

# Knox County



# Tennessee

**SINGLE AUDIT  
REPORT  
AND  
FINDINGS AND  
RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2007**

**KNOX COUNTY, TENNESSEE**  
SINGLE AUDIT REPORT AND FINDINGS AND RECOMMENDATIONS  
For the Year Ended June 30, 2007

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**RODEFER MOSS**  
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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County Mayor and  
County Commissioners of  
Knox County, Tennessee

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Knox County, Tennessee, as of and for the year ended June 30, 2007, which collectively comprise Knox County, Tennessee's basic financial statements and have issued our report thereon December 18, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Knox County's internal control over financial reporting as a basis for determining our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Knox County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Knox County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Knox County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Knox County's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned cost to be significant deficiencies in internal control over financial reporting. Items 07-03, 07-04, 07-05, and 07-06.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Knox County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as items 07-01 and 07-02.

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

*Rodefer Moss & Co. PLLC*

Knoxville, Tennessee  
December 18, 2007



**RODEFER MOSS**  
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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Compliance

We have audited the compliance of Knox County, Tennessee, which includes the Knox County Board of Education, a discretely presented component unit, collectively referred to throughout this report as "Knox County" with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Knox County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements and laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Knox County's management. Our responsibility is to express an opinion on Knox County'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 Knox County'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 on Knox County's compliance with those requirements.

In our opinion, Knox County, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Knox County, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Knox County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Knox County's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material compliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Knox County, Tennessee, as of and for the year ended June 30, 2007, and have issued our report thereon dated December 18, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Knox County's, basic financial statement. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

*Rodefer Moss & Co, PLLC*

Knoxville, Tennessee  
December 18, 2007

**KNOX COUNTY, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2007

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture:			
Passed through Tennessee Department of Health:			
Women, Infants, and Children (WIC)	10.557	GG-06-12167-00	\$ 222,204
Women, Infants, and Children (WIC)	10.557	GG-07-12967-00	<u>653,094</u>
Total U.S. Department of Agriculture			<u>875,298</u>
U.S. Department of Housing and Urban Development Direct Programs:			
Community Development Block Grant	14.218	B-05-UC-47-0001	1,672,347
House Mountain Park	14.246	B03SPTN0744	163,241
Economic Development Initiative Special Projects	14.228	B04SPTN0749	<u>19,555</u>
Total U.S. Department of Housing and Urban Development Direct Programs			<u>1,855,143</u>
Passed through the City of Knoxville, Tennessee:			
Empowerment Zone Program - Knoxville Cultural Heritage	14.244	C-06-0139	<u>79,791</u>
Total U.S. Department of Housing and Urban Development Programs			<u>1,934,934</u>
U.S. Department of Justice Direct Programs:			
Drug Court	16.579	Z-05-025532-00	317,180
Edward Byrne Memorial Justice Assistance Grant	16.579	2006-DJ-BX-0729	56,861
Drug Court Women's Treatment	16.585	2005-DC-BX-0030	67,676
Cops in Schools	16.710	2004-SH-WX-0155	222,549
Cops in Schools	16.710	2003-SH-WX-0139	32,275
Bulletproof Vest	16.607	N/A	29,795
Organized Crime Drug Enforcement Task Forces	N/A	SE-TN-086	10,360
Organized Crime Drug Enforcement Task Forces	N/A	SE-TN-175	<u>15,082</u>
Total U.S. Department of Justice Direct Programs			<u>751,778</u>

**KNOX COUNTY, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
For the Year Ended June 30, 2007

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Justice Programs (continued):			
Passed through Tennessee Dept of Finance and Administration:			
Focused Alternative Treatment	16.579	Z-99-088466-00	\$ <u>100,000</u>
Passed through Tennessee Department of Children's Services:			
Juvenile Court Accountability Incentive Grant	16.523	GG-06-12202-00	4,622
Juvenile Court Accountability Incentive Grant	16.523	GG-07-20534-00	27,825
Public Defender - Commission on Children & Youth	16.540	GG-06-12232-00	<u>5,209</u>
Total Passed through Tennessee Department of Children's Services			<u>37,656</u>
Total U.S. Department of Justice			<u>889,434</u>
Department of Transportation Federal Highway Administration:			
Passed through Tennessee Dept. of Environment & Conservation:			
French Park Greenway	20.205	STP-EN-4700(37)	5,387
Ten Mile Creek Greenway	20.205	STP-EN-4700(27)	41,160
Ten Mile Creek Greenway Extension	20.205	STP-EN-4700(36)	33,772
TDOT CMAQ Air Quality	20.205	STP-EN-4700(41)	<u>510,000</u>
Total Department of Transportation Federal Highway Administration			<u>590,319</u>
National Foundation on the Arts and Humanities:			
Passed through Tennessee Secretary of State:			
Library Services	45.310	GG-07-20171-00	2,500
Library Technology Grant	45.310	Z-06-031324-00	6,500
Library Grant for the Disadvantaged	45.310	Z-06-034116-00	<u>23,508</u>
Total National Foundation on the Arts and Humanities			<u>32,508</u>

**KNOX COUNTY, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
For the Year Ended June 30, 2007

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Environmental Protection Agency Direct Programs:			
Air Pollution Control Section 105	66.001	A-00408306-1	\$ 94,416
Air Pollution Control Section 105	66.001	A-00408307-0	192,856
Air Pollution Section 103 Clean Air Monitoring	66.001	PM-96437805-2	89,419
Water Quality	66.463	CP-96455806	65,149
Brownfield Cleanup	66.818	BF-96414904-0	<u>25,393</u>
Total Environmental Protection Agency Programs			<u>467,233</u>
U.S. Department of Election Assistance Commission:			
Passed through the Tennessee Department of State:			
Election Commission Testing	90.401	Z-07-037468-00	<u>25,550</u>
Total U.S. Department of Election Assistance Commission			<u>25,550</u>
U.S. Department of Health and Human Services:			
Passed through Tennessee Department of Health:			
Tuberculosis Nursing	93.116	GG-07-12605-00	143,000
Rape Prevention	93.991	GG-07-12932-00	20,000
Drug Court CSAT	93.243	1-H79-TI14194-01	51,186
Immunization	93.268	GG-06-12377-00	36,534
Immunization	93.268	GG-07-20508-00	49,554
Bioterrorism	93.283	GG-06-12110-00	75,003
Bioterrorism	93.283	GG-07-12845-00	464,480
Tobacco Prevention	93.283	GG-07-12722-00	67,357
Breast and Cervical Cancer	93.919	GG-07-12604-00	42,197

**KNOX COUNTY, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
For the Year Ended June 30, 2007

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services (continued):			
Passed through Tennessee Department of Health (continued):			
HIV Consortia and Case Management Services	93.917	GG-06-12361-00	\$ 263,537
HIV Consortia and Case Management Services	93.917	GG-07-21225-00	70,653
HIV Prevention	93.940	Z-06-031123-00	33,693
HIV Prevention	93.940	Z-07-038100-00	48,760
Community Prevention	93.959	GG-07-12782-00	194,496
Health Promotion	93.991	GG-07-12722-00	61,500
Children's Special Services	93.994	GG-07-12607-00	58,071
Family Planning Services	93.994	GG-07-03447-00	606,900
Infertility Youth Screening Project	93.977	GG-06-12493-00	32,000
Infertility Youth Screening Project	93.977	GG-07-12990-00	34,817
Sexual Transmitted Disease	93.977	Z-06-031123-00	37,752
Sexual Transmitted Disease	93.977	Z-07-038100-00	<u>75,862</u>
Total Passed through Tennessee Department of Health			<u>2,467,352</u>
Passed through Tennessee Department of Health Services:			
Child Support Enforcement IV-D	93.563	GG-07-12517-01	<u>338,813</u>
Total U.S. Department of Health and Human Services			<u>2,806,165</u>
U.S. Department of Homeland Security:			
Passed through Tennessee Emergency Management Agency:			
Hurricane Katrina	97.036	Z-06-030962-00	<u>108,707</u>

**KNOX COUNTY, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
For the Fiscal Year Ended June 30, 2007

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Homeland Security (continued):			
Passed through Tennessee Department of Military:			
Homeland Security	97.004	Z-04-020113-00	\$ 155,945
Homeland Security 2004 Regional	97.004	Z-04-022461-00	147,251
Homeland Security 2004 Local	97.004	Z-04-022461-00	49,378
Homeland Security 2004 Training	97.004	Z-04-022461-00	280,893
Homeland Security 2006	97.004	Z-04-022521-00	257,505
Homeland Security First Responder's Enhancements	97.006	Z-04-020057-00	4,794
Homeland Security 2005	97.067	Z-05-025176-00	1,099,569
Homeland Security Buffer Zone	97.078	Z-05-031024-00	170,128
Homeland Security Buffer Zone	97.078	Z-05-031023-00	131,552
Homeland Security Fire Prevention	97.044	EMW-2005-FP-03429	47,328
TEMA Stormwater Management	97.039	GG-02-09793-01	<u>3,708</u>
Total Passed through Tennessee Department of Military			<u>2,348,051</u>
Total U.S. Department of Homeland Security			<u>2,456,758</u>
Office of National Drug Control Policy:			
Passed through Laurel County, Kentucky:			
High Intensity Drug Trafficking Areas	N/A	I6PAPP501Z	<u>14,000</u>
Total Office of National Drug Control Policy			<u>14,000</u>
Total Federal Financial Assistance			<u>\$ 10,092,199</u>

**KNOX COUNTY, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
For the Fiscal Year Ended June 30, 2007

Program Title	Identifying Number	State Expenditures
Tennessee Department of Corrections:		
Community Corrections (CAPP)	Z-05-020611-00	\$ 543,036
Total Tennessee Department of Corrections		<u>543,036</u>
Tennessee Commission on Children and Youth:		
Children Services - Youth Officer	Z-07-036549-00	<u>9,000</u>
Total Tennessee Commission on Children and Youth		<u>9,000</u>
Tennessee Comptroller of the Treasury:		
Reappraisal	30711	<u>168,780</u>
Total Tennessee Comptroller of the Treasury		<u>168,780</u>
Tennessee District Attorney General's Conference:		
Parental Responsibility Truancy Program	Z-99-088347-00	<u>30,774</u>
Total Tennessee District Attorney General's Conference		<u>30,774</u>
Tennessee Environment and Conservation:		
Waste Tire Storage	Z-03-011371-05	465,000
Waste Tire	GG-07-12677-00	<u>3,498</u>
Total Tennessee Environment and Conservation		<u>468,498</u>
Tennessee Department of Economic and Community Development:		
Tennessee Industrial Infrastructure Program	GG-05-12000-00	<u>474,750</u>
Total Tennessee Department of Economic and Community Development		<u>474,750</u>

**KNOX COUNTY, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS (Continued)**  
For the Fiscal Year Ended June 30, 2007

Program Title	Identifying Number	State Expenditures
Tennessee Department of Health:		
Tuberculosis Nursing	GG-07-12605-00	\$ 183,000
Immunization	GG-06-12377-00	42,887
Immunization	GG-07-20508-00	58,172
HIV Prevention	Z-06-031123-00	3,744
HIV Prevention	Z-07-038100-00	5,418
Sexual Transmitted Disease	Z-06-031123-00	4,371
Sexual Transmitted Disease	Z-07-038100-00	8,784
Community Development	GG-07-12722-00	131,562
Family Planning	GG-07-03447-00	40,400
Oral Health	GG-07-12598-00	219,000
Adolescent Pregnancy	GG-07-12606-00	50,000
Families First	GU-07-03450-00	91,550
Vitamin Supplement	354	35
EPSDT Tenndercare	GG-07-12714-00	260,903
Children's Special Services	GG-07-12607-00	55,794
Flu Pandemic Preparedness	GG-06-12499-00	20,939
Flu Pandemic Preparedness	GG-07-20775-00	5,829
Help Us Grow Successfully	GG-07-12716-00	<u>114,488</u>
Total Tennessee Department of Health		<u>1,296,876</u>

**KNOX COUNTY, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS (Continued)**  
For the Fiscal Year Ended June 30, 2007

Program Title	Identifying Number	State Expenditures
Tennessee Secretary of State:		
General Library Services	GG-07-20171-00	\$ 67,625
Total Tennessee Secretary of State		<u>67,625</u>
Tennessee Department of the Military:		
TEMA Stormwater Management	GG-02-09793-01	<u>602</u>
Total Tennessee Department of the Military		<u>602</u>
Tennessee Department of Transportation:		
Litter Grant	Z-07-033815-00	<u>126,730</u>
Total Tennessee Department of Transportation		<u>126,730</u>
Tennessee Wildlife Resources Agency:		
Concord Park Fishing Pier	GG-07-20501-00	<u>15,000</u>
Total Tennessee Wildlife Resources Agency		<u>15,000</u>
Total State Financial Assistance		<u>\$ 3,201,671</u>

**KNOX COUNTY, TENNESSEE**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2007

**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Knox County and is presented on the modified 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. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the Comprehensive Annual Financial Report.

**Note 2. Loans Outstanding**

Knox County had the following loan funding balances and loan balances outstanding at June 30, 2007. These 2007 loan funding balances are also included in the federal expenditures presented in the schedule.

Cluster / Program Title	CFDA Number	FY 07 Loan Funding	Outstanding Balance
Community Development Block Grants - Entitlement Grants	14.218	\$ 96,840	\$1,448,236
HOME Investment Partnership Programs	14.239	\$ -	\$1,107,366

**Note 3. Subrecipients**

Of the federal expenditures presented in the schedule, Knox County provided federal awards to subrecipients as follows:

Cluster / Program Title	CFDA Number	Amount Provided to Subrecipients
Community Development Block Grants - Entitlement Grants	14.218	\$ 1,381,728
Prevention and Treatment of Substance Abuse - Block Grant	93.959	160,000
Prevention and Treatment of Substance Abuse - Block Grant	93.283	<u>32,000</u>
Total Subrecipient Awards		<u>\$ 1,573,728</u>

**KNOX COUNTY, TENNESSEE**  
DISCRETELY PRESENTED COMPONENT UNIT  
KNOX COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2007

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture :			
Passed through Tennessee Department of Agriculture:			
USDA School Breakfast Program	10.553	-	\$ 2,232,306
USDA School Lunch Program	10.555	-	<u>7,280,968</u>
Total U.S. Department of Agriculture			<u>9,513,274</u>
U.S. Department of Housing and Urban Development:			
Passed through City of Knoxville:			
Youth Academy of Finance	14.244	C-06-0172	<u>13,343</u>
Total U.S. Department of Housing and Urban Development			<u>13,343</u>
U.S. Department of Labor:			
Passed through Tennessee Department of Labor:			
Adult Education Incentive	17.267	Z-07-038001-00	<u>10,955</u>
Total U.S. Department of Labor			<u>10,955</u>
U.S. Department of Education:			
Passed through Tennessee Department of Education:			
Adult Basic Education	84.002	Z-07-033710-00	289,748
ESEA Chapter I of Title I	84.010A	2006.01	646,430
ESEA Chapter I of Title I	84.010A	2007.01	9,246,200
ESEA Chapter I of Title I	84.010A	2006.21	801,332
ESEA Chapter I of Title I	84.010A	2005.21	918,908
Title I School Improvement	84.010A	N/A	225,000
Individuals with Disabilities Education Act Part B	84.027A	2007.01	8,964,988
Individuals with Disabilities Education Act Part B	84.027A	2006.01	1,046,765
Individuals with Disabilities Education Act Part B	84.027A	2006.21	725,427
Individuals with Disabilities Education Act Part B	84.027	2005.21	1,896,863

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**KNOX COUNTY, TENNESSEE**  
DISCRETELY PRESENTED COMPONENT UNIT  
KNOX COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2007

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Education (continued):			
Passed through Tennessee Department of Education (continued):			
Early Reading First - Title I	84.010A	S359B060022	\$ 253,575
Carl Perkins	84.048	N/A	932,707
Case Manager	84.126	GG-07-12508-00	26,631
Preschool	84.173A	2006.01	41,287
Preschool	84.173A	2007.01	303,442
Preschool	84.173A	2006.21	8,012
Preschool	84.173	2005.21	982
Governors Alliance for Drug Free School	84.186A	2006.01	50,651
Governors Alliance for Drug Free School	84.186A	2005.21	443
Governors Alliance for Drug Free School	84.186A	2007.01	205,128
Hurricane Relief Title IV Subtitle A	84.186A	2006	22,986
Youth Violence and Drug Prevention	84.186B	190-07-1-4	40,000
Homeless Education	84.196A	2007	76,749
Homeless Education	84.938B	2007	5,931
Title V, Part B, No Child Left Behind	84.318X	2007.01	54,105
Title V	84.298A	2007.01	288,786
Title V	84.298A	2006.21	177,144
Title V	84.298A	2005.21	10,897
Title V	84.298A	2006.01	70,681
Title II Part D	84.318X	2006.01	95,725
Title II Part D - Orbit	84.318X	2006.21	445

**KNOX COUNTY, TENNESSEE**  
DISCRETELY PRESENTED COMPONENT UNIT  
KNOX COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2007

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Education (continued):			
Passed through Tennessee Department of Education (continued):			
Title II Part D	84.318X	2005.21	\$ 1,573
Title II Part D	84.318X	2006.21	48,813
Comprehensive School Reform Demonstration	84.186A	2006.21	8,385
Comprehensive School Reform Demonstration - Inskip	84.332A	N/A	1,853
Reading First	84.357	GG-05-11254-000	618,427
Reading First - Extra	84.357	GG-05-11254-00	99,913
Title III	84.365A	2006.01	54,017
Title III	84.365A	2007.01	133,452
Title III	84.365A	2006.21	20,877
Title II Part A	84.367A	2006.01	181,816
Title II Part A	84.367A	2005.21	512,640
Title II Part A	84.367A	2007.01	1,750,113
Title II Part A	84.367A	2006.21	<u>244,595</u>
Total Passed through Tennessee Department of Education			<u>31,104,442</u>
Passed through University of Tennessee:			
English Literacy and Civics	84.002	OR 7035-001.15	49,890
English Literacy and Civics	84.002	OR 7035-001.15	9,053
Mathematics and Science Partnership	84.366	OR 5273-001.01	<u>56,107</u>
Total Passed through University of Tennessee			<u>115,050</u>
Passed through Pellissippi State Technical Community College:			
Tech Prep	84.243A	N/A	<u>6,183</u>

**KNOX COUNTY, TENNESSEE**  
DISCRETELY PRESENTED COMPONENT UNIT  
KNOX COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2007

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Education (continued):			
Passed through Minnesota Learning Resource Center:			
Charter Schools S.M.A.R.T. Program	84.048A	N/A	\$ <u>23,257</u>
Passed through Tennessee Department of Human Services			
Child Care Certificate Program	84.357	N/A	<u>76,632</u>
Total U.S. Department of Education			<u>31,325,564</u>
U.S. Department of Health and Human Services:			
Passed through University of Tennessee:			
Perkins III GED Families First	93.558	N/A	<u>1,804</u>
Total U.S. Department of Health and Human Services			<u>1,804</u>
Corporation for National and Community Service:			
Passed through Tennessee Department of Education:			
Learn and Serve	94.004	GG-05-11352-00	13,895
Learn and Serve	94.004	009-07-01-021	<u>2,071</u>
Total Corporation for National and Community Service			<u>15,966</u>
Total Federal Financial Assistance			<u>\$ 40,880,906</u>

**KNOX COUNTY, TENNESSEE**  
DISCRETELY PRESENTED COMPONENT UNIT  
KNOX COUNTY BOARD OF EDUCATION  
SCHEDULE OF FEDERAL NON-CASH ASSISTANCE  
For the Year Ended June 30, 2007

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Commodities Used
U.S. Department of Agriculture:			
Passed through Tennessee Department of Agriculture:			
USDA Food Distribution ( Commodities )	10.550	-	<u>\$ 822,068</u>

**KNOX COUNTY, TENNESSEE**  
DISCRETELY PRESENTED COMPONENT UNIT  
KNOX COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
For the Year Ended June 30, 2007

Program Title	Identifying Number	State Expenditures
Tennessee Department of Education:		
Safe Schools	2005-2006	\$ 160,275
Safe Schools	2006-2007	81,728
Early Childhood - Pilot	2007	130,000
Early Childhood - Lottery	2007	519,499
Early Childhood - Expansion	2007	129,875
Family Resource Center	2007	<u>33,300</u>
Total Tennessee Department of Education		<u>1,054,677</u>
Tennessee Department of Labor and Workforce Development:		
Adult Basic Education	Z-07-033710-00	80,296
Total Tennessee Department of Labor and Workforce Development		<u>80,296</u>
Total State Financial Assistance		<u>\$ 1,134,973</u>

**KNOX COUNTY, TENNESSEE**  
DISCRETELY PRESENTED COMPONENT UNIT  
KNOX COUNTY BOARD OF EDUCATION  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
June 30, 2007

**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Knox County Board of Education, a discretely presented component unit of Knox County, and is presented on the modified 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the Comprehensive Annual Financial Report.

KNOX COUNTY, TENNESSEE  
DISCRETELY PRESENTED COMPONENT UNIT  
KNOX COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2007

I. Summary of Auditor's Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes    ✓ No

Significant deficiencies identified that are not considered to be material weakness(es)? ✓ Yes    \_\_\_\_\_ None Reported

Non compliance material to financial statements noted? \_\_\_\_\_ Yes    ✓ No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? \_\_\_\_\_ Yes    ✓ No

Significant deficiencies identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes    ✓ None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? \_\_\_\_\_ Yes    ✓ None Reported

Major federal programs:

Program Name	CFDA #
Highway Planning and Construction	20.205
HIV Care Formula Grants	93.917
WIC Program Services	10.557
Maternal and Child Health Services	93.994
CDC Investigations and Technical Assistance	93.283
Child Support Services	93.563
IDEA Part B	84.027/84.027A
Community Development Block Grant	14.218

Dollar threshold used to distinguish between Type A and Type B Programs 1,234.560

Auditee qualified as a low-risk auditee? ✓ Yes    \_\_\_\_\_ No

**KNOX COUNTY, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
June 30, 2007

II. Financial Statement findings

**Finding 07 - 01:**  
**Noncompliance**

Program: Deposit procedures for the County Clerk's Office.

Criteria: Deposits of funds should be made within three days of receiving the funds.

Condition: Certain deposits received by this office were not deposited within three days.

Effect: Not depositing funds within three days violates TCA 5-8-207 as it relates to County officials.

Recommendation: The County Clerk's office should attempt to correct procedures that are causing them to be in violation of the three-day deposit rule.

Management's  
Response:

Since last year we have installed a new program through Business Information Systems. We did not start with phase I of this program until December 2007, but we have been able to make our clerks more accountable and more efficient with their work. There has always been a rush to get the work in from the sub-stations and monies counted and deposited, but with this new program the clerks have been able to verify their funds before arriving downtown by printing out a report listing on their cash and checks at the end of the day. This makes the work easier for the audit team to process. The second phase of this program will include marriage, notary, and business tax which allow us to process those deposits easier and faster so there is not so much duplicate work.

**Finding 07 - 02:**  
**Noncompliance**

Program: Cash reconciliation procedures in the Trustee's Office.

Criteria: Cash should be reconciled between the amount on deposit with the bank and the amount shown per the general ledger.

Condition: Cash accounts were not properly reconciled between the amounts shown on the monthly bank statements to the amounts shown per the general ledger.

Effect: Reconciling the bank balances to the general ledger balances helps to ensure that all items posted to the general ledger and items posted to the bank statement are legitimate entries and have been accounted for in the financial records.

Recommendations: The Trustee's Office should institute procedures to ensure that the bank balance is reconciled to the general ledger balance on a timely basis.

**KNOX COUNTY, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
June 30, 2007

**Finding 07 - 02:**  
**Noncompliance (continued)**

Management's  
Response:

Management concurs with the audit finding. During the current fiscal year we have revised certain procedures and have assigned the responsibility of preparing bank reconciliations to a specific individual who has the requisite knowledge and experience. That individual is in the process of bringing the reconciliations up to date. It is our expectation that all bank reconciliations will be current by the end of the fiscal year.

It should be noted that, during this fiscal year, several changes in management personnel of the office occurred, due to a determination as to the applicability of term limits. The impact of the changes in management personnel resulting from the term limits decision and related interim appointments caused certain inefficiencies in office operations. Office operations are now proceeding in the usual manner.

**Finding 07 - 03:**  
**Significant Deficiency**

1. **Receipts Not Required to be Forwarded to the Finance Department -**

The Knox County policies and procedures manual for purchasing cards states in part, (Section V – 5.1b) the department purchasing card representative shall maintain the “original receipts of purchase”. As a result, the receipts are not forwarded to the Finance Department and are retained in each department.

This weakens internal controls over the review of transactions because no one outside the departments routinely sees documentation of the purchase. This practice also causes inconsistencies in the approval process, including what is considered an appropriate purchase and what is considered adequate documentation.

**Recommendation –**

- Forward all original receipts and documentation to the Finance Office for retention with P-Card records.

**Management Response –**

Management concurs and has taken appropriate corrective action.

The new Procurement Card Policy, adopted November 21, 2007, states in Section 7.1, subsection “d”, that the Finance Department must maintain all original receipts and consolidated statements for all cardholders after the departmental and approval procedures have been completed.

**KNOX COUNTY, TENNESSEE**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
June 30, 2007

**Finding 07 - 04:**  
**Significant Deficiency**

**Non-complying Activities –**

Knox County procurement card policies and procedures require that each department retain detailed documentation for all charges made by the department's employees. The policies require each employee assigned a card to review his or her monthly statement, attach receipts for all charges, sign the statement "validating the accuracy" and forward the statement and receipts to his or her supervisor or department head. The supervisor or department head then is to review the documentation, sign the statement "validating the accuracy", and forward the statement and documentation to the department's procurement card representative. The procurement card representative is required to prepare a summary sheet for all employee statements allocating the charges to be applicable budget codes. The representative and department head are required to sign the summary distribution sheet and forward it to the Finance Department. The detailed receipts are to be retained in each department. Many instances of noncompliance with the above policy were noted.

**Recommendation –**

All transactions should be documented with receipts, monthly charge card statements, and summary distribution sheets. Statements and summary distribution sheets should be signed as required by the County's policies and procedures.

**Management Response –**

Management concurs and has taken appropriate corrective action.

In the Purchasing Card Policy adopted on October 30, 2002 under Section 5.1, subsection "b", all Department Purchasing Card Representatives are required to maintain the original receipts of purchase, distribution and expense forms and monthly procurement card statements.

**KNOX COUNTY, TENNESSEE**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
June 30, 2007

**Finding 07 - 05:**  
**Significant Deficiency**

**Split Purchases –**

The Knox County policies and procedures manual for purchasing cards states in part, (Section IV – 4.3b) “A cardholder may make one purchase of multiple items, but the total purchase can not exceed \$999 or the cardholder’s limit if less than \$999.”

There were instances of multiple purchases being made by the same cardholder from the same vendor in amounts that were individually less than the transaction limits on the cards but collectively higher than those limits. Such purchases circumvent the intended controls established by the policy.

**Recommendations –**

Card limitations should be followed by the purchasing cardhold and monitored by their supervisor and department head.

**Management Response –**

Split purchases are a practice discouraged by the Knox County Purchasing Division.

**Finding 07 - 06:**  
**Significant Deficiency**

**Insufficient Description of Purchases –**

The Knox County policies and procedures manual for purchasing cards states, (Section IV – 4.6d) “If the cardholder does not have documentation of the transaction to send with the statement, he/she just attach a description of the purchase. Continued incidents of missing documentation may result in the cancellation of the employee’s purchasing card.”

This was not strictly enforced, as several transactions did not have enough support to document the business purpose of the transactions. Insufficient supporting documentation that does not clearly explain how purchasing card expenditures are related to official Knox County business, raises questions as to the nature and appropriateness of the transactions.

**Recommendations –**

Obtain detailed receipts and/or adequately describe the transaction to support all goods and services purchased.

**KNOX COUNTY, TENNESSEE**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
June 30, 2007

**Management Response -**

Management notes that it is incumbent upon the Cardholder, Department Card Representative, Department Head, and Finance Representative to ensure that all documentation meets the requirements and standards set forth in the policies and practices. Management further notes that in the past this requirement was not strictly enforced. Personnel changes and new training protocols now ensure that this requirement is closely observed.

III. Findings and Questioned Costs – Major Federal Award Programs Audit

None reported.

KNOX COUNTY, TENNESSEE  
DISPOSITION OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2007

Corrective action regarding the following prior year audit finding and questioned costs for the year ended June 30, 2006 has not been fully implemented. These findings have been reported in Section II of the Schedule of Findings and Questioned Costs for the year ended June 30, 2007.

Prior Year Finding Number	Finding	Current Year Finding Number
06-01	<p>County Clerks Office – Three day deposit rule violations</p> <p>The prior year audit findings pertained to amounts received by the County Clerks Office for recording and deposit. Although, corrective action has been taken, the compliance has not been fully implemented by the Office of the County Clerk.</p>	07-01
06-02	<p>Cash reconciliation procedures in the Trustee’s Office</p> <p>The prior year audit findings pertained to the proper monthly reconciliation of monthly bank statements to the amounts shown per the general ledger.</p>	07-02

KNOX COUNTY TENNESSEE  
CORRECTIVE ACTION PLAN  
For the Year ended June 30, 2007

II. Financial Statement findings

Finding  
Number

07-01	Name of contact person:	George Stooksbury, Knox County Clerk
	Corrective action:	Implement changes in the cash remittance process to decrease the number of days between time cash is collected until it is deposited by the County Clerk's Office.
	Proposed completion date:	Procedures designed to ensure timely deposits were implemented upon notification of the finding in fiscal year 2008.
07-02	Name of contact person:	Fred Sisk, Knox County Trustee
	Corrective action:	Implement changes in the cash reconciliation process to ensure proper reconciliation between cash balances and general ledger balances.
	Proposed completion date:	Action has been taken upon notification of the finding during the fiscal year 2008 to ensure proper reconciliation of accounts.
07-03, 07-04 07-05, 07-06	Name of contact person:	John Troyer
	Corrective action:	<p>The following procedures have been established and implemented to help ensure that purchasing card transactions are properly authorized and approved, are made for legitimate County purposes, and are adequately documented.</p> <p>The total number of purchasing cards has been drastically limited, reducing the number of cards that might be subject to misuse or other losses, and reducing the number of transactions that need additional review. The cards that are in use have been requested by the applicable Department Head and approved by the Procurement Card Administrator, a new position established within the Purchasing Division. The Administrator approves the issuance of cards, maintains records of authorized users, participates in training of cardholders, and reviews any charges not in accordance with the approved policy. The Administrator maintains records of any and all egregious charges and will make recommendations of disciplinary action that might be necessary, including cancellation of the card.</p>

KNOX COUNTY TENNESSEE  
CORRECTIVE ACTION PLAN (Continued)  
For the Year ended June 30, 2007

The County's new procurement card policy requires that all charges made to a purchasing card be reviewed and approved by the applicable Department Head. In addition, each department that uses purchasing cards must assign at least one Department Procurement Card Representative. The Representative obtains the original documentation of the purchase from the cardholder and reconciles all charges to the monthly statement. After ensuring that all charges are documented the Representative signs off on the monthly statements and forwards the statements and attached documentation to the Finance Department Representative. The Department Head also approves the statements for payment. These reviews provide additional assurance that charges made by procurement cards are properly authorized, for appropriate County purposes, and adequately supported.

The Finance Department Representative receives the approved statements and documentation from each department, ensures that the appropriate approvals have been documented and that all supporting documentation is attached, and performs an additional review of the documentation for completeness and appropriateness. The Finance Department provides to County Commission a detail listing of all charges made under purchasing card on a monthly basis.

Proposed  
Completion date:

These revised procedures have been implemented and are currently being followed. The procedures are working appropriately and compliance with these procedures continues to be monitored.