

INTER-OFFICE MEMORANDUM



TO: Board of Commissioners

THROUGH: Zachary Williams, County Manager

FROM: ~~Anthony Nicks, Director of Internal Audit~~

SUBJECT: South Fulton Special Services District Audit Report

DATE: June 18, 2012

We have completed the audit of the South Fulton Special Services District. Attached is the final report detailing the findings and recommendations.

If you have any additional questions please contact me.

Attachment



FULTON COUNTY, GEORGIA

OFFICE OF INTERNAL AUDIT

**SOUTH FULTON SPECIAL SERVICES
DISTRICT AUDIT**

June 18, 2012

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Introduction

At the request of the County Manager, the Office of Internal Audit examined the tax related revenues and fees collected by the South Fulton Special Services District. In 2006, the Northwest and Northeast Fulton Sub-Districts, as well as the South Fulton Special Services District, were created in order to comply with the Shafer Amendment. Before the Shafer Amendment was enacted, all of the unincorporated Fulton County area was designated as the Special Services District known as the “Old SSD”. The South Fulton Special Services District consists of the area of unincorporated Fulton County south of the City of Atlanta.

Background

In 2005, the Georgia General Assembly passed the Shafer Amendment (Georgia Code 36-31-12). The Amendment states:

(1) The purpose of a special services district is to provide special services to a given geographic area and to finance the provision of those services from taxes, fees, and assessments levied in the geographic area which benefits from the services; (2) The creation of a municipal corporation within a county which has a special services district for the unincorporated area of the county may result in the special services district being divided into noncontiguous areas or in existing noncontiguous areas of such district being even more remote from each other; and (3) The purpose of a special services district is defeated if it becomes divided into noncontiguous areas which are remote from each other and one or more of such noncontiguous areas is subsidizing the provision of services in other such noncontiguous areas. (b) When a municipal corporation is created by local Act within a county which has a special district for the provision of local government services consisting of the unincorporated area of the county and following the creation of said municipal corporation the special district is divided into two or more noncontiguous areas, any special district taxes, fees, and assessments collected in such a noncontiguous area shall be spent to provide services in that noncontiguous area.

Since the creation of the districts, all of the revenues pertaining to unincorporated South Fulton County have been reported separately in the South Fulton Special Services District Fund. The Trial Balance by Fund Report indicates that the South Fulton Special Services District fund balance was \$5,684,051 on December 31, 2011.

Objective

The objective of our audit was to verify the accuracy of the current and delinquent taxes, which includes property, vehicles, and motor homes taxes, as well as penalties and interest, prior year service revenues, and state tax relief aid recorded in the South Fulton Special Services District Fund.

Scope

The audit period covered revenues collected for the South Fulton Special Services District from 2006 through 2011.

Methodology

During the course of the audit, we examined evidence to verify the allocation of the taxes, penalties, interest, prior year service revenues, and state tax relief aid collected by the Tax Commissioner’s Office. We analyzed and compared the taxes recorded by the Tax Commissioner’s Office to the amounts recorded by the Finance Department in the AMS system. To resolve differences found, we reviewed supporting documentation for taxes and fees collected, including check copies, cash receipt vouchers, tax bills, and daily collections’ details. Interest income reported was reconciled to an investment schedule prepared by Treasury. We also reviewed revenue items charged to following Sub-Districts and Special Services District:

Fund 300-Special Services District (Old SSD)	Fund 302-Northwest Sub-District
Fund 301-South Fulton Special Services District	Fund 303-Northeast Sub-District

Our findings and recommendations are detailed below:

Findings and Recommendations

Finding 1 – Revenue Schedules and Related Cash Receipts Entries Were Not Reconciled

AMS cash receipt entries should be targeted for regular and periodic reconciliation to the revenue schedules or reports generated by the Tax Commissioner Department. The reconciliation process enhances internal controls by providing management with the ability to substantiate account balances, detect errors and analyze the integrity of reported financial data. During the course of the audit, we did not observe any form of evidence that the cash receipt entries posted in the AMS system were being reconciled to the reports maintained by the Tax Commissioner. If such reconciliations had been performed, the posting errors observed during the audit would have been detected and corrected. Not reconciling the AMS cash receipt entries to the Tax Commissioner’s Revenue Schedules resulted in certain taxes and fees being allocated to the wrong fund.

Recommendation

The Tax Commissioner’s revenue schedules should be reconciled to the AMS cash receipt reports on a monthly basis. We recommend that the Finance Department implement a process to reconcile the revenue schedules to the amounts posted in the AMS system on a regular basis.

Finding 2 – Revenue Was Not Properly Allocated

According to the Shafer Amendment, all fees and tax proceeds should be accounted for and utilized in the districts from which they were collected. Revenue should be allocated to the appropriate fund, department, unit, and revenue source code. During our review we noted nineteen (19) instances where revenues were collected and not properly allocated to the appropriate fund. The instances are listed below:

Motor Vehicle Taxes

Check #	Check Date	Amount	Allocated Fund	Correct Fund
67680	02/01/2008	\$18,223.10	Northeast	South Fulton
69219	04/17/2008	14,052.29	Old SSD	South Fulton
71429	06/22/2008	15,867.57	Northeast	South Fulton
72301	08/07/2008	25,150.92	Old SSD	South Fulton
74911	01/12/2009	746.31	Old SSD	South Fulton
75493	02/06/2009	15,214.25	Old SSD	South Fulton
75951	03/06/2009	10,576.23	Northwest	South Fulton
76749	04/14/2009	4,899.56	Old SSD	South Fulton
77486	05/14/2009	4,024.77	Old SSD	South Fulton
77738	06/09/2009	2,411.09	Old SSD	South Fulton
78188	07/14/2009	2,852.30	Old SSD	South Fulton
79340	10/09/2009	1,083.01	Old SSD	South Fulton
78556	08/11/2009	1,674.11	Old SSD	South Fulton

Delinquent Taxes and Penalties

Cash Receipt #	Receipt Date	Amount	Allocated Fund	Correct Fund
CR08000441340	11/26/2008	\$ 3,308.55	South Fulton	Old SSD
CR08000441340	11/26/2008	17.54	South Fulton	Old SSD
CR09000441801	01/29/2009	4.17	South Fulton	Old SSD
CR09000441442	10/30/2009	1,535.71	Old SSD	South Fulton

Prior Year's Public Service Revenue

Cash Receipt #	Receipt Date	Amount	Allocated Fund	Correct Fund
CR9000441902	01/29/2009	\$ 91.33	South Fulton	Old SSD

Grant Revenue

Check #	Check Date	Amount	Allocated Fund	Correct Fund
567962	11/03/2011	\$15,702.49	General Fund	South Fulton

The effect of booking revenues to the incorrect fund accounts will result in over or under spending of funds in the affected Sub and Special Services Districts.

Recommendation

All fees and taxes collected for each Sub or Special Services District should be properly posted to the correct fund. The funds should be reconciled in a timely manner and adjustments, if any, should be documented and posted to the applicable fund.

Conclusion

Our audit revealed several occurrences where revenue was not recorded in the correct fund. Therefore, adjustments were required in order to correct the applicable fund balances. Since the finding of these errors, the Finance Department has indicated that adjustments have been made to correct the fund. The following summary depicts the net adjustments that have been made:

Old Special Services District	S. Fulton Special Services District	Northwest Sub-District	Northeast Sub-District	General Fund
\$ (73,644.32)	\$ 134,013.71	\$ (10,576.23)	\$ (34,090.67)	\$ (15,702.49)

We would like to thank the management and staff of the Tax Commissioner’s Office and the Finance Department for their cooperation and assistance during the audit.