



FULTON COUNTY

FULTON COUNTY, GEORGIA

OFFICE OF INTERNAL AUDIT

**NORTHWEST AND NORTHEAST FULTON
SUB-DISTRICT AUDIT**

December 16, 2011

Table of Contents

	Page
Introduction	1
Background	1
Objective	2
Scope	2
Methodology	2
Findings/Recommendations	2-4
Conclusion	4-5

Introduction

The Office of Internal Audit performed an audit of the Northwest and Northeast Fulton Sub-districts. In 2006, Fulton County designated, within the old SSD, two sub-districts which are the non-contiguous unincorporated areas in the northern portion of Fulton County. The two sub-districts were designated in order to comply with the requirements of the Shafer Amendment. Before the Shafer Amendment was enacted, all unincorporated Fulton County was restricted to the Special Service District, now known as the “old SSD”. In 2006, Fulton County created the South Fulton Special Services District consisting of the area of unincorporated Fulton County south of the City of Atlanta.

The Northwest Fulton Sub-district Fund is comprised of the revenues and expenditures beginning in 2006 for the unincorporated Fulton County area of Milton. The Northeast Fulton Sub-district Fund, also established in 2006, consists of the revenues and expenditures for the unincorporated Fulton County area of Johns Creek. The City of Milton and Johns Creek were incorporated in 2006.

Background

In 2005, the Georgia General Assembly passed, the Shafer Amendment (Georgia Code 36-31-12). The Amendment stipulated that noncontiguous unincorporated areas must be accounted for separately, if separated by at least 10 miles. This law also states:

If, on May 14, 2008: Excess proceeds remain following the expenditure required under paragraph (1) of subsection (b); and all of the area within the special district shall have become incorporated within one or more municipalities, then the excess proceeds shall be disbursed within 60 days to the governing authority of each municipality which has incorporated any portion of the area of the special district. The amount of proceeds to be disbursed to each municipality shall be determined on a pro rata basis using as a denominator the total value of all tax parcels within the special district and as a numerator the total value of all tax parcels which were incorporated within each municipality.

On July 2, 2008, Fulton County Board of Commissioner passed Resolution #08-0509 to disburse the excess proceeds to the cities of Milton, Johns Creek, Roswell, and Alpharetta. The disbursement amount totaled \$4,537,148 and \$3,047,861 from Northwest Fulton (Fund 302) and Northeast Fulton (Fund 303), respectively. While the “excess amount” was disbursed in 2008, delinquent taxes, penalties, and fees continue to be collected, as well as, earn interest revenue. However, the law provides no guidance as to the required distribution of excess proceeds received after May 14, 2008.

Based on the fund balances, on July 1, 2008, provided by the Fulton County Finance Department, the Northwest Sub-district totaled \$104,870.88 and the Northeast Sub-district remaining balance totaled \$116,004.57, as of September 30, 2011.

Objective

The objective of our audit was to verify the accuracy of property taxes collected for delinquent taxes, penalties and interest, and earned investment income recorded in Northwest sub-district and Northeast sub-district

Scope

The audit period covered revenues collected for both funds from 2006 through September 30, 2011.

Methodology

During our audit of Fund 302 and 303, we examined evidence to verify the allocation of the property taxes, penalties, and interest collected by the Tax Commissioner's Office. We analyzed and compared the taxes recorded by the Tax Commissioner's Office to the amounts recorded by Finance in the AMS system. To determine any differences, we reviewed evidence including check copies, cash receipts, tax bills, and daily collection detail. The investment schedule for each fund was utilized to verify the interest income. The total of revenues analyzed for each fund was approximately \$7.8 million and \$14.9 million for Fund 302 and 303, respectively. During the audit we also reviewed various revenues related to the other service districts. The service districts are:

Fund 300-Special Services District	Fund 302-Northwest Sub-District
Fund 301-S. Fulton Special Services District	Fund 303-Northeast Sub-District

Findings and Recommendations

Finding 1- Revenue Not Properly Allocated

Revenue should be allocated to the appropriate Fund, Department, Unit, and Revenue Source Code in which it was earned. During our review of the revenues subsequent to the disbursements complying with the Shafer Amendment for Northwest and Northeast sub-districts, we found sixteen (16) instances in which revenues collected was not properly allocated to the proper fund. The effect of not booking revenue in the correct fund can create possible inconsistencies in reported fund balance. The details of the instances are listed below:

Check #	Check Date	Amount	Allocated Fund	Accurate Fund
426356	11/24/2008	\$91.27	South Fulton	Northwest
429128	12/04/2008	\$378.85	Northwest	Northeast
448750	03/04/2009	\$75.14	Northwest	Northeast
449606	03/11/2009	\$1,151.99	Northwest	Northeast
*449647	03/18/2009	\$693.94	Northwest	Northeast
452022	04/22/2009	\$55.69	South Fulton	Northwest
454292	06/17/2009	\$493.88	South Fulton	Northeast
455363	06/20/2009	\$464.33	South Fulton	Northwest
455362	06/24/2009	\$1,441.80	South Fulton	Northeast
467720	10/29/2009	\$676.58	Special Services	Northeast

467721	10/29/2009	\$88.65	Special Services	Northwest
480968	02/04/2010	\$187.89	Northeast	Northwest
491405	04/23/2010	\$1,067.45	Northeast	Northwest
**544886	07/20/2011	\$186.43	Northeast	Special Services
*Penalties and interest totaling \$235.60 pertaining to the check were properly allocated.				
**Delinquent taxes totaling \$346.34 pertaining to the check were properly allocated.				

Recommendation

All taxes collected for each fund should be properly recorded. The funds should be reconciled and any discrepancies should be adjusted in a timely manner.

Finding 2- Revenue Misclassified

Revenue should be allocated to the appropriate Fund, Department, Unit, and Revenue Source Code in which it was earned. During our review of the revenues subsequent to the July 2008 disbursements for Northwest sub-district and Northeast sub-district, we found three (3) instances in which the revenue was not properly classified to the accurate revenue source code although it was allocated to the correct fund. Revenue classified to the improper revenue source code may result in erroneous financial reports; however it would not affect the fund balance. Listed below are the details of the instances:

Check Number	Check Date	Amount	Allocated Source Code	Accurate Source Code
442121	01/08/2009	\$70.31	1501	3016
442153	01/14/2009	\$354.26	1501	3016
454242	06/10/2009	\$143.00	3016	1501

Revenue Line 1501 = Prior Years-General Digest (Delinquent Taxes)

Revenue Line 3016 = Penalties & Interest on Tax Collection

Recommendation

All taxes collected for each fund should be properly recorded. The funds should be reconciled and any discrepancies should be adjusted in a timely manner.

Finding 3- Adjustments Made to the Incorrect Fund

All adjustments made to the accounting records should be consistent with information provided by the Tax Commissioner's Office. During the course of our audit, we noted adjustments were made to South Fulton Service District that should have been applied to Northwest sub-district and Northeast sub-district. These errors are the result of the failure to properly record the adjustments. Failure to properly adjust the correct funds results in incorrect fund balance.

Recommendation

The Finance Department should ensure all adjustments made to the funds are accurately recorded. The funds should be reconciled and any discrepancies should be adjusted in a timely manner. These adjustments were corrected during audit fieldwork.

Finding 4- Inaccurate Amount Disbursed

On July 2, 2008, the Fulton County Board of Commissioners authorized the distribution of excess proceeds to the cities as a result of the stipulation modified in 2008 to the Shafer Amendment. According to the amendment, any “excess proceeds” following incorporation of a previously non-contiguous unincorporated area must be distributed on a pro-rata basis to the cities that incorporated or annexed that area. Based on our review, we noted five occurrences in which revenue was improperly allocated and later disbursed to the incorrect city or district. The occurrences include:

Check Number	Check Date	Amount	Revenue Type	Allocated Fund	Accurate Fund
347698	06/13/2007	\$40,128.24	1501	Northwest	Special Services
365086	11/08/2007	\$152.47	3016	Northwest	Northeast
379157	01/10/2008	\$1,565.23	1501	Special Services	Northeast
380556	01/28/2008	\$89.57	3016	Northeast	Special Services
390833	06/13/2008	\$2,454.01	1501 3016	Northwest	Northeast

Revenue Line 1501 = Prior Years-General Digest (Delinquent Taxes)

Revenue Line 3016 = Penalties & Interest on Tax Collection

As a result of the revenue being allocated to the incorrect fund, funds were not disbursed to the appropriate cities.

Recommendation

The Finance Department should examine the excess proceeds disbursed to the incorporated areas to determine the extent of the inaccuracy. All efforts should be taken to correct any amounts erroneously transferred to the incorrect sub-district.

Conclusion

Our audit revealed several occurrences where revenue was not properly allocated to the correct fund or the revenue source was misclassified. In addition, we noted several instances where adjustments were made to the incorrect fund and inaccurate amounts were disbursed to sub-districts. The results of these findings will require adjustments to the fund balances in order to ensure they are correct. Based on the findings in our audit, each fund should be adjusted as follows:

Finding Number	Special Services District	S. Fulton Special Services District	Northwest Sub-District	Northeast Sub-District
1	(\$ 578.80)	(\$ 2,546.97)	(\$ 344.64)	\$ 3,470.41
2	-	-	-	-
*3	-	3,461.97	(841.02)	(2,620.95)
4	38,652.58	-	(42,734.72)	4,082.14
Total	\$ 38,073.78	\$ 915.00	(\$ 43,920.38)	\$ 4,931.60

* Adjustments made during audit fieldwork.

We would like to thank the management and staff of the Tax Commissioner's Office and Finance Department for their timely cooperation and assistance during the audit.