



**FULTON
COUNTY**

**FULTON COUNTY, GEORGIA
OFFICE OF THE COUNTY AUDITOR**

Happy Faces Audit

January 18, 2022

TABLE OF CONTENTS

INTRODUCTION 1

BACKGROUND 1

OBJECTIVE..... 1

SCOPE 1

METHODOLOGY 1

FINDINGS AND RECOMMENDATIONS 2

 Finding 1 – Lack of an Approved Contract 2

 Recommendation 2

 Finding 2 – Unauthorized Position Titles 2

 Recommendation 3

 Finding 3 – Issuance of Inaccurate and Unauthorized Wages 3

 Recommendation 4

 Finding 4 – Untimely Payment of Invoices..... 4

 Recommendation 5

 Finding 5 – Lack of Supporting Documentation 5

 Recommendation 5

 Finding 6 – Happy Faces Pay Periods Do Not Coincide with Fulton County Pay Periods 5

 Recommendation 5

 Finding 7 – Unauthorized Use of Staffing 6

 Recommendation 6

 Finding 8 –Unauthorized Staffing Hours..... 6

 Recommendation 6

 Finding 9 – Inability to Verify Compliance with Contract Deliverables 6

 Recommendation 7

 Concern 1 – Overtime Pay 7

 Recommendation 7

CONCLUSION..... 8

INTRODUCTION

The Happy Faces Audit was conducted as a special request from Commissioner Liz Hausmann, District 1.

BACKGROUND

Happy Faces have placed personnel in a wide variety of fields since 1995. While the company embraces technology to further their efficiencies and cost-effectiveness, the leadership has not lost sight of the time-tested concept of one on one, face-to-face interaction with their customers and employees. Happy Faces began as a service-oriented company and seeing a need to change the manner in which people found employment, they based their model on the simple premise that happy people make the best employees and the best employees make the happiest customers.

Many departments within Fulton County have procured the services of Happy Faces to assist with their staffing needs. A few of those departments include the Department of Community Development, Senior Services, Tax Assessor, Registration and Elections, Magistrate Court, and Superior Court. The departments we reviewed were Registration and Elections, Senior Services, and Community Development.

OBJECTIVE

The objective of the audit was to determine compliance as it relates to the contract deliverables. In addition, we evaluated the adequacy of controls over the contract management process to determine whether those controls are operating in an efficient and effective manner.

SCOPE

The scope of the audit was from January 1, 2020 – August 31, 2021.

METHODOLOGY

We conducted this audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

To achieve our audit objectives, we reviewed the following documentation:

- Departmental contracts for calendar years 2020-2021
- Departmental organizational charts

- Copies of 2020-2021 adopted budgets
- Copies of supporting documentation (i.e., invoices, timesheets)
- Copies of criminal background investigations completed on personnel provided by Happy Faces (Happy Faces)
- Copies of emergency procurements

Additionally, we interviewed key staff within the departments to determine the established processes and procedures related to contractual management and performed walkthroughs to observe key processes and procedures related to the day-to-day operations.

We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our findings and recommendations are detailed below.

FINDINGS AND RECOMMENDATIONS

Finding 1 – Lack of an Approved Contract

The Department of Purchasing’s Standard Operating Procedures (SOPs) states that any procurement that requires the approval and execution of a written contract, regardless of the amount (i.e., professional services) must be approved by the Board of Commissioners. During our review of transactions within the Registration and Elections Department, we noted there was no approved contract for the invoices we sampled for the months of January and April, 2021; however, the contractor was still providing services during this time. We were informed that the contract was presented to the Board of Commissioners, but was not approved until July, 2021. The absence of an approved contract negates any reliable record of the rights, responsibilities, and obligations of the involved parties.

Recommendation

Management needs to ensure compliance with departmental SOPs and ensure all vendors have complied with the procurement process prior to administering services.

Finding 2 – Unauthorized Position Titles

Contracts are important because they outline expectations for both parties, protect both parties if those expectations aren't met and lock in the price that will be paid for services.

Registration and Elections

The contract between Happy Faces and the Registration and Elections Department specifies the positions the contractor will provide. Upon our review of invoices, we discovered positions that were not reflected in the contract (i.e., Registration and Election Security, Executive Assistant, Registration and Elections Systems Specialist, etc.).

Senior Services

The contract between Happy Faces and the Senior Services Department outlines position titles and hourly rates for each position. We noted two (2) positions that were not approved in the Senior Services contract but were compensated. Those positions were the “Line Dance Instructor” and the “Program Coordinator.”

Community Development

We also noted the position titled “Senior Lead Project Coordinator” was compensated for the Community Development Department, although it was not listed in the contract.

Management did not ensure compliance with the specificity of the contract. Failure to properly review invoices in comparison with the contract to ensure proper billing of the approved staff outlined in the contract could result in unauthorized charges and unexpected increases within the budget. Furthermore, this presents the risk of exceeding the approved total contract compensation amount.

Recommendation

We recommend the department adheres to the labor distribution outlined in the contract. Additionally, if amendments are necessary, it should be reflected in written form and approved by management.

Finding 3 – Issuance of Inaccurate and Unauthorized Wages

The Happy Faces contracts specify the compensation for the positions, to include the overtime bill rate.

Registration and Elections

We were unable to align some of the bill rates and the overtime bill rates reflected on the invoices to the bill rates outlined in the contract. For example, the Registration and Elections-VEO (Voter Education Outreach), the Registration and Elections Instructor, and the Registration and Elections Coordinator I overtime rates did not align with the contractual rates.

Senior Services

During our review, we noted five (5) positions that were not paid the hourly wage listed on the contract. (See chart below for reference).

Chart 1

Position	Approved Hourly Wage(s)	Reviewed Hourly Wage
----------	-------------------------	----------------------

Social Service Coordinator	\$22.00 \$28.60 \$27.72	\$29.54
Fitness Instructor	\$22.57 \$17.63 \$22.04	\$22.31 \$25.60
Art Instructor	\$22.57 \$17.63 \$22.04	\$23.29
Computer Instructor	\$22.57 \$17.63 \$22.04	\$23.82
Administrative Clerk	\$13.71 \$17.82 \$17.27	\$19.50

Management did not comply with the labor distribution reflected in the contract. Incompliance with the contract’s labor distribution may cause an overrun of budgeted funds.

Recommendation

We recommend management provide proper oversight of compensation to ensure proper approval and payment of wages, budgetary oversight and contract compliance.

Finding 4 – Untimely Payment of Invoices

According to Fulton County’s purchase order agreement, invoices received for payment should be paid within thirty (30) days after receipt of a proper invoice.

Registration and Elections

During our review, we noted that of the one-hundred and twenty invoices (120) sampled from the Registration and Elections Department, fifty-three (53), or 44%, were not paid timely. Management informed us that untimely payments were due to the delay in the approval of the contract.

Senior Services

We also noted twenty (20), or 36%, of the fifty-five (55) Senior Services invoices were not submitted timely for payment.

Community Development

During our review of the Community Development invoices, we noted ten (10) of the thirty (30) invoices reviewed, or 33%, were not paid timely.

The departments failed to comply with the stipulations of the agreement. Failure to process timely payments may cause unnecessary late fees, hinder relationships with vendors, and create accounting and reporting issues.

Recommendation

We recommend all invoices are paid timely to comply with purchasing standards. Furthermore, the department should implement procedures that outlines the timely receipt of goods and submission of invoices for payment.

Finding 5 – Lack of Supporting Documentation

Supporting documentation provides a record of events and activities and evidence of what has transpired. Proper documentation also provides information for researching discrepancies. We sampled invoice files for transactions that occurred during the scope of our audit and noted that the Registration and Elections Department did not submit records for bill rate changes, credits, or title changes that were reflected on the invoices. Additionally, the department was unable to provide documentation of the approval for the contractors to continue to provide services without an active contract. This is the result of inadequate management and oversight of the contract. Failure to maintain supporting documentation may cause overpayment of expenses, unauthorized charges, lack of County oversight, and incorrect financial reporting.

Recommendation

Good recordkeeping is vital to providing accurate and substantive information. To ensure the accuracy of records/files, we recommend that an effective recordkeeping system be implemented. Additionally, supervisory reviews of these records should be performed on a consistent basis so any issues can be readily identified and remedied.

Finding 6 – Happy Faces Pay Periods Do Not Coincide with Fulton County Pay Periods

According to the contract between Happy Faces and the Senior Services Department, “The Contractor’s pay periods should coincide with the County’s pay period.” The County’s pay periods are on a bi-weekly basis. During our review, we determined that invoices submitted by Happy Faces do not coincide with the County’s pay period. As such, there is noncompliance with the language reflected in the contract. Failure to comply with contract guidelines, as it relates to coinciding pay periods, may cause errors in payment and incorrect financial reporting.

Recommendation

We recommend management consistently monitor the management of the contract to ensure proper execution.

Finding 7 – Unauthorized Use of Staffing

Pursuant to our review of the contract between Happy Faces and the Senior Services Department, the need for one Fitness Instructor was identified and agreed upon. However, Happy Faces employed five (5) Fitness Instructors, as well as one Line Dance Instructor. The Line Dance Instructor was not an approved position within the contract. According to the department, the Line Dance Instructor was included in the broad category of Fitness Instructor. We were advised by management that the number of positions included in the contract was initially part of an analysis to calculate the original budget request to use Happy Faces. The department has advised that the column entitled “# of positions” is not appropriate for the current contract and needs to be amended in the next contract. Failure to properly staff positions, as outlined in the contract, may cause unauthorized budget increases and cause costs to exceed the contract amount.

Recommendation

We recommend management amend the contract to provide a true and accurate reflection of the staffing needs within the department. Additionally, the contract should outline the specific needs of the department and include a clause that the amount will not exceed said dollar amount to allow for additional staffing needs as they arise and to remain within budgeted amounts.

Finding 8 –Unauthorized Staffing Hours

The contract between Happy Faces and the Community Development Department states that contractors will work approximately 29.5 hours/week. During our review, we noted seventeen (17) of the thirty (30) items reviewed showed contractors that exceeded the 29.5 hours/week. We were informed that staff were allowed to work overtime due to the department not being fully staffed. We requested a copy of the official approval for overtime; however, this information was not provided to our office. Failure to ensure hours worked by staff are in compliance with the agreed upon contract may potentially lead to unexpected increases within the budget. Furthermore, this presents the risk of exceeding the approved total contract compensation amount.

Recommendation

We recommend management provide proper monitoring and oversight to ensure hours worked by staff are in compliance with the contract to ensure budgetary oversight and contract compliance.

Finding 9 – Inability to Verify Compliance with Contract Deliverables

The County's Standard Operating Procedures for the department of Purchasing and Contract Compliance states, "Administration is the process of managing, monitoring and administering contracts to ensure the contractor's performance meets the contract requirements." It further states, "The Contract Administrator's key responsibilities are to review and monitor the contractor's expenditures to ensure expenditures are eligible expenses and are in compliance with the approved contract budget as well as to review and recommend approval of all payment requests." Our office requested a copy of the executed contract between Happy Faces and the Community Development Department for 2020. This request was made to the Community Development Department, as well as the Department of Purchasing and Contract Compliance. Our office was not provided with a contract that outlines the contract deliverables (compensation, position titles, maximum/minimum hours allowed, and budget information). We were advised that a copy of the contract could not be located. In lieu of this, we were provided with the statewide contract. However, the statewide contract does not include contract deliverables. Therefore, we were unable to verify compliance. The inability to verify compliance with contract deliverables may lead to inconsistent and inadequate monitoring of the contractor's performance.

Recommendation

We recommend the department perform adequate and consistent performance monitoring measures to ensure the contractor performs duties in accordance with the contract. We further recommend the department ensure an executed contract is obtained before services are rendered by contractors.

Concern 1 – Overtime Pay

A written contract ensures that all of the terms of an agreement are documented. The main reason many verbal contracts fail is that parties change, memories fade, and one person's version of events is often different than another's. During our review, we discovered that some contractors (poll technicians) were not provided with their overtime pay as outlined in the employment agreement. We were informed by Happy Faces that they verbally informed all personnel of this classification type that there would be no overtime pay. The dependence on verbal agreements may lead contractors to begin performance under an "agreement" only to find that there are major areas of disagreements.

Recommendation

We recommend the utilization of written agreements over verbal agreements. Written agreements provide the ultimate understanding of the agreement between the parties involved,

about the services rendered by a third party, or payment obligations to your hired workers. All these things should be stated within the written agreement as legal proof.

CONCLUSION

Based on the audit performed, we identified the following nine (9) findings that require the attention of management:

- Lack of an Approved Contract;
- Unauthorized Position Titles;
- Issuance of Inaccurate and Unauthorized Wages
- Untimely Payment of Invoices;
- Lack of Supporting Documentation;
- Happy Faces Pay Periods Do Not Coincide with Fulton County Pay Periods;
- Unauthorized Use of Staffing;
- Unauthorized Staffing Hours; and
- Inability to Verify Compliance with Contract Deliverables

Additionally, we had one concern in reference to overtime pay.

Contract management is pivotal for any organization and entails understanding every aspect of a contract's lifecycle to extract meaningful data insights. Similarly, if your contract management is unstructured, it will lead your organization to various operational and financial risks. As such, management should designate staff to assume the role of contract administrator to ensure that both the county and the contractor/vendor are in compliance with all terms and conditions of the contract. Additionally, management should continue to ensure that appropriate corrective actions are taken to strengthen the internal controls and improve the operations of the respective departments.

Please provide a written response to this audit within ten (10) business days. Be sure to address the written response to Anthony Nicks, County Auditor. The written response should be submitted through the County Manager's Office and to Joi Hargis, Audit Coordinator, in the Office of the County Auditor at joi.hargis@fultoncountyga.gov. We would like to thank management and staff for their timely cooperation and assistance during this audit. The distribution of this report is reserved for the executive management of Fulton County and the Board of Commissioners.