

**FULTON COUNTY COOPERATIVE EXTENSION  
SERVICES-CAMP TRUETT  
LOSS OF FUNDS**

**March 23, 2009**

## **Fulton County Cooperative Extension Service-Loss of Funds**

### **Introduction**

At the request of the County Manager, the Internal Audit Division conducted an audit of the Fulton County Cooperative Extension Service. The purpose of the audit was to determine what cause the loss of funds and to determine whether adequate internal controls exist to prevent future losses.

Camp Fulton – Truett is operated as a 4-H Center by a cooperative agreement between the University of Georgia and the Fulton County Cooperative Extension Service. The Center consists of a dining hall, education center, a large activity cabin, and several smaller family cabins. Rental fee charges are from \$200 to \$400 per day and include a \$100 cleaning deposit which is refundable.

The collection and recording of cash receipts by Fulton County Extension Service personnel is done manually. Receipts are deposit at the local Bank of America by the Center's employees and pre-numbered copies of hand written receipts are provided to the customers. After the funds are deposited, copies of the receipts and bank deposits slips are forwarded to the downtown Cooperative Extension Service Office. The receipts are then posted to the QuickBooks ledger and partially reconciled to the bank. The Administrative Assistant and the Office Coordinator were the key employees involved in processing the cash receipts.

### **Scope and Methodology**

Receipts for the first eleven months of 2008 were examined. The areas reviewed were:

- Cash receipts processing and documentation
- Losses incurred
- Contracts signed by customers leasing Camp Fulton facilities.

To provide reasonable assurance that receipts collected for facility rentals were deposited, we balanced all of the receipts to the bank deposits. Additionally, we reviewed on a limited basis invoices with cleaning charges and determined if rental income had been collected for the facilities requiring cleaning.

### **Summary**

As a result of our examination of the cash management procedures the following internal control deficiencies were noted:

- Cash receipts were collected but not deposited
- Recording of receipt information was inaccurate
- Several receipts were not provided to customers
- Controls over the receipt books were inadequate
- Fulton County purchasing regulations were not observed

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- Deposits were not made in a timely manner
- No written policies and procedures exist for record retention
- Cash on site is not adequately safe guarded
- Cash handling and accounting duties are not segregated

The following findings are the result of the aforementioned internal control deficiencies. The findings along with the recommendations are discussed in detail and provide an opportunity for strengthening internal controls over cash management.

### **Finding 1- Missing Cash Receipts and Receipts not Deposited Timely**

Fraudulent activity was alleged on November 24, 2008 and two receipts for \$650 were not deposited. By interviewing Fulton County Cooperative Extension Service employees, we found that the Administrator Assistant collected \$650 and delivered the funds to the Director of the Cooperative Extension Service Office. The Director ordered the Administrator Assistant to void the receipts. The Director signed and approved the refunds for cleaning deposits to customers listed on the voided receipts, thereby, increasing the loss from \$650 to \$850.

Receipts dated May 4, 2008 were not deposited until July 2008. The delay in depositing funds is the result of weak internal controls. Related receipt copies and the receipt book could not be located by Fulton County Cooperative Extension Service's employees. Receipts which are not consistently deposited in a timely manner, increases the risk of defalcation.

Best management practices require cash receipts to be deposited on a timely basis and employees to follow established policies and procedures for accounting for cash. Management circumvented the cash management controls by not depositing funds and following established policies and procedures.

### **Recommendation**

All of the cash receipts should be deposited in the bank in a timely manner, as required by the county code, and employees should be trained and instructed to follow the county's policies and procedures for handling cash. Due to the materiality of the loss reported, the alleged fraudulent activity should be considered for an administrative hearing to bear out the facts.

### **Finding 2- Inaccurate Recording of Receipt Information**

The Fulton County Extension Service reported that \$61,282.05 was collected for the eleven months examined. Receipts of \$35,280 were from Camp Truett facility's rental collections. Individual items of cash and checks listed on the deposit slips were reconciled to the manual receipts and differences were noted. Generally accepted cash management practices require that the deposit items be accurately posted to the deposit

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slips and that supporting documentation be maintained as a form of cash receipts support. If deposits are not properly detailed, the risk of theft increases.

### **Recommendation**

The cash received should equal to the cash deposited and checks received should equal to the amount deposited. The deposit items should have the payer's last name detailed on the deposit slip along with the payer's check number. An accounting specialist should periodically reconcile the manual receipts to the deposit slips and report exceptions to the Director of the Fulton County Cooperative Extension Service.

### **Finding 3- Contract Compliance and Fees Not Collected**

Fulton County cash control procedures require receipts to be issued to all customers paying for services, fines, fees, and goods. There were several signed contracts prepared by Fulton County Cooperative Extension Service employees for which fees were not collected. Rental fees were not always collected because Fulton County's employees did not follow the policies and procedures for contract compliance and program fee collections. It is estimated that approximately \$2,000 in fees were not collected.

### **Recommendation**

Individuals handling cash receipts and preparing the facility rental contracts should be independent of accounting, billing, and disbursements functions. Someone independent of the cash receipt and contract management functions should summarize the cash receipts collected and compare the summary to the validated deposit slips. Additionally, individual receipts collected should be compared to the contract amounts. The bank account should be reconciled monthly by someone independent of accounting duties.

### **Finding 4- Inadequate Controls over Receipt Books**

Proper cash control procedures call for controls over blank receipt books. The controls over blank receipt books were poorly executed, because Fulton County Cooperative Extension Service has no written policies and procedures governing the issuance and maintenance of blank receipt books. The receipt books from prior years were examined, and the following observations were noted:

- Large amounts of voided receipts, blank receipts, and receipt copies were completely torn out of the book
- There were no check numbers recorded on many of the receipts paid by check
- There were no attempts to control the distribution or disposition of the receipt books by the managers.

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### **Recommendation**

Designated persons should sign for the receipt of blank receipt books, when they are issued. When all of the receipts have been issued, the book should be returned and replaced. Maintaining the custody of the receipt books should be the responsibility of the bookkeeper. The receipt books should be reviewed by the bookkeeper for excessive voids, blank receipts, receipts issued out of order, and missing receipts.

### **Finding 5- Violations of Fulton County Purchasing Regulations**

The Fulton County Purchasing Regulations require the use of vendors from an approved vendor list. These vendors are required to have active business licenses and meet minimum requirements before they can be approved.

Several invoices associated with refunds and facilities which were not cleaned properly, were reviewed. The Director of the Cooperative Extension Service hired the vendors. With the respect to the vendors hired, we noted the following:

- Several cleaning service vendors were University of Georgia employees and operating without a business license or Georgia Secretary of State Registration
- Vendor services were used without a contract
- Vendors were hired who were not on an approved vendor list
- Vendors were paid for sub-standard work

### **Recommendation**

The disbursements made via a check request form should always be reviewed by the director. The Director should insure that the vendor hired to work for the Fulton County Cooperative Extension Service, is an approved vendor.

The vendor's work should be inspected and complaints made by customers regarding the work should be documented. A copy of the complaint should be placed into the vendor's file along with the vendor's invoices. No vendor should be paid for sub-standard work. All vendors should have a valid contract before they are allowed to work and submit invoices to the Fulton County Cooperative Extension Service.

No vendor hired to provide services to the Cooperative Extension Services should be employed by Fulton County or the University of Georgia. No vendors should be allowed to handle department cash receipts collections unless it is specified in their contract as a part of their services.

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### **Finding 6- No Written Policies and Procedures for Record Retention**

Fulton County's organizational policies and procedures establish the guidelines for record retention. When a recent 4-H Summer Camp roster list was requested, the Administrative Assistant indicated that the records were lost. We discovered that there were no written policies and procedures provided to the employees concerning the retention of Camp Truett's 4-H records and supporting documents. Without the preservation and retention of records, documentation for the programs and operations of Fulton County Cooperative Extension Service is lost.

#### **Recommendation**

All contracts issued by the Fulton County Cooperative Extension Service should be recorded and maintained for the duration of the contract. Written policies and procedures should be developed for the retention of 4-H records.

### **Finding 7- Cash Funds Are Not Adequately Safe Guarded**

Currently the receipts are stored in a locked drawer until they are deposited in the bank. The Fulton County Cooperative Extension Service does not have software or cash registers which would capture sales records and issue automated receipts. Furthermore, they do not have a safe to secure cash on hand. The effect of not adequately safe guarding cash increases the risk of the loss of assets.

#### **Recommendation**

We recommend that the department stop accepting cash for facility rentals. Future facility rentals should be paid by check or money order. If cash is accepted, the acquisition of fire proof safes should be considered for all locations.