



Risk Services – Construction Projects

January 31, 2022



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Mayor- City of Brookhaven, Georgia
Brookhaven, Georgia

We have performed certain operational evaluation procedures, which were agreed to by the City of Brookhaven Georgia (the "City") (specified party). The procedures were performed in compliance with the American Institute of Certified Public Accountant's Consulting Standards and Rule 101 of the Code of Professional Conduct. These procedures were performed solely to assist you in evaluating the certain disbursement and reconciliation activities of the City, specifically related to Park Bond Construction Projects. The City is responsible for maintaining an adequate control environment and risk management program, the fair presentation of general ledger balances, and for compliance with applicable City accounting practices. Our responsibility was to test the operation of certain disbursement and reconciliation internal controls of the City. The sufficiency of these procedures is solely the responsibility of the City. Consequently, we make no representation regarding the sufficiency of the procedures performed for the purpose for which this report has been requested or for any other purpose.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the City's financial statements or specified elements, accounts, or items thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the specified party listed above, and is not intended to and should not be used by anyone other than such specified party.

Nichols, Cauley + Associates, LLC

Fayetteville, Georgia
January 31, 2022

Executive Summary

Executive Summary

The procedures performed along with the results of the procedures, and any findings or observations noted are presented in this report.

The specific procedures performed were based on the concept of selective testing. Had additional or expanded procedures been performed, other matters might have come to our attention that would have been reported to you.

It should also be recognized that internal controls are designed to provide reasonable, but not absolute, assurance that errors and irregularities will not occur, and that City activities are performed in accordance with the intentions of City management. There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal controls. In the performance of most internal control procedures, errors can result, and controls can be circumvented intentionally by management. Further, controls may become ineffective due to newly identified business or technology exposures. The projection of any evaluation of internal control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, and that the degree of compliance with procedures may deteriorate.

We would like to thank management and staff for their assistance and courtesy extended to us during the course of our review.

The general scope of the disbursement and reconciliation internal control evaluation procedures, as detailed in this report, included:

- Series 2019 General Obligation Bond Construction Project Proceeds:
 - Tested select park project expenses for authorized documentation.
 - As applicable, reconciled accounting records budgeted amounts to authorized budget amounts.
 - Verification of authorization and payment for disbursements.
 - Verification of disbursement in relation to projects.
- Public Facilities Authority/2018 Revenue Bond Construction Project Proceeds:
 - Tested select park project expenses for authorized documentation.
 - Verification of authorization and payment for disbursements.

Executive Summary

Exceptions Identified

From the procedures performed, we identified the following audit findings or exceptions related to the 2019 General Obligation Bonds:

- We identified one invoice that had been paid twice by the City.
- These duplicate payments were made by the city based on a specific invoice.
- This specific invoice was authorized for payment by two different City personnel; however, the two invoices are identical containing the same invoice numbers.
- The invoice reference for the second payment as presented in the City payment records is modified from the actual invoice number, this could have prevented the payment system from identifying a duplicate invoice that was presented for payment.
- The vendor notified the City of the duplicate payment and voided the check; the City has taken action to stop the payment of the second invoice.

Recommendations:

- Our recommendation is that the City review the invoice authorization as documented on the two invoices and determine why the invoice was authorized for payment twice. This will help the City determine if their procedures or controls should be modified to clarify a procedure for duplication.
- Additionally, we recommend that the City instruct personnel on the proper protocol regarding invoice number recording so that the inputs are matched accurately to the payment system.

Management Response:

Parks and Recreation Construction Bond invoices are approved by Park Bond Contractor Lee Croy and Parks and Recreation Director Brian Borden. During the Internal Audit performed by our Internal Auditor it was determined that an invoice was paid twice in error. The duplicate invoice was sent to the Finance Department for payment by the Parks and Recreation Director in error. The duplicate payment was received by a temporary Accounts Payable employee and was processed due to a transposed number overriding the Accounts Payable module control to identify duplicate invoice numbers. The Finance Director interviewed employees involved in the invoicing process, Park Bond Contractor Lee Croy, and Parks and Recreation Director Brian Borden. Internal controls have been implemented by the Parks and Recreation Director to prevent duplicate invoicing errors. An electronic file has been created where processed invoices will be saved. Once an invoice is received, Parks and Recreation Director and Park Bond Contractor will compare the invoice to the ones saved in the electronic folder to prevent sending an invoice already processed by Finance. The vendor notified the Finance Department of the duplicate payment and the check was voided.

Observations

We noted no matters of observations or additional recommendations for presentation to the City.

Detailed Procedures

Detailed Procedures

Series 2019 General Obligation Bond Construction Project:

Procedure – Tested select park project disbursements for accuracy and completeness.

Result – The amounts were in agreement.

Procedure – Reviewed for each project on the internal accounting report examining total reported disbursements as presented for each project and in total for amounts that exceed budgeted amounts.

Result – Reported disbursements did not exceed budgeted amounts

Procedure – From the internal accounting report selected 10 disbursements across a selection of individual projects and obtained the authorized invoice and payment documentation for each disbursement.

Result – All selected items were authorized, issued, and paid for. However, our analysis did indicate a discrepancy between two invoices that created a duplicate payment. We identified one invoice that had been paid twice by the City; These payments were made by the City based on a specific invoice. This invoice was authorized for payment by two different City personnel; however, the two invoices are identical and consist of the same invoice number. We identified the discrepancy when looking at the invoice reference for the second payment as presented in the City payment records. We found that this reference number had been modified from the actual invoice number, which could have prevented the payment system from identifying a duplicate invoice for payment. The vendor notified the City of the duplicate payment and voided the payment of the duplicate invoice; the City has taken action as well to stop payment of the incorrect invoice. In order to remedy any future instances of this, we recommend the City review the invoice authorization as documented on the two invoices and determine why the invoice was authorized for payment twice. In addition, we recommend the City determine if procedures or controls should be modified to clarify this procedure. Lastly, we recommend that the City instruct personnel on the proper procedures to ensure that invoice numbers are input accurately into the payment system.

Procedure – Selected one project from the internal accounting report and trace the project to date total costs to the information provided to the Parks Oversight Committee for consistency and comparability.

Result – The selected item was consistent with the published information.

Detailed Procedures

Public Facilities Authority/Revenue Bond Construction Project Proceeds:

Procedure – Tested select park project disbursements for accuracy and completeness.

Result – The amounts were in agreement.

Procedure – From the internal accounting report selected 3 disbursements across a selection of individual projects and obtained the authorized invoice and payment documentation for each disbursement.

Result – All selected items were authorized, issued, and paid for.

Detailed Procedures

Park Bond Construction Projects Budget Testing – Test select 2019 General Obligation Bonds and 2018 Revenue Bonds.

Series 2019 General Obligation Bond Construction Project Proceed:

Procedure – From the 2019 GO Bond Disbursements, the following items were selected for testing:

<u>Item #</u>	<u>Amount</u>	<u>Invoice</u>	<u>Authorization</u>
20210930	\$ 1,044.75	Yes	X
20210806	\$ 8,682.00	Yes	X
20210878	\$ 8,885.00	Yes	A
20201878	\$ 8,885.00	Yes	A
20210957	\$ 2,270.00	Yes	X
T2021-131- 14118	\$ 2,720.00	Yes	X
77111	\$ 16,583.47	Yes	X
78274	\$ 1,467.76	Yes	X
2548211	\$ 3,822.50	Yes	X
PAYAPP#2	\$ 31,000.00	Yes	X

Results:

- (X) – Authorization confirmed via signature or other accepted form
- (A) – Duplicate Payment

Detailed Procedures

Public Facilities Authority/Revenue Bond Construction Project - 2018

Procedure – From the 2018 Revenue Bond Disbursements selected the following items for testing:

<u>Item #</u>	<u>Amount</u>	<u>Invoice</u>	<u>Authorization</u>
33	\$ 1200.00	Yes	X
34	\$ 3000.00	Yes	X
COBPCGP2052021	\$ 7500.00	Yes	X

Results:

- (X) – Authorization confirmed via signature or other accepted form