



FULTON COUNTY

FULTON COUNTY, GEORGIA

OFFICE OF INTERNAL AUDIT

**THE ATLANTA/ FULTON COUNTY EMERGENCY
MANAGEMENT AGENCY (AFCEMA)
REVIEW OF MONTHLY REVENUE AND EXPENSE
TRANSACTION RECORDS**

March 23, 2009



FULTON COUNTY OFFICE OF INTERNAL AUDIT

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March 23, 2009

Roberto Hernandez
Deputy County Manager
County Manager's Office
141 Pryor Street
Atlanta, GA 30303

Dear Mr. Hernandez:

We have completed an audit of the Atlanta/Fulton County Emergency Management Agency (AFCEMA). The audit focused on an examination of revenues and expenses for the fiscal year ended December 31, 2008. We performed the review to determine whether AFCEMA has adequate internal control processes and procedures in place to safeguard assets and prevent losses. Specifically, to determine whether the revenue and expense transactions were properly authorized, correctly recorded, and adequately supported.

To accomplish this objective, we reviewed all the revenue and expense transactions and the supporting documentation, made inquiries of the agency's personnel, and reviewed bank reconciliation records for the fiscal year 2008. Based on our review, we noted several internal control deficiencies. Our findings and recommendations are attached to this report.

Sincerely,

Anthony Nicks
Director of Internal Audit

cc: Lisa Carter, Assistant County Manager

Introduction

The Atlanta Fulton County Emergency Management Agency (AFCEMA) is a joint cooperative effort between the city of Atlanta and Fulton County. AFCEMA is responsible for comprehensive, coordinated and interdisciplinary mitigation, preparedness, response, and recovery activities during emergencies and major disasters. AFCEMA delivers services in conjunction with Fulton County, City of Atlanta, and other local and state agencies. The Atlanta Fulton County Emergency Management Operations Center (EOC) serves as the central point of contact during emergency and disaster incidents and provides damage and needs assessment services.

The agency is annually funded with grants from the Federal Government (pass-through), City of Atlanta, and Fulton County governments. In 2008 the total grants received from these three government bodies were:

<u>2008 Operating Grants</u>	
Fulton County	\$278,389.00
City of Atlanta	150,000.00
Federal (through GEMA)	<u>82,657.00</u>
	<u>\$511,046.00</u>

Objective

The primary objective of reviewing AFCEMA's revenue and expense records was to determine whether the transactions were appropriately authorized and adequately supported and whether internal controls were operating to safeguard assets and prevent losses.

Scope

The audit was limited to a review of revenue and expense transactions from January 1, 2008 through March 31, 2008.

Methodology

Our review included the examination of revenues and expenses, supporting documentation, internal control, and bank reconciliations. A review consists principally of inquiries of agency personnel and analytical procedures applied to financial data. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financials taken as whole. Accordingly, we do not express such an opinion. One hundred percent of revenues and expenses were examined. Based on our review, we noted the following findings as stated below:

Major Findings and Recommendations

Finding-1 Checks Signed in Advance

During our review, we noted 10 pre-signed checks kept in a locked drawer. The Administrative Services Manager, who also performs all the accounting duties, explained that they usually keep pre-signed checks to use in case the authorized check signer is absent. The agency has only two officers who are authorized to sign checks. In the absence of one officers, payment of invoices are delayed which necessitated the current practice. The current practice of pre-signing checks increases the risk that the agency would pay for unauthorized purchases or fictitious vendors.

Recommendation

Blank checks should not be pre-signed before the supporting documentation is received and approved and before the check is completed. The current practice of pre-signing checks increases the risk of asset loss.

Finding-2 Checks Were Not Issued in Numerical Sequence

On many occasions, checks were written several days or in some instances months following the time period the check numbers should have been written and documented in the financial records. Good internal control over cash disbursements require that checks are written and issued in numerical sequence. Blank checks were signed and held for future payment of invoices or were prepared and held due to incomplete supporting documents. An organization is exposed to greater risk of loss from fraudulent schemes when checks are not written in numerical sequence

Recommendation

Checks should be written and issued in sequential order to improve internal control over disbursements.

Finding-3 Invoices Were Not Approved Before Payments Were Made

Invoices from participating funded programs of AFCEMA were forwarded by vendors directly to accounting center without the approval by the program supervisors. Purchase requisitions should be authorized and vendor invoices properly approved by the appropriate program supervisor for all purchases. There are no written policies and procedures for processing invoices from other participating program units. Proper authorization of purchase requisitions and approval of invoices would lessen the likelihood that the agency would pay for unauthorized or fraudulent invoices.

Recommendation

All vouchers should be approved by program supervisors and forwarded to the AFCEMA accounting department for payment. The approving supervisor should ensure that the goods and services have been received and that the supporting document is complete, correct and proper before payment.

Finding-4 Quotes Were Not Obtained For Purchases over \$500

The agency was not complying with the purchasing procedure as stipulated in the financial accounting manual. The financial accounting procedure stipulates that purchase orders over \$500 require three (3) written quotes. There was no documentation in the files which indicates that AFCEMA complied with the policy requirements. Obtaining three written quotes when purchases exceed \$500 will strengthen internal controls over the purchasing process and ensure that the best price is received for goods and services.

Recommendation

The agency should comply and document its compliance with this policy to ensure that the agency receives the best prices for goods and services.

Finding-5 No Segregation of Accounting Duties

Separation of incompatible accounting duties is the corner stone of any good internal control system. Incompatible duties are those that would put a single individual in the position to commit fraud or abuse and be able to conceal it. AFCEMA has a limited number of staff to properly segregate its accounting functions. When incompatible duties are not segregated, the agency runs the risk that an employee who commits an irregularity may be able to conceal it.

Recommendation

We recommend that the duties of receiving, recording and approving accounting transactions, maintaining custody of assets, and performing bank reconciliations be segregated among the staff.

Finding-6 Agency Voided Checks Were Shredded

When a check was voided, the accounting staff always made a copy of the check and shredded the original. Voided checks or documents should be defaced to avoid re-use and should be maintained and filed in their original form. There are no written procedures on how to process paid or voided documents. Maintaining the original document would lower the risk of fraud by altering the original document.

Recommendation

Voided checks should be defaced and maintained in the files and not shredded.

Finding-7 Inadequate Documentation of Travel Expenses

The current employees travel expense reimbursement form does not provide enough information to accurately determine the amount of reimbursement. The employees travel expense form should provide pertinent information such as: departure and return times from a trip, the purpose of the trip, and mileage. Inadequate travel documentation can result in the agency reimbursing employees for more than their actual travel expense.

Recommendation

We recommend that the employee travel reimbursement form be revised to provide the required information to accurately determine the amount of the reimbursement.

Finding-8 No Policies and Procedures Manual for Monitoring AFCEMA Credit Card Program

We found that there were no written policies and procedures for monitoring the credit card program. Our review revealed that, apart from alcohol, a variety of items could be purchased under the agency's credit card program, ranging from groceries, building materials, umbrellas, kitchen items, flowers, and meals. A credit card policies and procedures manual should be developed which will provide guidance on how purchases with the agency's credit card should be documented. There were no written policies and procedures manual to control and monitor the credit card program. Written policies and procedures for the use of credit cards would prevent inappropriate use of the credit cards.

Recommendation

We recommend that a policies and procedures manual be developed which specifically states what is allowable and what is not-allowable during emergency situations. The manual should also stipulate the limit of purchases per cardholder under different emergency situations.

Finding 9 Credit Card Purchases

Employees submitted credit card purchases that were poorly documented and could not be vouched to supporting document or traced to the card statement. Cardholders are required to document information for each transaction made with the card in the log. As a minimum, entries to this log should describe the item, the merchant, date of purchase, and purpose for the item. There were no written policies and procedures detailing how credit card purchases would be documented. Proper documentation would lower the risk that agency credit cards would be used for personal purchases.

Recommendation

We recommend that AFCEMA adopt a policy that requires every credit cardholder to maintain a credit card purchase log. Purchases listed on the log should be verified against the purchases listed on the credit card statement. Disputed charges should be resolved with the employee's supervisor. The mileage log should provide the following information: date, start and end mileage, begin and end time, destination, purpose of trip, driver's name/signature, and total mileage. All logs are to be reviewed and approved for payment by the program supervisor to ensure that vehicles are not being used for personal purposes.

Finding 10 Monthly Bank Reconciliations Not Performed Correctly and In a Timely Manner

Bank reconciliations are a very important part of cash control procedure that verifies the correct amount of cash an organization has on hand and should be performed within 30 days of the bank

statement date. During our review of the control over cash management, we noted that monthly bank reconciliations were not prepared correctly and in a timely manner. The amounts entered in the bank reconciliation did not show the accurate revenue and disbursement transactions. All the reconciling items were not properly identified and documented. When the bank reconciliation is not performed properly, the agency exposes itself to accounting errors and irregularities that may not be detected in a timely manner.

Recommendation

We recommend that monthly bank statements be completed correctly and in a timely manner. Also, we recommend that the accounting staff who performs the monthly bank reconciliation take the basic training course in the use of Peachtree Accounting software.