

DRAFT
FOR DISCUSSION PURPOSES ONLY
BURCH, CROOMS & COMPANY, LLP

HART COUNTY, GEORGIA

AUDITED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2011

HART COUNTY, GEORGIA
September 30, 2011

TABLE OF CONTENTS

| | <u>PAGE</u> |
|---|--------------------|
| Independent Auditor's Report on Schedule of Expenditures of Federal Awards | 1 |
| Schedule of Expenditures of Federal Awards | 2 |
| Notes to Schedule of Expenditures of Federal Awards | 3 |
| 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 | 4 - 5 |
| Schedule of Findings and Questioned Costs | 6 - 9 |

December __, 2013

Independent Auditor's Report

The Honorable Chairman and
Members of the Board of Commissioners
Hart County
Hartwell, Georgia

We have audited the accompanying schedule of expenditures of federal awards of Hart County, Georgia for the year ended September 30, 2011. This financial statement is the responsibility of Hart County, Georgia's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit 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 the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the schedule of expenditures of federal awards referred to above presents fairly, in all material respects, the expenditures of federal awards of Hart County, Georgia for the year ended September 30, 2011 in conformity with accounting principles generally accepted in the United States of America.

HART COUNTY, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2011

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|--|------------------------------------|---|---------------------------------|
| <u>U.S. Department of Transportation</u> | | | |
| <i>Passed-through the Georgia Department of Transportation</i> | | | |
| Transit Services Programs | 20.509 | GA-18-4031 | \$ 17,158 |
| Transit Services Programs | 20.509 | GA-18-4032 | 5,111 |
| | | | 22,269 |
| <i>Passed-through the Georgia Department of Human Services</i> | | | |
| Enhanced Mobility of Seniors and Individuals with Disabilities | 20.513 | 42700-373-0000005615 | 10,309 |
| Enhanced Mobility of Seniors and Individuals with Disabilities | 20.513 | 42700-362-0000008742 | 3,715 |
| | | | 14,024 |
| Total U.S. Department of Transportation | | | 36,293 |
| <u>U.S. Department of the Interior</u> | | | |
| Payments in Lieu of Taxes (PILT) | 15.226 | N/A | 48,472 |
| <u>U.S. Department of Housing and Urban Development</u> | | | |
| <i>Passed-through the Georgia Department of Community Affairs</i> | | | |
| Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii | 14.228 | 09p-y-073-1-5150 | 66,500 |
| Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii | 14.228 | 10a-y-073-1-5297 | 59,776 |
| Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii | 14.228 | 08q-y-073-1-5113 | 496,026 |
| Total U.S. Department of Housing and Urban Development | | | 622,302 |
| <u>U.S. Department of Defense</u> | | | |
| <i>Passed-through the Georgia Office of the State Treasurer</i> | | | |
| Payments to States in Lieu of Real Estate Taxes | 12.112 | N/A | 23,267 |
| <u>U.S. Department of Homeland Security</u> | | | |
| <i>Passed-through the Georgia Emergency Management Agency</i> | | | |
| Emergency Management Performance Grants | 97.042 | OEM11 | 6,899 |
| <u>U.S. Department of Health and Human Services</u> | | | |
| <i>Passed-through the Georgia Department of Human Services</i> | | | |
| Temporary Assistance for Needy Families | 93.558 | 42700-373-0000005615 | 7,421 |
| Temporary Assistance for Needy Families | 93.558 | 42700-362-0000008742 | 3,281 |
| | | | 10,702 |
| <i>Passed-through The Legacy Link, Inc.</i> | | | |
| Special Programs for the Aging, Title III, Part C, Nutrition Services | 93.045 | Hart - TIII C1 | 24,229 |
| Special Programs for the Aging, Title III, Part C, Nutrition Services | 93.045 | Hart - TIII C2 | 31,072 |
| Social Services Block Grant | 93.667 | Hart - SSBG | 5,731 |
| | | | 61,032 |
| Total U.S. Department of Health and Human Services | | | 71,734 |
| Total Expenditures of Federal Awards | | | \$ 808,967 |

See accompanying notes to the schedule of expenditures of federal awards and the schedule of findings and questioned costs.

HART COUNTY, GEORGIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2011

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards is a summary of the expenditures relating to Hart County, Georgia's federal award programs. The schedule is prepared 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*.

Note 2 - Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles outlined in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

December __, 2013

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

The Honorable Chairman and
Members of the Board of Commissioners
Hart County
Hartwell, Georgia

Compliance

We have audited Hart County, Georgia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on Hart County, Georgia's major federal program for the year ended September 30, 2011. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Hart County, Georgia's management. Our responsibility is to express an opinion on Hart County, Georgia's compliance based on our audit.

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 Hart County, Georgia'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 Hart County, Georgia's compliance with those requirements.

As described in the accompanying schedule of findings and questioned costs, Hart County, Georgia did not comply with requirements regarding CFDA 14.228 Community Development Block Grant as described in finding numbers 2011-01 for Reporting and 2011-02 for Allowable Cost Principles and Matching. Compliance with such requirements is necessary, in our opinion, for Hart County, Georgia to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Hart County, Georgia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2011.

Internal Control Over Compliance

Management of Hart County, Georgia 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 Hart 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 that are appropriate in the circumstances 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 Hart 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 deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 2011-01 and 2011-02 to be material weaknesses.

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

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

HART COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2011

I. Summary of the Auditor's Results

Federal Awards

- | | | | |
|----|---|----|--|
| 1) | Internal Control over Major Programs: | | |
| | A. Material weaknesses identified: | | Yes |
| | B. Significant deficiencies identified that are not considered material weaknesses: | | No |
| 2) | Type of auditor's report issued on compliance for major programs: | | Qualified for Reporting and Allowable Cost Principles and Matching for the Community Development Block Grant program; otherwise, unqualified for other requirements. |
| 3) | Audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133: | | Yes |
| 4) | Identification of major programs for the year: CFDA # 14.228 Community Development Block Grant/ State's Programs and Non-Entitlement Grants in Hawaii | | |
| 5) | Dollar threshold used to distinguish between Type A and Type B programs: | \$ | 300,000 |
| 6) | Does the auditee qualify as a low risk auditee under Section 530 of OMB Circular A-133? | | No |

HART COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2011

II. Federal Awards Findings and Questioned Costs

Finding 2011-01 - Noncompliance with Reporting Requirements, Material Weakness in Internal Controls Over Reporting Requirements

Agency: U.S. Department of Housing and Urban Development
(Passed-through Georgia Department of Community Affairs)

Program: CFDA # 14.228

CFDA Program Title: Community Development Block Grant/State's Programs
and Non-Entitlement Grants in Hawaii

Condition: Single Audit was not performed as required for the year ended September 30, 2011.

Criteria: OMB Circular A-133 requires a Single Audit be performed when federal awards expenditures for the year exceed the threshold amount (\$500,000).

Effects or possible effects: Failure to meet the Single Audit reporting requirements could result in noncompliance with grant reporting requirements and state audit submission requirements, and may delay or negatively impact the County's eligibility for future federal and state grant funds.

Questioned costs: No questioned costs noted.

Cause: The County did not have a process in place for accumulating federal awards expenditures and evaluating the applicability of the Single Audit requirements.

Context: The Georgia Department of Audits and Accounts did not accept the County's September 30, 2011 audit submission due to noncompliance with the Single Audit requirements of OMB Circular A-133. The County has been placed on the state's listing of noncompliant local governments resulting in delayed funding of new grant awards until the Single Audit is completed and submitted.

Recommendation: We recommend the County implement procedures to accumulate federal awards expenditures across all County departments, including component units. Management should review the listing of federal awards expenditures periodically to determine whether Single Audit requirements may apply in any given year.

Response:

HART COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2011

II. Federal Awards Findings and Questioned Costs (continued)

Finding 2011-02 - Noncompliance with Allowable Cost Principles and Matching Requirements, Material Weakness in Internal Controls Over Allowable Cost Principles and Matching Requirements

Agency: U.S. Department of Housing and Urban Development
(Passed-through Georgia Department of Community Affairs)

Program: CFDA # 14.228

CFDA Program Title: Community Development Block Grant/State's Programs
and Non-Entitlement Grants in Hawaii

Condition: Some costs for equipment claimed for reimbursement and matching did not follow allowable cost principles. Installation costs for equipment were based on estimates of in-house labor and amounts differed from supporting payroll records. A few invoices differed in amounts from costs claimed. Some costs were not supported by proof of payment and/or invoices. Estimated figures were used for foreign currency conversions and were not updated when actual exchange rates were known.

Criteria: OMB Circular A-87 requires that charges under federal awards must be supported by appropriate documentation and be for actual costs (not estimates). OMB Circular A-133 requires that matching amounts must also comply with the allowable cost principles.

Effects or possible effects: Failure to follow allowable cost principles and matching requirements could result in noncompliance with allowable cost requirements, noncompliance with matching requirements, possible repayment of federal awards, and delay or negatively impact the County's eligibility for future federal and state grant funds.

Questioned costs: No questioned costs noted. Allowable amounts differed from amounts claimed, however, the total allowable amount spent remained in excess of the minimum required in order to receive the full federal award amount.

Cause: The County heavily relied on a third party grant administrator to comply with the requirements related to allowable costs and did not sufficiently monitor their activity. The grant administrator has indicated a lack of awareness regarding allowable cost requirements for matching expenditures. The grant administrator did not believe that verifying compliance with allowable cost principles for all costs submitted to the grantor and included on reports prepared by them was within the scope of their agreement with the County.

HART COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2011

II. Federal Awards Findings and Questioned Costs (continued)

Finding 2011-02 - (continued)

Context: There was only one federal award program during the fiscal year that was administered by this grant administrator.

Recommendation: We recommend the County better communicate with third party grant administrators and develop a detailed agreement assigning responsibility for specific compliance requirements. Management should also create procedures to review all compliance requirements assigned to the third party grant administrator prior to receiving federal funding.

Response:

III. Federal Awards Prior Audit Findings and Corrective Action Plan

There were no prior audit findings relating to federal awards, therefore no corrective action plan was created.