

Honorable Chairman and
Members of the Board of Commissioners
Fannin County, Georgia

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Fannin County, Georgia as of and for the year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered Fannin County, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fannin County, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of Fannin County, Georgia's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in internal control to be material weaknesses:

2016-001

Condition: While performing audit procedures on inventory at the Road Department, we noted a lack of physical control over gasoline and diesel inventories.

Recommendation: The Road Department should implement an inventory management system to provide adequate physical controls over the gasoline and diesel inventories and restrict use to authorized parties only.

2016-002

Condition: While performing audit procedures at the Probate Court, we noted that there is a lack of segregation of duties. The Chief Clerk processes cash receipts, records cash receipts, prepares the deposit, and takes the deposit to the bank.

Recommendation: To ensure that sufficient internal controls are in place, the Probate Court should properly segregate duties.

2016-003

Condition: While performing audit procedures at the Sheriff's office, we noted that there is a lack of segregation of duties. The Detention Center Commander does all of the receipting, daily balancing, prepares and signs all checks, prepares debit cards for inmates, and delivers the deposits to the bank.

Recommendation: To ensure that sufficient internal controls are in place, the Sheriff's office should properly segregate duties.

2016-004

Condition: While performing audit procedures at the Development Authority, we noted that there is a lack of segregation of duties. The Executive Director does all of the receipting, daily balancing, prepares and signs all checks, and delivers the deposits to the bank.

Recommendation: To ensure that sufficient internal controls are in place, the Development Authority should properly segregate duties.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in internal control to be significant deficiencies:

2016-005

Condition: While performing audit procedures at the Clerk of Court's office, we noted instances where deposits were not made timely. Receipts were held for more than seven days before depositing in 38 of 40 (95%) receipts tested.

Recommendation: At a minimum, deposits should be made weekly.

2016-006

Condition: While performing audit procedures at the Clerk of Court's office, we noted that voided receipts had no evidence of approval.

Recommendation: All voided receipts should have evidence of approval by management.

2016-007

Condition: While performing audit procedures at the Probate Court, we noted that there is no approval process for voided transactions.

Recommendation: Supporting documentation with evidence of approval should be retained at the Court's office.

2016-008

Condition: While performing audit procedures at the Probate Court, we noted instances where deposits were not made timely. We noted 14 of 30 (47%) receipts tested were held for more than seven days before depositing.

Recommendation: At a minimum, deposits should be made weekly.

2016-009

Condition: While performing audit procedures at the Sheriff's office, we noted that the Cash Evidence account is not being reconciled on a monthly basis.

Recommendation: Although some months do have limited activity, we recommend that bank reconciliations be prepared and reviewed on a monthly basis.

2016-010

Condition: While performing audit procedures at the Tax Commissioner's office, we noted that the bank reconciliations being performed are not reconciling the bank balance to the general ledger balance. After determining the correct reconciled balance, we noted that the subsequent payouts of the current period's receipts exceeded the ending reconciled cash balance.

2016-010, continued

Recommendation: We recommend that bank reconciliations be prepared and reviewed on a monthly basis. After reconciling the bank statements, subsequent payouts should be compared with the ending reconciled cash balance.

2016-011

Condition: While performing audit procedures at the Law Library, we noted that deposits were not made timely. Receipts were held for more than seven days before depositing.

Recommendation: At a minimum, deposits should be made weekly.

2016-012

Condition: While performing audit procedures on receipts for hotel/motel tax, we noted instances where deposits were not made timely. We noted 24 of 30 (80%) receipts tested were held for more than seven days before depositing.

Recommendation: At a minimum, deposits should be made weekly.

2016-013

Condition: While performing audit procedures on receipts for parks and recreation charges, we noted instances where deposits were not made timely. We noted 17 of 30 (57%) receipts tested were held for more than seven days before depositing.

Recommendation: At a minimum, deposits should be made weekly.

2016-014

Condition: While performing audit procedures at the EMS Department, we noted that there is a lack of segregation of duties between the posting and approving of account adjustments in the EMS Department. Account adjustments were reviewed during audit procedures and appeared appropriate.

Recommendation: In order to provide proper segregation of duties, the review and approval of all account adjustments should be performed by a different individual than the individual posting adjustments. The individual designated to review and approve account adjustments should also periodically obtain a listing of account adjustments from the accounting software package to ensure all account adjustments posted have been reviewed and approved.

2016-015

Condition: While performing audit procedures on journal entries, we noted that journal entries originated by the Finance Director did not have evidence of approval. All journal entries reviewed during audit procedures appeared appropriate.

Recommendation: In order to provide proper segregation of duties, the review and approval of all journal entries should be performed by a different individual than the individual posting them. The individual designated to review and approve journal entries should also periodically obtain a listing of journal entries from the accounting software package to ensure all journal entries posted have been reviewed and approved.

2016-016

Condition: While performing audit procedures on purchases with County credit cards, we noted instances where credit card transactions did not have supporting documentation. During our testing, we noted 10 of 40 (25%) credit card transactions tested had no supporting documentation.

Recommendation: Supporting documentation should be maintained for all credit card transactions.

2016-017

Condition: While performing audit procedures on disbursements, we noted that the approved purchase order policies and procedures are not being followed. Purchase orders are being obtained subsequent to the purchase.

Recommendation: In accordance with the current adopted ordinance, purchases greater than \$4,500 should have approval prior to disbursement.

Material Noncompliance

2016-018

Condition: The County experienced a material excess of expenditures over appropriations in the General Fund, Excise Tax Lodging Tax Special Revenue Fund, Confiscated Assets Special Revenue Fund, Multiple Grant Special Revenue Fund, and Crime Victims Assistance Special Revenue Fund. Also, an annual budget was not adopted for the Law Library Special Revenue Fund, Clerks Technology Special Revenue Fund, Revolving Loan Special Revenue Fund, Donations / Special Projects Special Revenue Fund, or the Inmate Welfare Special Revenue Fund, as required by state law.

Recommendation: County management should ensure that annual operating budgets are adopted for the General Fund, each Special Revenue Fund, and each Debt Service Fund as required by state law. Budget to actual comparisons should be periodically reviewed by County management and budgets amended as needed to ensure that the County remains in compliance with state law.

During our audit, we also became aware of the following deficiencies in internal control other than material weaknesses, significant deficiencies, or other matters that are opportunities for strengthening internal controls and operating efficiency:

2016-019

Condition: While performing audit procedures on capital assets, we noted the County has potentially significant infrastructure assets (roads) that are not recorded on the County's capital asset listing.

Recommendation: We recommend the County review and reconcile the capital asset listing with the actual assets maintained by the County. This reconciliation should be performed, at a minimum, annually.

2016-020

Condition: While performing audit procedures at the Clerk of Court's office, we noted an excess of funds in the Cash Bonds/Criminal cash account. The Clerk of Court has been unable to determine to whom the funds should be disbursed.

Recommendation: The Clerk of Court should determine proper payee and disburse funds appropriately.

2016-021

Condition: While performing audit procedures on traffic citations at the Sheriff's office, we noted that officer traffic citations are not being issued to officers in sequential order.

Recommendation: In order to maintain adequate internal control over traffic citations, all citations should be issued in sequential order to assist in maintaining an accurate list of officers with custody of traffic citations.

2016-022

Condition: While documenting internal controls for the Law Library, we noted that the review of bank reconciliations is not documented.

Recommendation: The reviewer should initial bank reconciliations as evidence of her review.

This communication is intended solely for the information and use of management, the Board of Commissioners, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Rushton & Company, LLC

Certified Public Accountants
Gainesville, Georgia

June 9, 2017

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