CHEROKEE COUNTY, GEORGIA

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS IN ACCORDANCE WITH THE SINGLE AUDIT ACT AND *GOVERNMENT AUDITING STANDARDS*

FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2012

CHEROKEE COUNTY, GEORGIA

FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2012

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MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
of Cherokee County, Georgia
Canton, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **Cherokee County, Georgia** (the "County") as of and for the nine month period ended September 30, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 26, 2013. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Cherokee County Department of Public Health and the Sequoyah Regional Library, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cherokee County, Georgia's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 misstatement 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 County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2012-1 through 2012-3 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

We noted certain matters that we reported to management of the County in a separate letter dated March 26, 2013.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Commissioners, management of the County, federal awarding agencies and pass-through entities, and the State of Georgia and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Atlanta, Georgia
March 26, 2013

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Commissioners
of Cherokee County, Georgia
Canton, Georgia

Compliance

We have audited Cherokee County, Georgia's (the "County") compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the nine month period ended September 30, 2012. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

Cherokee County, Georgia's basic financial statements include the Cherokee County Department of Public Health, which received $6,247,765 in federal awards for the fiscal year ended June 30, 2012, which are not included in the schedule of expenditures of federal awards of the County for the nine month period ended September 30, 2012. Our audit, described below, did not include the operation of the Cherokee County Department of Public Health because the component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

As described in items 2012-4 and 2012-5 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding allowable cost that are applicable to its Community Development Block Grant Program and its Formula Grant for Other Than Urbanized Areas Transportation Program. Compliance with such requirements is necessary, in our opinion, for Cherokee County, Georgia to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Cherokee County, Georgia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the nine month period ended September 30, 2012.

Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Cherokee County, Georgia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cherokee County, Georgia's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and a deficiency that we consider to be a significant deficiency.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2012-4 and 2012-5 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-6 to be significant deficiency.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cherokee County, Georgia as of and for the nine month period ended September 30, 2012, and have issued our report thereon dated March 26, 2013 which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Cherokee County, Georgia's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the members of the Board of Commissioners, management of the County, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Atlanta, Georgia
March 26, 2013

CHEROKEE COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Contract or Project Number	Total Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Community Development Block Grant	14.218	B-10-UC-13-0006	$ 352,816
Community Development Block Grant	14.218	B-11-UC-13-0006	485,968
Community Development Block Grant	14.218	B-12-UC-13-0006	206,637
			1,045,421
Passed through Georgia Urban County Consotium			
Home Investment Partnership [HOME]	14.239	HM11-5200	123,945
Total U.S. Department of Housing and Urban Development			1,169,366
U.S. DEPARTMENT OF JUSTICE			
Passed through Children Justice Coordinating Council			
Violence Against Women Grant - ARRA	16.588	W11-8-009	31,445
Violence Against Women Grant - ARRA	16.588	W82-8-075	30,505
			61,950
Passed through Judicial Council of Georgia			
DUI/Drug County Program	16.585	25105	19,580
Passed through Children Justice Coordinating Council			
DUI/Drug County Program	16.593	A12-8-013	4,895
DUI/Drug County Program	16.593	A12-8-041	3,757
Total DUI/Drug County Program Cluster			28,232
Passed through Georgia Council of Juvenile Court Judges			
Juvenile Accountability Block Grants	16.523	JB-09ST-0004	6,200
Passed through Criminal Justice Coordinating Council			
Edward Byrne Memorial Justice Assistance Grant - ARRA	16.803	B82-8-058	8,722
Passed through Criminal Justice Coordinating Council			
Victims of Crime Act Formula Grant	16.575	C11-8-020	64,270
Passed through Criminal Justice Coordinating Council			
SCAAP - Alien Prisoner program	16.606	2012-AP-BX-0315	75,335
Bulletproof Vest Partnership Program	16.607	1121-0235	2,250
Total U.S. Department of Justice			$ 246,959

(continued)

CHEROKEE COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Contract or Project Number	Total Expenditures
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through Georgia Emergency Management Agency			
Emergency Performance Management Grant	97.042	2011-EP-00-0015	$ 12,763
Emergency Performance Management Grant	97.042	2012-EP-00051-S01	7,363
			20,126
Citizens Corp	97.053	2010-SS-T0-0034	2,434
Citizens Corp	97.053	2011-SS-00081-S01	3,516
			5,950
Total U.S. Department of Homeland Security			26,076
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Atlanta Regional Commission			
Aging Services	93.044	AG0401.1	300,448
Passed through Georgia Department of Human Resources			
Family Connection - FOCUS	93.605	427-93-121200108-99	15,585
Family Connection - FOCUS	93.605	427-93-131300024-99	11,229
			26,814
Total U.S. Department of Health and Human Services			327,262
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through Governor's Office of Highway Safety			
Alcohol Impaired Driving Countermeasures Incentive Grant	20.601	GA-2012-000-00337	23,922
Passed through Georgia Department of Human Resources			
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	427-93-09	94,014
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	427-00-362	57,764
			151,778
Passed through Georgia Department of Transportation			
Formula Grants for Other Than Urbanized Areas	20.509	T003380	199,847
Federal Transit - Formula Grant	20.507	GA90-X266	65,712
Federal Transit - Formula Grant - ARRA	20.507	GA86-X001	48,735
			114,447
Total U.S. Department of Transportation			489,994
Total Expenditures of Federal Awards			$ 2,259,657

CHEROKEE COUNTY, GEORGIA

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2012

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Cherokee County, Georgia and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

During 2012, disbursements were made to sub-recipients of the following grant programs:

Program	CFDA Number	Sub-recipient	Amount
Community Development Block Grant (CDBG)	14.218	Boys and Girls Club	$ 18,000
Community Development Block Grant (CDBG)	14.218	MUST	155,408
Community Development Block Grant (CDBG)	14.218	Cherokee Family Violence Center	17,478
Community Development Block Grant (CDBG)	14.218	City of Canton	13,518
Community Development Block Grant (CDBG)	14.218	YMCA	4,283
Total CDBG			$ 208,687

CHEROKEE COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2012

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	_X_ yes ____ no
Significant deficiencies identified not considered to be material weaknesses?	____ yes __X_ none reported
Noncompliance material to financial statements noted?	_____ yes __X_ no

Federal Awards

Internal Control over major programs:	
Material weaknesses identified?	_X__ yes ____ no
Significant deficiencies identified not considered to be material weaknesses?	_X_ yes ____ none reported
Type of auditor's report issued on compliance for major programs	Qualified for Community Development Block Grant (CFDA 14.218) Qualified for Formula Grants for Other Than Urbanized Areas (CFDA 20.509) Unqualified for all other major programs
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	_X__ yes ____ no

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
14.218	Community Development Block Grant
20.507	Formula Grants for Other Than Urbanized Areas
20.509	Federal Transit – Formula Grant

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	____ yes __X__ no

CHEROKEE COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2012

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2012-1 Restatement of Prior Year Balances

Criteria: Internal controls should be in place to ensure that financial statements are properly presenting the financial position and results of the County.

Condition: Internal controls were not sufficient to detect a material misstatement in the County's financial statements for the year ended December 31, 2011.

Context/Cause: During our audit for the nine month period ended September 30, 2012, an adjustment was required to correct the prior year receivable and revenues at the fund level and government-wide level:

- In the SPLOST V Fund, a restatement of approximately $847,000 was required to record intergovernmental revenues which were earned and available for recognition as of December 31, 2011. This adjustment also created a restatement to the governmental activities of the County.
- In the Development Authority of Cherokee County, a discretely presented component unit, a restatement of approximately $1,894,000 was required to separately report the activity of the Cherokee County Development Authority and the Development Authority of Cherokee County; two legally separate entities with two separate governing bodies. The restatement was effective for the year ended December 31, 2011.

Effects: Audit adjustments netting approximately $2,741,000 were needed to correctly report the opening balances of equity on the County's financial statements.

Recommendation: We recommend the County carefully review the financial statements and applicable reporting requirements under generally accepted accounting principles to ensure that all information and financial data is properly stated.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure that amounts in the financial statements are properly reported as required by generally accepted accounting principles.

CHEROKEE COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2012

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2012-2 Expenditures and Related Liabilities

Criteria: Generally, expenditures should be recognized as soon as a liability is incurred, regardless of the timing of the related cash flows in accordance with generally accepted accounting principles. However, debt service expenditures should only be recorded when payment is due.

Condition: Material misstatements were detected in the reporting of the County's expenditures and related liabilities.

Context/Cause: During our testing of expenditures, certain audit adjustments were required to correct current period amounts. The nature of these adjustments is as follows:

- In the Recreation Bonds Fund, adjustments of approximately $1,428,000 were required to properly accrue outstanding retainage payable balances. The County incorrectly accrued the retainage payable liabilities thus overstating the expenditures of the fund and the related liability. Additionally, as a result of the overstatement of the accrual and related expenditure, the governmental capital assets construction in progress balances were overstated on the County's statement of net position.
- In the Development Authority of Cherokee County, adjustments of approximately $153,000 were required to properly accrue outstanding contracts and retainage payable balances. These expenditures were identified during a test of the completeness of the liabilities, whereby it was determined the related services were incurred prior to September 30, 2012 and should be accrued as incurred expenditures of the Authority. Additionally, as a result of this additional accrual, an adjustment was required to increase the Development Authority of Cherokee County's construction in progress asset on the statement of net position.

Effects: Audit adjustments totaling approximately $1,581,000 were needed to correctly report expenditures and the related liabilities.

Recommendation: We recommend the County carefully review all expenditures and related balance sheet accounts to ensure all necessary transactions are reported in the proper period and in the proper fund.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure that expenditures/expenses and the related liabilities are properly recorded.

CHEROKEE COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2012

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2012-3 Receivables and Revenues

Criteria: Internal controls should be in place to ensure that the amounts reported as receivables and revenues are appropriate and properly valued in accordance with generally accepted accounting principles.

Condition: Material misstatements were detected in the reporting of the County's revenues and related receivables.

Context/Cause: During our testing, certain audit adjustments were required to correct current period amounts. The nature of these adjustments is as follows:

- In the General Fund, an adjustment of approximately $661,000 was required to properly report the property tax penalties and commissions revenues.
- In the SPLOST V Fund, an adjustment of approximately $573,000 was required to properly report intergovernmental revenues and receivables. Intergovernmental revenues were earned through the performance of grant objectives prior to September 30, 2012 and the revenues were considered to be available and thus an adjustment was required to record the revenues and related receivable.

Effects: Audit adjustments totaling approximately $1,234,000 were needed to correctly report revenues, receivables, and deferred revenues.

Recommendation: We recommend the County carefully review all revenues and receivables to ensure they are reported in the proper reporting period, properly valued, and in accordance with generally accepted accounting principles.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure that revenues, deferred revenues and the related receivables are properly recorded.

CHEROKEE COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2012

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2012-4 Allowable Costs

Program: U.S. Department of Housing and Urban Development (CFDA No. 14.218)
CFDA Program Title: Community Development Block Grants
Grant Number: B-09-UC-13-0006, B-10-UC-13-0006, B-11-UC-13-0006, and BU-12-UC-0006

Criteria: Per OMB A-87, Cost Principles, an employee who works solely on a single cost objective (i.e., a single Federal program whose administrative funds have not been consolidated) must furnish a semi-annual certification that he/she has been engaged solely in activities supported by the applicable source in accordance with OMB Circular A-87, Attachment B, paragraph 8.h.(3). An employee who works in part on a single cost objective (i.e., a single Federal program whose administrative funds have not been consolidated), and in part on consolidated Federal administrative activities or activities funded from other revenue sources, must maintain time and effort distribution records in accordance with OMB Circular A-87, Attachment B, paragraph 8.h.

Condition: During our testing of the compensation expenses/expenditures charged to this grant, we noted the County did not have proper procedures in place to allocate personnel costs based on periodic certifications were being posted to general ledger and subsequently reimbursed, as required by OMB A-87 Attachment B, section 8.

Context/Cause: The County was not adjusting the allocation of employee time to the program based on the employee timesheets.

Effects: These costs could potentially be considered unallowable.

Questioned Costs: We have questioned the full amount of wages as questioned costs, which amounted to $67,236 as of September 30, 2012.

Recommendation: The County should ensure all personnel costs are being allocated and reimbursed based on the required periodic certification documentation.

Auditee's Response: We concur with the finding. We will take the necessary steps in the future to ensure that all required periodic certification documentation is obtained and maintained. We will also ensure that the personnel costs charged to the grant are being posted to the general ledger based on these periodic certifications.

CHEROKEE COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2012

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2012-5 Allowable Costs

Program: Operating 5311 Assistance (CFDA No. 20.509)
CFDA Program Title: Formula Grants for Other Than Urbanized Areas
Grant Number: T003880

Criteria: Per OMB A-87, Cost Principles, an employee who works solely on a single cost objective (i.e., a single Federal program whose administrative funds have not been consolidated) must furnish a semi-annual certification that he/she has been engaged solely in activities supported by the applicable source in accordance with OMB Circular A-87, Attachment B, paragraph 8.h.(3). An employee who works in part on a single cost objective (i.e., a single Federal program whose administrative funds have not been consolidated), and in part on consolidated Federal administrative activities or activities funded from other revenue sources, must maintain time and effort distribution records in accordance with OMB Circular A-87, Attachment B, paragraph 8.h.

Condition: Internal controls were not sufficient to enable the County to obtain the periodic certification of time and effort documentation as required.

Context/Cause: For the nine month period ended September 30, 2012, we reviewed twenty (20) disbursements to employees paid out of Formula Grants for Other Than Urbanized Areas funds to determine if the County was properly maintaining semi-annual certification of time and effort sheets. We found all employees paid out of these funds were not properly maintaining periodic certification or time and effort sheets.

Effects: Personnel salaries unrelated to Formula Grants for Other Than Urbanized Areas could be funded with grant funds. Therefore, unallowable costs could be charged to the grant.

Questioned Costs: We identified the full amount of wages to be reimbursed as questioned costs, which amounted to $153,750 as of September 30, 2012.

Recommendation: We recommend the County maintain the periodic certifications of time and effort on all employees whose salaries are funded out of Formula Grants for Other Than Urbanized Areas grant funds.

Auditee's Response: We concur. The County will implement procedures to ensure all periodic certifications of time and effort are being obtained.

CHEROKEE COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2012

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2012-6 Matching

Program: Operating 5311 Assistance (CFDA No. 20.509)
CFDA Program Title: Formula Grants for Other Than Urbanized Areas
Grant Number: T003880

Criteria: Federal Transit Grant 5311 requirements state that a minimum of 50% of operational costs will be paid for using other sources, with a maximum of 25% of the match coming from other federal grants.

Condition: As of September 30, 2012, the County was not properly monitoring the match status and ensuring that the rates being charged to the users were adequate to allow the County to meet the necessary minimum local funds match requirements.

Context/Cause: The County was in compliance with the matching requirements; however because a significant portion of the County transit system operations are funded with federal support, the County should be aware of and monitor compliance with all requirements and take the necessary steps to ensure their compliance. The County does not have a process in place to track federal funding compared to the local share.

Effects: The failure to comply with grant requirements could result in loss of grant funding from certain grantors and/or plausible repayment of excess draws, with penalties and/or interest. However, it should be noted there were no excess draws for the nine month period ending September 30, 2012.

Questioned Costs: None noted.

Recommendation: The County should make every effort to gain a thorough understanding of the requirements of each grant received in order to avoid potential noncompliance.

Auditee's Response: We concur. The County will initiate a process to monitor the match status by tracking the federal funding compared to the local share to ensure compliance with the matching requirement.

CHEROKEE COUNTY, GEORGIA

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2012

2011-5 Reporting

Program: U.S. Department of Housing and Urban Development (CFDA No. 14.218)
CFDA Program Title: Community Development Block Grants
Grant Number: B-09-UC-13-0006, B-10-UC-13-0006, and B-11-UC-13-0006

Condition: As of December 31, 2011, the County was not properly completing the PR03 and PR26 forms.

Context/Cause: The PR03 and PR26 were being completed on a cash basis of reporting; however, per review of the instructions and discussions with HUD, the reports are to be completed using the accrual method of accounting, so as to allow the reports to agree with the County's general ledger.

Response: This finding was resolved during the current period.

2011-6 Davis Bacon

Program: U.S. Department of Energy (CFDA No. 81.128)
CFDA Program Title: Energy Efficiency & Conservation Block Grant - ARRA
Grant Number: SC0002432

Condition: Internal controls were not sufficient to enable the County to obtain the weekly certified payrolls as required.

Context/Cause: During our testing of the grant, we were not able to obtain the certified payroll documents from the County for all five of the contractors used in the activity of this program. Upon request of the documents, management of the County was able to contact the contractor and the contracted third party grant administrator to obtain the reports, but the request were made after the close of the fiscal year and were not being obtained on a weekly basis throughout the project.

Response: This finding was resolved during the current period.

CHEROKEE COUNTY, GEORGIA

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2012

2011-7 Allowable Costs

Program: U.S. Department of Housing and Urban Development (CFDA No. 14.218)
CFDA Program Title: Community Development Block Grants
Grant Number: B-09-UC-13-0006, B-10-UC-13-0006, and B-11-UC-13-0006

Condition: During our testing of compensation expense charged to this grant, we noted the County did not have proper procedures in place to support personnel costs through periodic certifications, as required by OMB A-87 Attachment B, section 8.

Context/Cause: The County did not have adequate controls in place to ensure the required documentation was being obtained and maintained in the files.

Response: The County has not fully corrected this problem, as it is cited in 2012-5 above.

2011-8 Cash Management

Program: U.S. Department of Housing and Urban Development (CFDA No. 14.218)
CFDA Program Title: Community Development Block Grants
Grant Number: B-09-UC-13-0006, B-10-UC-13-0006, and B-11-UC-13-0006

Condition: Internal controls were not sufficient to detect errors in the reimbursement and related reporting process for the County's CDBG program.

Context/Cause: During our audit, we noted the County requested funds prior to the payment of grant expenditures and, at times, funds were requested prior to expenditures being incurred at all. The County requested the advance funding under the guidance from the local office of the grantor, which suggested they draw down the additional funding.

Response: This finding was resolved during the current period.

CHEROKEE COUNTY, GEORGIA

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2012

2011-9 Subrecipient Monitoring

Program: U.S. Department of Housing and Urban Development (CFDA No. 14.218)
CFDA Program Title: Community Development Block Grants
Grant Number: B-09-UC-13-0006, B-10-UC-13-0006, and B-11-UC-13-0006

Condition: Internal controls were not sufficient to allow the County to properly comply with and adhere to the various requirements of a pass-through entity, although they manage the grant activity as a pass-through agency.

Context/Cause: As the County was not obtaining the annual financial statements, they were not performing the required procedures as noted above.

Response: This finding was resolved during the current period.

2011-10 Procurement

Program: U.S. Department of Justice (CFDA No. 16.803)
CFDA Program Title: Edward Byrne Justice Assistance Grant - ARRA
Grant Number: B82-8-055

Condition: Internal controls were not sufficient to permit the project related to this grant to follow the County or State procurement policies.

Context/Cause: The County had one project which did not follow the County's procurement policy of obtaining the required sealed bids which are to be reviewed and submitted for approval from the Board of Commissioners. The requesting department did not consider the complete cost of the project, only considered the installment payments, when determining which level of approval the request required in accordance with the County's policy. Additionally, as the project was contracted for greater than $25,000, the County should have performed a search of the federally maintained database of excluded parties to ensure the vendor was not suspended or debarred from working with federal funds.

Response: This finding was resolved during the current period.