to individuals through the Employee Emergency Fund. We also determined that:

- \$6,803.20 was in the Club's bank account as of December 31, 2011.
- Financial reports were submitted monthly to the Club's Board for review and approval.
- Monthly invoices were submitted for reimbursement of employee emergency fund distributions. Disbursements to CFR matched the amount on these invoices.
- Established guidelines for providing assistance to employees were followed. We confirmed no employee received more than the allocated \$1,000 per assistance, \$2,000 per year limit. Case files contained copies of documents solicited from employees to support their request for assistance, and the case managers analyzed the financial conditions to determine whether assistance should be provided.
- Checks to the CFR and charitable organizations were confirmed to be received and/or endorsed by the payee.
- Board members had input on the selection of charities given money.
- Approximately 29 charitable organizations were supported by the generous contributions of Club members during 2011.

One procedural change was implemented by the Board since the last audit—the Club will no longer mail checks to charities who do not attend the allocation ceremony. The Board decided not to mail checks because, during the December 2011 allocation, a check mailed to one of the charities was not received. The Assistant Treasurer issued a 'stop payment' request and reissued the check. To avoid this situation in the future, the Board decided to require charities to pick up their check at the semi-annual allocation ceremony or within 10 days afterwards.

Detailed Objective(s), Scope, and Methodology

We conducted this review as part of our annual audit plan. Our audit period covered an analysis of financial transactions and business operations for the Friendship Club for calendar year 2011.

The objective of our audit was to determine if funds of the Friendship Club were properly accounted for and disbursements were properly supported by adequate documentation and in accordance with established by-laws. Our preliminary survey resulted in sufficient evidence to conclude on several aspects of our objective. In order to accomplish the remaining aspects of our objective, we performed the following sub-objectives:

- I. Verified that all distributions from the Club were properly documented and authorized by the Board.
 - A. Determined whether the Center for Family Resources was following established guidelines for distribution of funds to employees.
 1. Using the Acting Treasurer disbursement detail, we randomly selected a sample of 10 of the 30 employees assisted in 2011 and reviewed the 15 opportunities of assistance for these 10 employees.
 2. Determined if assistance exceeded the '\$1,000 per instance, \$2,000 per year limit' guideline.
 3. Reviewed the Acting Treasurer's disbursement records to determine if the invoice amounts agree with the disbursement to the CFR.
 4. Reviewed the cancelled checks written to the CFR to determine whether the checks were endorsed.
 - B. Verified there was adequate documentation to support the two allocation distributions to charitable organizations.
 1. Reviewed the minutes of meetings and the Allocation Committee's documentation and looked for evidence that the Board voted and had input on all the charities selected and amounts awarded.
 2. Confirmed that all disbursements from the two allocations were received by the organizations.

Appendix II

Abbreviations and Glossary

CFR	Center for Family Resources
EEF	Employee Emergency Fund

Appendix III

Major Contributors to the Report

Latona Thomas, CPA, Internal Audit Division Manager
Barry Huff, Auditor-in-Charge

Final Report Distribution List

Valerie Davis, Public Safety Services Coordinator & Friendship Club President
Jim Pehrson, CPA, Finance Director/Comptroller & Friendship Club Treasurer
Laurie Ferguson, Accountant III & Friendship Club Acting Treasurer
Internal Audit Division File