



City of Forest Park, Georgia



**Presentation of Audit Results
June 30, 2022**



Agenda

- Engagement Team
- Results of 2022 Audit
- Accounting Recommendations and Related Matters
- Answer Questions

INSIDE
PUBLIC ACCOUNTING
TOP 100 FIRMS
2021

accountingtoday
2022 Top 100 Firms

CONSISTENTLY RANKED AS A TOP ACCOUNTING FIRM IN THE U.S.

100+ year
HISTORY
OF QUALITY SERVICE

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GOVERNMENT CLIENTS

GOVERNMENTAL PARTNERS **16**

140+ TEAM MEMBERS DEDICATED TO SERVING THE GOVERNMENTAL INDUSTRY

To be a trusted advisor, serving, trust and fulfilling respect through our unwavering commitment to community, excellence, leadership, and integrity.

225+ SINGLE AUDITS PERFORMED LAST YEAR COVERING OVER \$4 BILLION OF FEDERAL GRANTS

135,000+ HOURS ANNUALLY PROVIDED TO GOVERNMENTAL CLIENTS

150+ CURRENT CLIENTS AWARDED THE GFOA CERTIFICATE OF EXCELLENCE

6 STATES | **13** OFFICES

Engagement Team Leaders

- Ryan Jones, Engagement Director and Doug Moses, Quality Review Partner



Audit Opinion

- **Our Responsibility Under Auditing Standards Generally Accepted in the United States of America (GAAS)**
 - We considered the internal control structure for the purpose of expressing our opinion on the City of Forest Park, Georgia's (the "City") basic financial statements and not for the purpose of providing an opinion on the effectiveness of internal controls.
 - Our audit was performed in accordance with GAAS and *Government Auditing Standards*.
 - Our objective is to provide reasonable—not absolute—assurance that the basic financial statements are free of material misstatement.
 - The basic financial statements are the responsibility of the City's management.

- **Report on Basic Financial Statements**
 - Unmodified ("clean") opinion on basic financial statements.
 - Presented fairly in accordance with accounting principles generally accepted in the United States of America.
 - Our responsibility does not extend beyond financial information contained in our report.



Compliance Report and Audit Scopes & Procedures

- **Compliance Report**

- The financial report package contains a report on our tests of the City's internal controls and compliance with laws, regulations, etc. The report is not intended to provide an opinion on internal controls and compliance with applicable rules and regulations.
- This report and the procedures performed are required by *Government Auditing Standards*.
- Two (2) material weaknesses in internal control over financial reporting.
- One (1) significant deficiency in internal control over financial reporting.
- One (1) instance of material noncompliance cited.
- One (1) material weakness in internal control over compliance cited in the Uniform Guidance report, resulting in a qualified opinion on the City's major federal program (Coronavirus State and Local Fiscal Recovery Fund Program).



Required Communications

- **Significant Accounting Policies**

- Management is responsible for the selection and use of appropriate accounting policies.
- The significant accounting policies used by the City are described in Note 1 to the respective basic financial statements.
- During the current year, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*.
- The policies used by the City are in accordance with generally accepted accounting principles.
- In considering the qualitative aspects of its policies, the City is not involved in any controversial or emerging issues for which guidance is not available.

- **Management Judgment/Accounting Estimates**

- Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events.
- The City uses various estimates as part of its financial reporting process – including actuarial assumptions.



Required Communications (Continued)

- **Relationship with Management**

- We received full cooperation from the City's management and staff.
- There were no disagreements with management on accounting issues or financial reporting matters.

- **Management Representation**

- We requested, and received, written representations from management relating to the accuracy of information included in the financial statements and the completeness and accuracy of various information requested by us.

- **Consultation with Other Accountants**

- To the best of our knowledge, management has not consulted with, or obtained opinions from, other independent accountants during the year, nor did we face any issues requiring outside consultation.

- **Significant Issues Discussed with Management**

- There were no significant issues discussed with management related to business conditions, plans, or strategies that may have affected the risk of material misstatement of the financial statements.



Required Communications (Continued)

- **Audit Adjustments**

- There was one passed adjustment for \$105,768 where the City chose not to record a liability for payroll taxes, interest, and penalties. Our opinion was not affected by this uncorrected misstatement.

- **Financial Statement Disclosures**

- The footnote disclosures to the financial statements are also an integral part of the financial statements and the process used by management to accumulate the information included in the disclosures was the same process used in accumulating the statements. The overall neutrality, consistency, and clarity of the disclosures was considered as part of our audit.

- **Information in Documents Containing Audited Financial Statements**

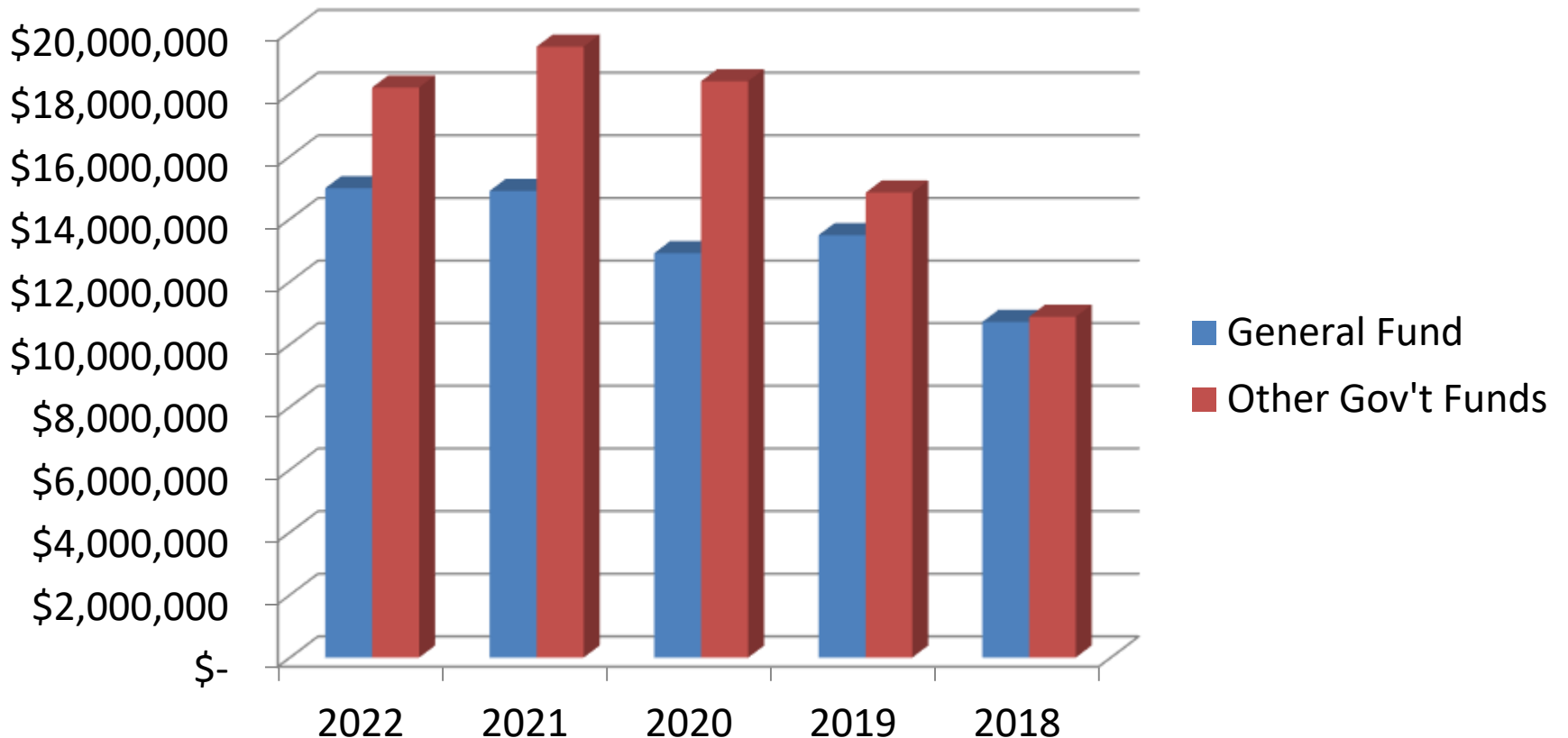
- Our responsibility for other information in documents containing the City's basic financial statements and our report thereon does not extend beyond the information identified in our report. If you intend to publish or otherwise reproduce the financial statements and make reference to our firm, we must be provided with printer's proof for our review and approval before printing. You must also provide us with a copy of the final reproduced material for our approval before it is distributed.

- **Auditor Independence**

- In accordance with AICPA professional standards, M&J is independent with regard to the City and its financial reporting process.



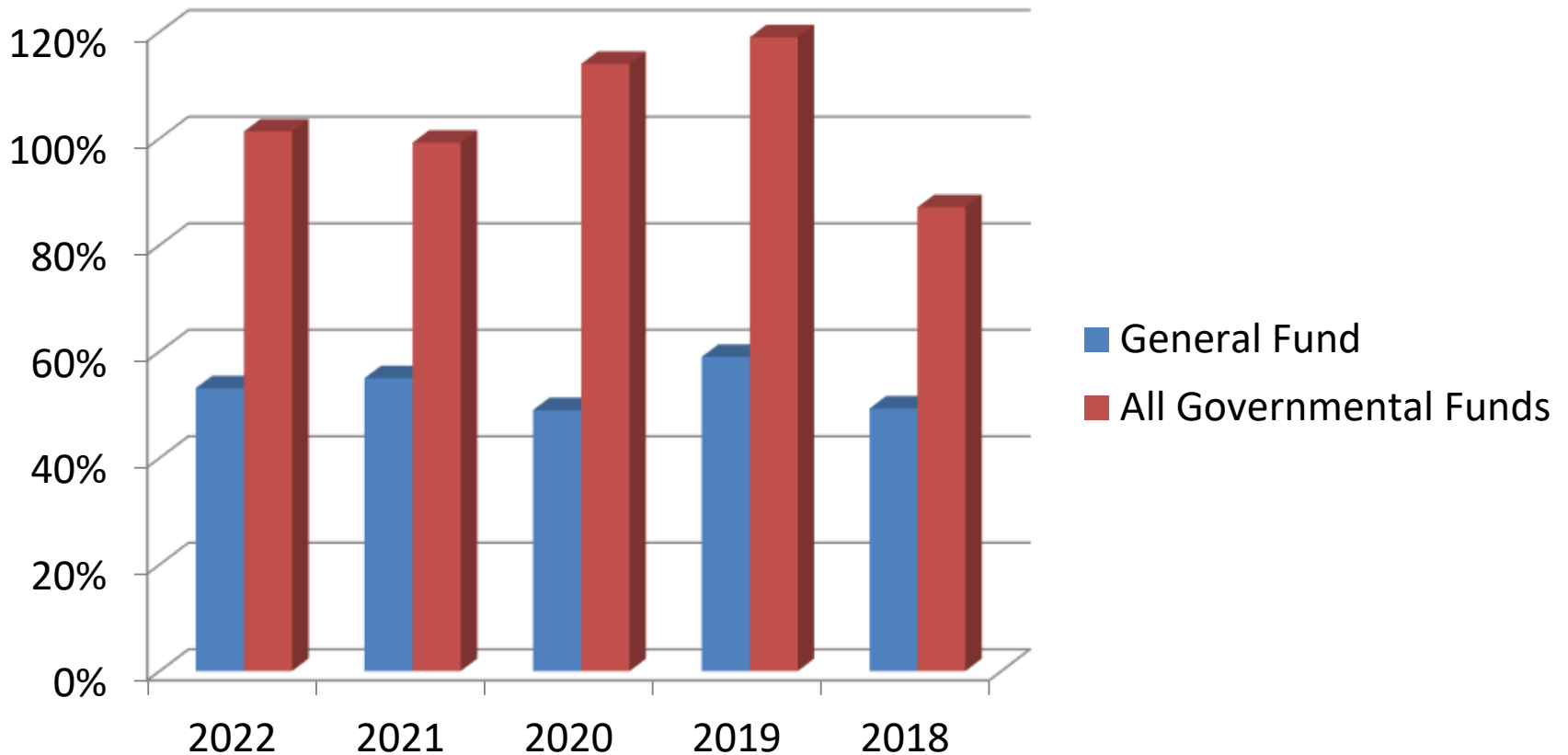
Financial Trends – Fund Balances – 5-Year Comparison



Source: The City's Annual Financial Reports



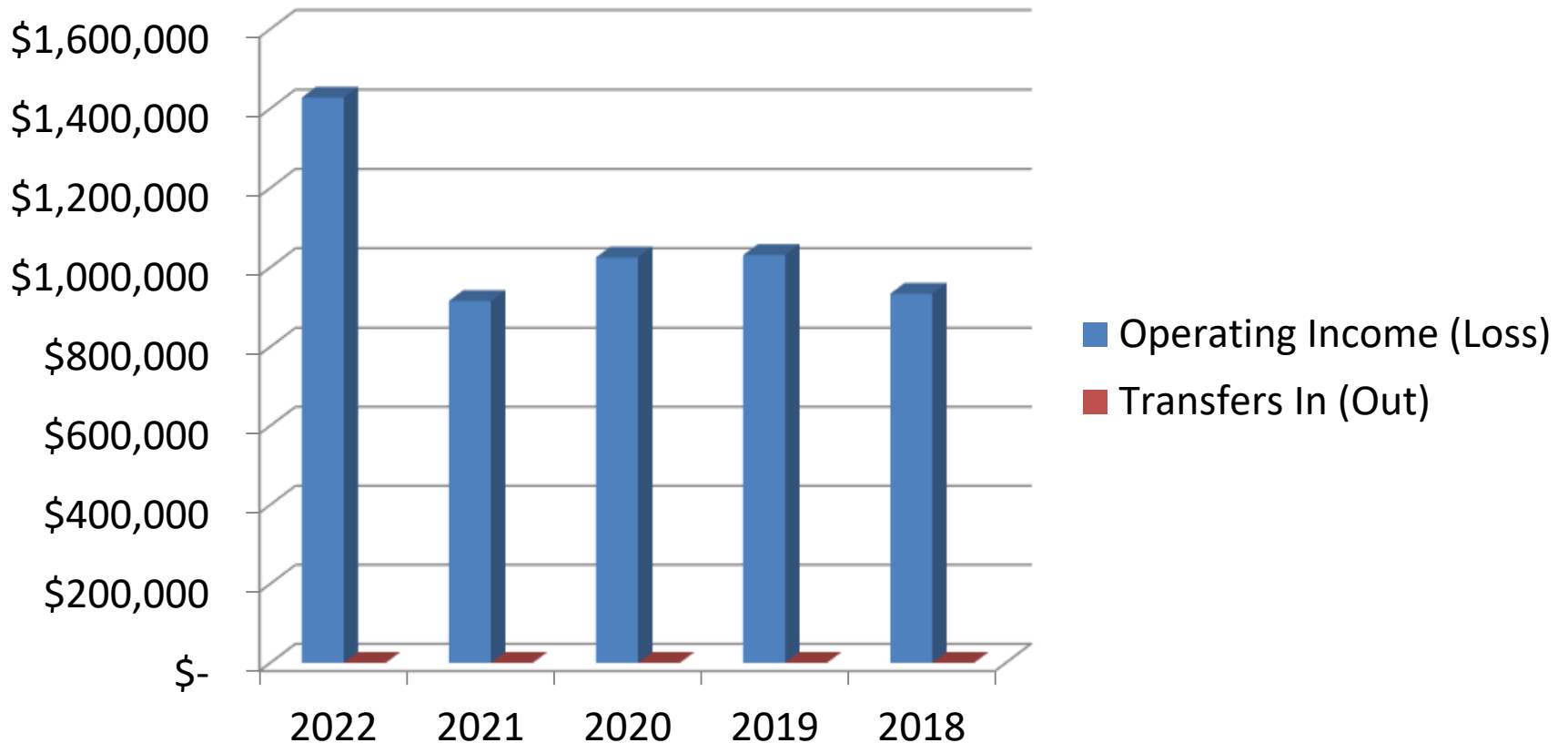
Fund Balance as a Percentage of Total Expenditures – 5-Year Comparison



Source: The City's Annual Financial Reports



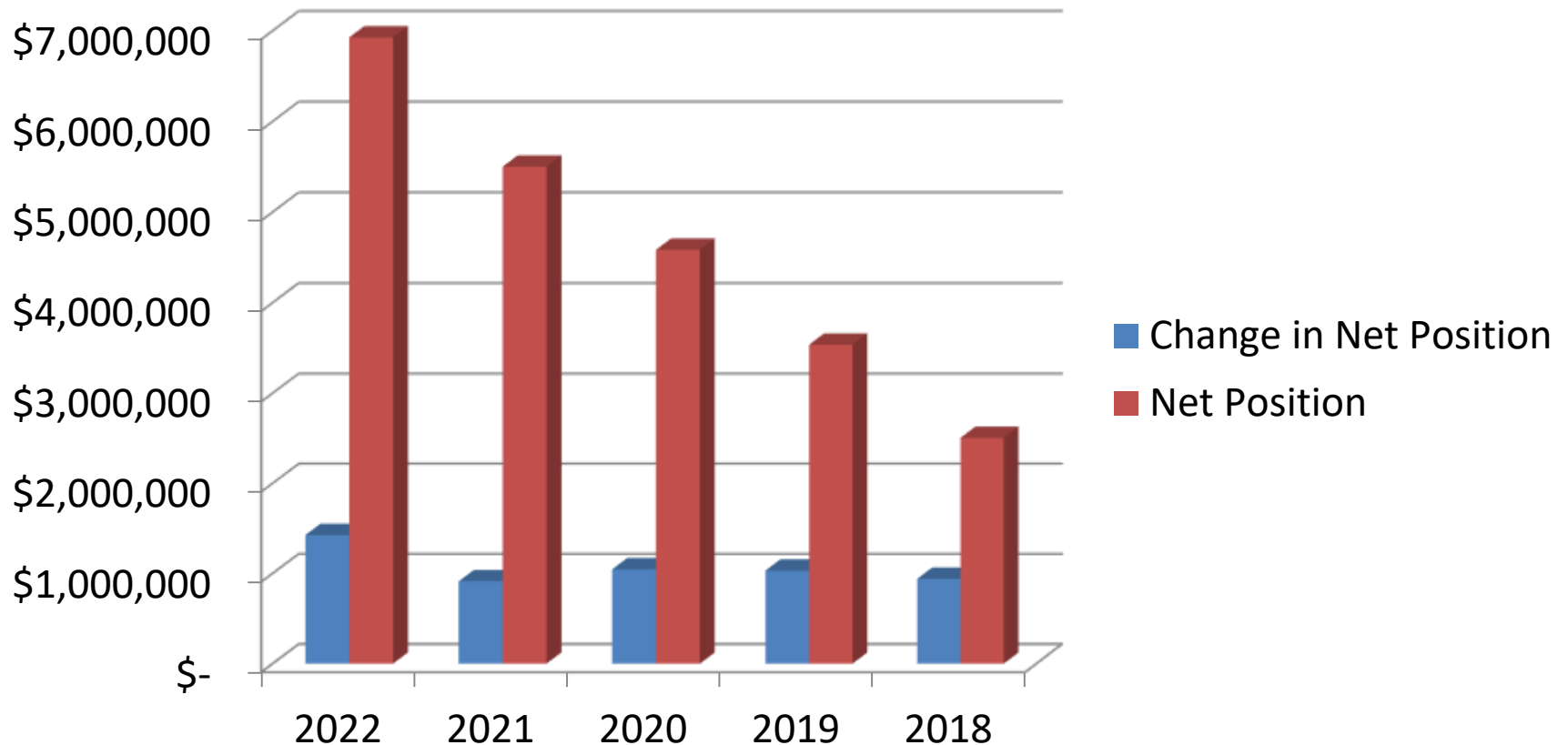
Financial Trends - Sanitation Fund - Operating Income (Loss) Compared to Transfers In (Out) - 5-Year Comparison



Source: The City's Annual Financial Reports



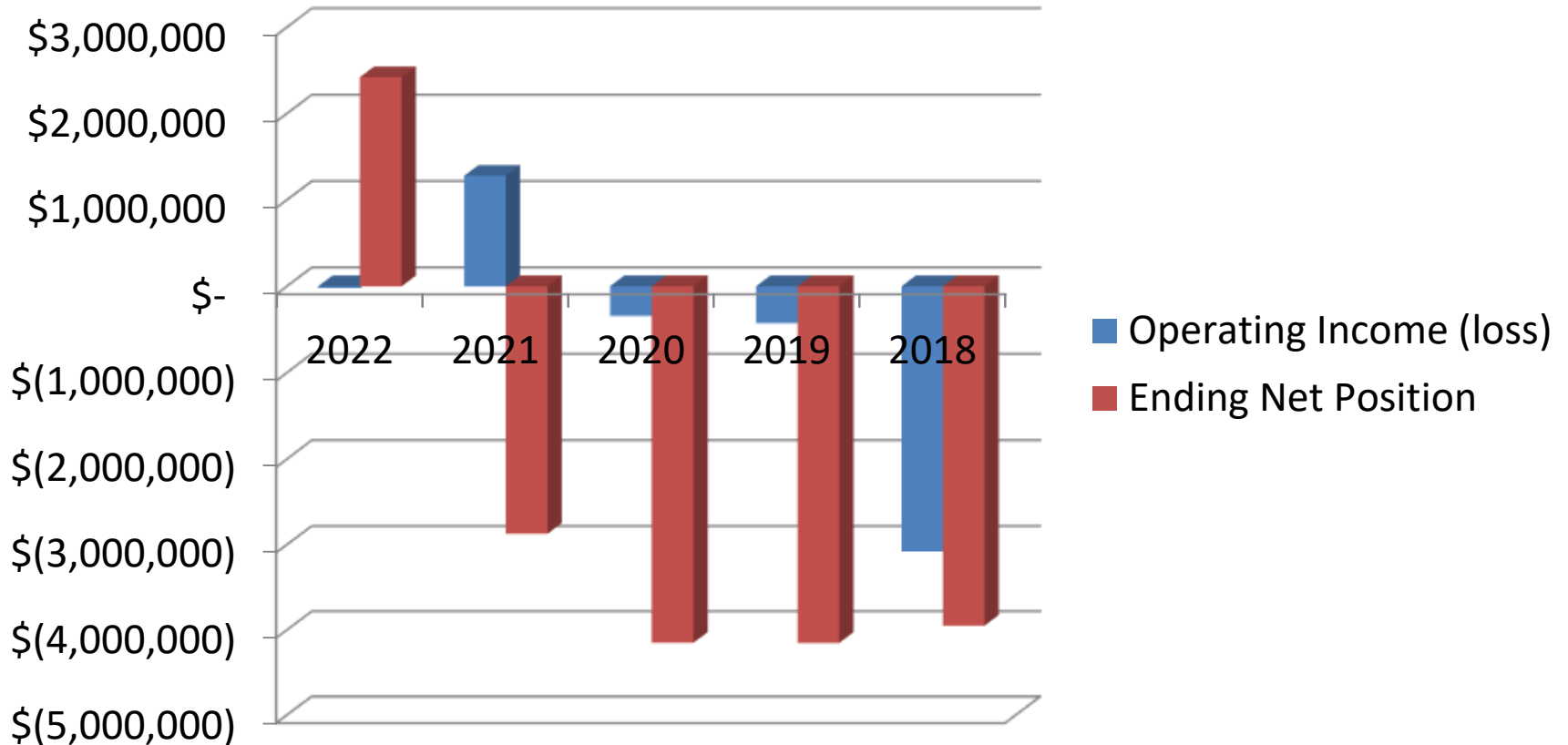
Financial Trends - Sanitation Fund - Change in Net Position Compared to Net Position - 5-Year Comparison



Source: The City's Annual Financial Reports



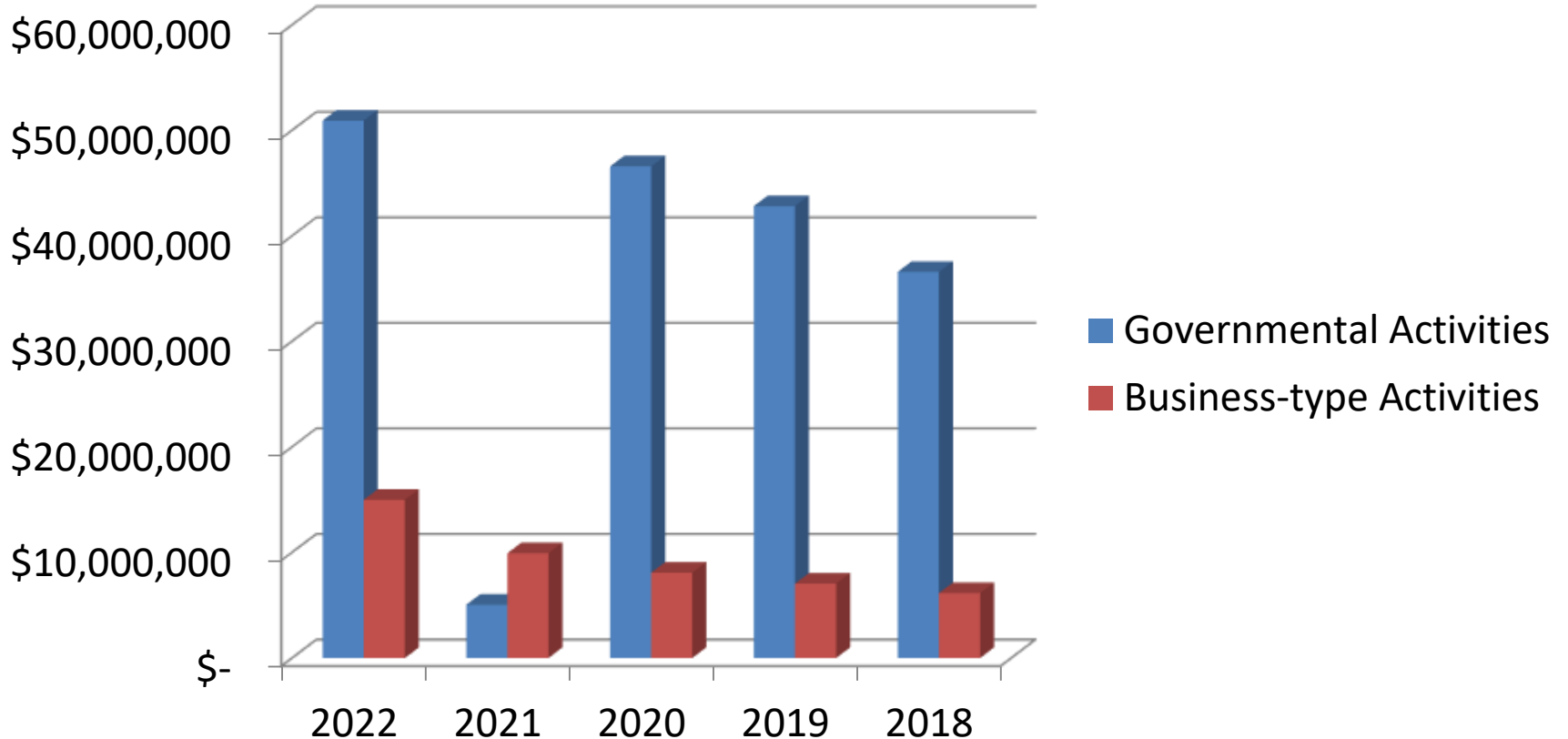
Financial Trends - Urban Redevelopment Agency Fund- Operating Income and Ending Net Position- 5-Year Comparison



Source: The City's Annual Financial Reports



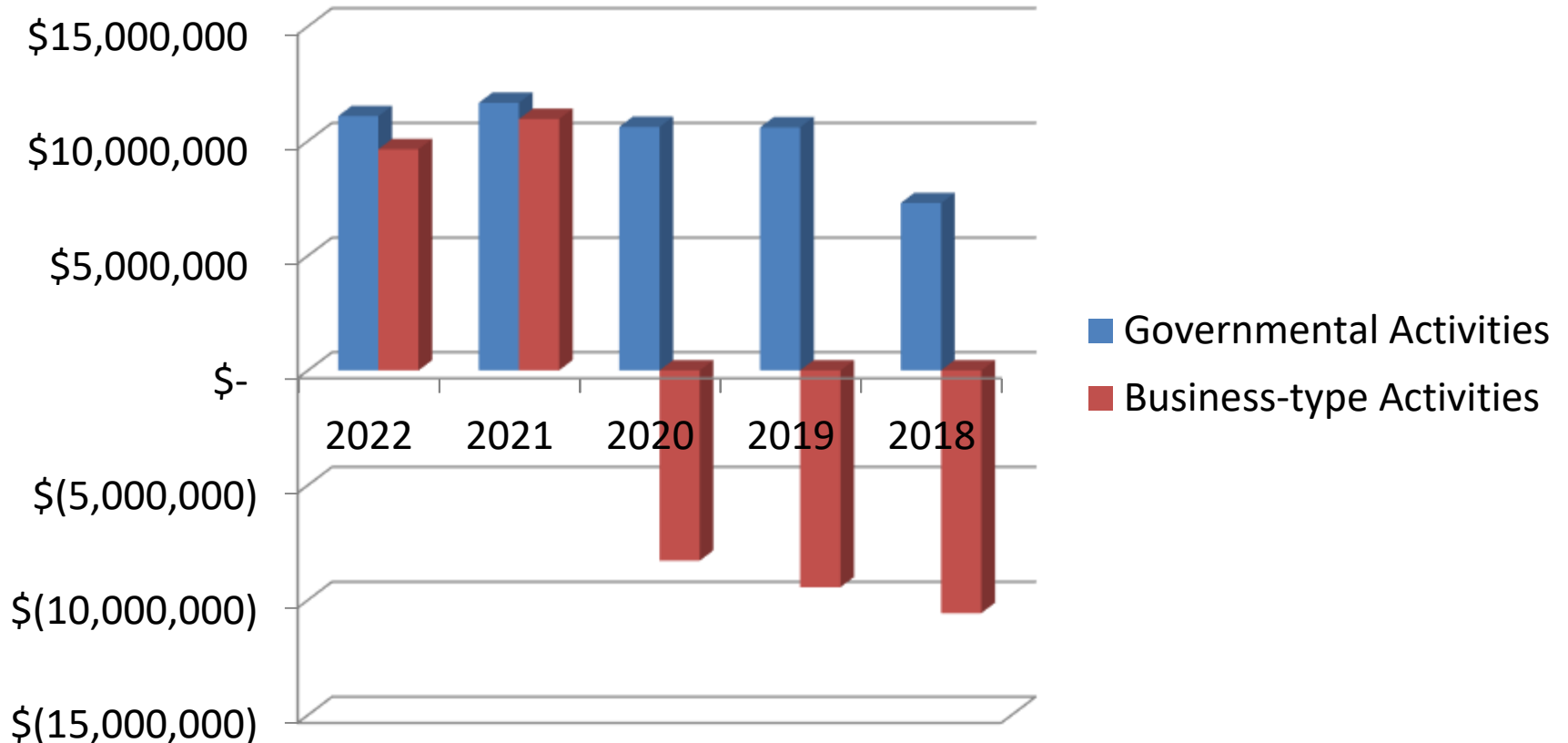
Financial Trends – Governmental Activities and Business-Type Activities Net Position – Last Five Years



Source: The City's Annual Financial Reports



Financial Trends – Governmental Activities and Business-Type Activities Unrestricted Net Position – Last Five Years



Source: The City's Annual Financial Reports



Comments, Recommendations, and Other Issues

2022 – 001 Segregation of Duties (Material Weakness)

Criteria: Internal controls should be in place that provide reasonable assurance that an individual cannot misappropriate funds without such actions being detected during the normal course of business.

Condition: In order to prevent fraudulent misappropriation of assets and the recording of fraudulent financial information, duties regarding the transfer of assets, authorization of transactions, the recording of financial information, and the review of financial information should be segregated. During the fiscal year ended June 30, 2022, appropriate segregation of duties was not noted in the areas of bank reconciliations and journal entries. For the bank reconciliations, we noted that there was no documentation of who prepared them and who reviewed them, or whether they had been reviewed. Finally, during our testing of journal entries, we noted that all sixty (60) journal entries that we tested did not show signs of review and approval by someone other than the preparer.

Context/Cause: Although there has been staff turnover and the size of the City's staff is relatively small, it is nevertheless important to ensure that duties are properly segregated to prevent potential fraud. No one employee should handle any combination of the duties involving the authorization and recording of financial information into the general ledger. Bank reconciliations should be subjected to internal controls whereby the preparer and reviewer are separately evidenced on the reconciliation itself.

Effects: Failure to properly segregate duties or implement compensating controls can lead to misappropriation of funds or abuse of the system that is not detected in a timely manner by employees in the normal course of performing their assigned functions.

Recommendation: We recommend management of the City segregate the duties surrounding authorization and recording and reconciliation of financial information. The City should consider the need for additional staffing or staff cross-training in order to segregate these duties. Additionally, journal entries should be properly approved by an individual who is independent of the journal entry preparation process.



Comments, Recommendations, and Other Issues (Continued)

2022 – 002 Reconciliation of Bank Accounts (Material Weakness)

Criteria: Internal controls should be in place to ensure bank accounts are reconciled in a timely manner throughout the fiscal year.

Condition: The City's cash accounts were not reconciled timely during the fiscal year ended June 30, 2022. The reconciliation for July 2021 was not prepared until April 2022, and the remaining reconciliations were completed in the months of June through August of 2022.

Context/Cause: The City has not dedicated sufficient resources and identified a member of the finance staff to perform the monthly cash reconciliations.

Effects/Possible Effects: Transactions that occur in the bank accounts are not recorded in the general ledger timely. This can lead to inaccurate budget information when the general ledger is relied upon to create the subsequent fiscal year's operating budgets. When reconciled cash balances are not available, there is an increased likelihood that disbursements are made with insufficient funds, resulting in additional bank costs and delayed payments to vendors. The risks of errors and misappropriation of assets not being detected are significantly higher.

Recommendation: We recommend that City management designate a knowledgeable and experienced individual or individuals within the City to be responsible for preparing the monthly bank reconciliations. We also recommend that these reconciliations be performed in a timely manner, no later than the end of the subsequent month, and be reviewed by an appropriate member of management.



Comments, Recommendations, and Other Issues (Continued)

2022 – 003 Payroll Tax Reporting and Payments (Significant Deficiency)

Criteria: Internal controls should be in place to ensure that quarterly payroll tax reports are filed timely with the Georgia Department of Revenue and that amounts due are properly calculated and remitted within by the statutory deadline.

Condition/Context/Cause: The City failed to timely file and remit the appropriate amount of taxes to the Georgia Department of Revenue for seven (7) out of the eight (8) quarters beginning with the quarter ended September 30, 2020 through June 30, 2022. Unpaid taxes and interest totaling \$6,838 and penalties of \$98,930 were determined to be owed to the Georgia Department of Labor at June 30, 2022.

Effects: The City's failure to properly report and remit payroll taxes has resulted in a liability of \$105,768 owed to the Georgia Department of Labor at June 30, 2022.

Recommendation: We recommend that the City work with its current payroll processor to ensure that future quarterly payroll tax reports are filed timely, and the appropriate amount of taxes is remitted by the statutory deadline.



Comments, Recommendations, and Other Issues (Continued)

2022 – 004 State Compliance – Governmental Budgets (Noncompliance)

Criteria: State of Georgia law (O.C.G.A. 36-81-3) states: a) each unit of local government shall adopt and operate under an annual balanced budget for the General Fund, each special revenue fund, and each debt service fund in use by the local government. The annual balanced budget shall be adopted by ordinance or resolution and administered in accordance with this article; and b) a budget ordinance or resolution is balanced when the sum of estimated revenues and appropriated fund balances is equal to appropriations.

Condition/Context/Cause: The City did not adopt budgets for its special revenue funds for the fiscal year ended June 30, 2022.

Effects: The City is not in compliance with State code.

Recommendation: We recommend that City management work with the City Council to ensure that each special revenue fund is budgeted on an annual basis.



Comments, Recommendations, and Other Issues (Continued)

2022 – 005 Subrecipient Monitoring – Coronavirus State and Local Fiscal Recovery Funds

Condition: Internal controls should be in place to ensure the City is in compliance with all requirements of the federal award program. For the fiscal year ended June 30, 2022, the following conditions existed:

A risk assessment, required by 2 CFR section 200.332(b), was not performed on the City's subrecipient of grant funds.

The City did not verify whether the subrecipient of the grant funds was required to be audited, as required by 2 CFR section 200.331(f).

The agreement between the City and its subrecipient did not include a description of the program's compliance requirements, as required by 2 CFR section 200.331(a), including the specific requirements for the subrecipient's periodic reporting to the City.

Context/Cause: The City did not have adequate internal controls to ensure compliance with subrecipient monitoring requirements. Testing was performed over each requirement for the City, who had a single subrecipient for the fiscal year ended June 30, 2022.

Effect: Noncompliance at the subrecipient level may occur due to the subrecipient not being aware of all of the grant's requirements. Without a risk assessment being performed on the City's subrecipient for its grant funds, the City will not be aware of problems with staffing or information systems of the subrecipient. Additionally, the City will be unable to effectively monitor the subrecipient if the City is unaware of whether the subrecipient is required to be audited.

Recommendation: We recommend the City enhances internal controls to ensure compliance with subrecipient monitoring requirements.



Comments, Recommendations, and Other Issues (Continued)

SPLOST Projects (Recommendation)

During our audit procedures on the SPLOST project schedule provided by the City as of June 30, 2022, we noted several incomplete projects with no current year expenditures, indicating that either these projects are complete and the revised budget information has not been updated, or potentially that SPLOST projects were started but abandoned. As the source of these funds is voted on by the public, it is important that the projects included in the SPLOST referendums are completed to the best of the City's abilities. We recommend that the City adhere to its plans on spending the remaining SPLOST proceeds to complete the projects identified in the SPLOST referendum.

Interfund Balances (Recommendation)

During our audit we noticed that the \$380,327 due to the Urban Redevelopment Agency in the Forest Park/Ft. Gillem LRA Fund was not repaid during fiscal year 2022. We recommend that City management take steps to move the cash balance from the LRA Fund to the URA Fund.



Comments, Recommendations, and Other Issues (Continued)

URA Project with Clayton County Water Authority (Recommendation)

During our testing of construction-in-progress (CIP) balances for the City's Urban Redevelopment Agency (URA) Fund, we noted that \$298,600 in CIP was appropriately removed from the URA's capital asset listing as a project (Gillem Lift Station) was completed. As this project was jointly funded by the URA and Clayton County Water Authority (CCWA), we recommend that management communicate the specific costs and assets purchased related to the project to CCWA financial management. This will ensure that the capital assets, which are the property of CCWA, are accurately reported in CCWA's financial statements.

Recording Financed Purchases

During our audit, the City identified that a financed purchase liability and the associated capital assets had not been recorded as of June 30, 2021. This resulted in a current year increase of \$187,772 for the financed purchase liability, \$215,779 for the associated capital asset (cost), and \$35,963 for accumulated depreciation. We recommend that management implement a process to review transactions subsequent to year end to ensure that capitalizable purchases and associated obligations are properly recorded.

Governmental Advisory Services

Core Offerings



IT and Cybersecurity Solutions

•Cybersecurity Framework Engagements

- Performed as either a SOC for Cybersecurity under AICPA attestation standards, or as a consulting engagement under AICPA consulting standards



•System Vulnerability Assessment Engagements

- Process of defining, identifying, classifying and prioritizing vulnerabilities in computer systems, applications and network infrastructures, and providing an assessment with necessary knowledge, awareness and risks to understand the threats to determine appropriate reactions

•Penetration Testing Engagements

- Practice of testing a computer system to find security vulnerabilities that a hacker/attacker could exploit using automation or manual applications





New Accounting Pronouncements

- **New GASB Pronouncements for Future Years**
 - **GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements**, requires that Public-Private Partnerships and Public-Public Partnerships (“PPPs”) that meet the definition of a lease apply the guidance in Statement No. 87. All other PPPs that will not apply the guidance in Statement No. 87 will generally use the accounting guidance contained in Statement No. 60 which was superseded by this new Standard. Applicable for December 31, 2023.
 - **GASB Statement No. 96, Subscription-Based Information Technology Arrangements**, provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). Applicable for December 31, 2023.
 - **GASB Statement No. 99, Omnibus 2022** was issued in April 2022 and reiterates some of the specific guidance for variable payments and the updating of variable payments. Variable payments depending on an index or rate or payments that appear variable but are fixed in substance should be included in the measurement of the lease liability or lease receivable.
 - **GASB Statement No. 100, Accounting Changes and Error Corrections** was issued in June 2022 and is effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.
 - **GASB Statement No. 101, Compensated Absences** was issued in June 2022 and is effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. This statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash items.



New Accounting Pronouncements (Continued)

- **New GASB Pronouncements for Future Years (Continued)**

- Other Pending or Current GASB Projects:

- **Re-Examination of the Financial Reporting Model.** GASB has added this project to its technical agenda to make improvements to the existing financial reporting model (established via GASB Statement No. 34). Improvements are meant to enhance the effectiveness of the model in providing information for decision-making and assessing a government's accountability. GASB anticipates issuance of a final standard in late 2023 or early 2024.
 - **Revenue and Expense Recognition** is another long-term project where the GASB is working to develop a comprehensive application model for recognition of revenues and expenses from non-exchange, exchange, and exchange-like transactions. The final standard is expected in mid-2027.
 - **Going Concern Uncertainties and Severe Financial Stress** is a major project where the goal is to address issues related to disclosures regarding going concern uncertainties and severe financial stress. The project will consider (1) improvements to existing guidance for going concern considerations to address diversity in practice and clarify the circumstances under which disclosure is appropriate, (2) developing a definition of severe financial stress and criteria for identifying when governments should disclose their exposure to severe financial stress, and (3) what information about a government's exposure to severe financial stress is necessary to disclose. This technical topic is being examined by the GASB due to a wide diversity in practice regarding required presentation on the face of the financial statements, disclosures, etc. An exposure draft on this topic is expected by mid-2025.



Govt. Clients – Free Quarterly Continuing Education

- **Since March of 2009 – For Over 12 Years !!**

- Mauldin & Jenkins provides free quarterly continuing education for all of our governmental clients. Topics are tailored to be of interest to governmental entities. In an effort to accommodate our entire governmental client base, we offer the sessions several times per quarter at a variety of client provided locations resulting in greater networking and knowledge sharing among our governmental clients. We normally see approximately 180 people per quarter. Examples of subjects addressed in the past few quarters include:

- Accounting for Debt Issuances
- Achieving Excellence in Financial Reporting
- Best Budgeting Practices, Policies and Processes
- Budget Preparation
- ACFR Preparation (two (2) day hands-on course)
- Capital Asset Accounting Processes and Controls
- Collateralization of Deposits and Investments
- Component Units
- Cybersecurity Risk Management
- Evaluating Financial and Non-Financial Health of a Govt.
- Financial Report Card – Where Does Your Govt. Stand?
- Financial Reporting Model Improvements
- GASB Nos. 74 & 75, OPEB Standards
- GASB No. 77, Tax Abatement Disclosures
- GASB No. 84, Fiduciary Activities
- GASB Projects & Updates (ongoing & several sessions)
- Human Capital Management
- Grant Accounting Processes and Controls
- Internal Controls Over Accounts Payable, Payroll and Cash Disbursements
- Internal Controls Over Receivables & the Revenue Cycle
- IRS Issues, Primarily Payroll Matters
- Legal Considerations for Debt Issuances & Disclosures
- Policies and Procedures Manuals
- Segregation of Duties
- Single Audits for Auditees
- Special Purpose Local Option Sales Tax (SPLOST)
- Accounting, Reporting & Compliance
- Uniform Grant Reporting Requirements and the New Single Audit

» We appreciate the City's participation in these quarterly sessions.



Questions & Comments



Thank You for the Opportunity to Serve