

Knox County



Tennessee

Single Audit Report And Findings and Recommendations

**For the Fiscal Year Ended
June 30, 2009**

KNOX COUNTY, TENNESSEE

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KPMG LLP
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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***

Knox County Mayor and the County Commissioners of
Knox County, Tennessee:

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 (the County) as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 25, 2009. Our report was modified to include a reference to other auditors. 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. Other auditors audited the financial statements of the Student Activity Funds agency fund of the Knox County Board of Education, a discretely presented component unit of Knox County, Tennessee, as of and for the year ended June 30, 2009. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing 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 County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A deficiency in internal control over financial reporting 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 25, 2009



KPMG LLP
401 Commerce Street, Suite 1000
Nashville, TN 37219-2422

**Report on Compliance with Requirements Applicable to Each Major Program
and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and
on the Schedules of Expenditures of Federal and State Awards**

Knox County Mayor and the County Commissioners of
Knox County, Tennessee:

Compliance

We have audited the compliance of Knox County, Tennessee (the 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, 2009. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the 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 the 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 of the County's compliance with those requirements.

In our opinion, the 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, 2009.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the 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 the County's internal control over compliance.



Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

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 a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs, Finding 2009-01, to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider Finding 2009-01 to be a material weakness.

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response, and accordingly, we express no opinion on it.

Schedules of Expenditures of Federal and State Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 25, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedules of Expenditures of Federal and State Awards are presented for purposes of additional analysis as required by OMB Circular A-133 and the State of Tennessee, and are 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, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, and others within the County, 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.

KPMG LLP

November 25, 2009, except for Compliance and
Internal Control over Compliance, as to which
the date is December 18, 2009

*Knox County, Tennessee (Primary Government) and
Knox County Board of Education (Discretely Presented Component Unit)*
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2009

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures
Knox County, Tennessee (Primary Government):			
U.S. Department of Agriculture:			
Passed through Tennessee Department of Health:			
Special Supplemental Nutrition Program:			
Women, Infants, and Children (WIC)	10.557	GG-08-22721-00	\$ 196,100
Women, Infants, and Children (WIC)	10.557	GG-09-26592-00	<u>771,552</u>
Total Program	10.557		<u>967,652</u>
Total U.S. Department of Agriculture			<u>967,652</u>
U.S. Department of Housing and Urban Development Direct Programs:			
Direct Programs:			
Community Development Block Grant	14.218	B-05-UC-47-0001	698,308
HOME Investment Partnerships Programs	14.239	M-00-UC-47-0204	320,355
Economic Development Initiative Special Projects	14.246	B04SPTN0749	<u>23,772</u>
Total U.S. Department of Housing and Urban Development			<u>1,042,435</u>
U.S. Department of Justice:			
Direct Programs:			
Edward Byrne Memorial Formula Grant Program:			
Drug Court	16.579	Z-05-025532-00	485,984
Edward Byrne Memorial Justice Assistance Grant	16.579	2008-DJ-BX-0453	57,980
Edward Byrne Memorial Justice Assistance Grant	16.579	2007-DJ-BX-0485	77,520
Edward Byrne Memorial Justice Assistance Grant	16.579	2006-DJ-BX-0729	29,023
Edward Byrne Memorial Justice Assistance Grant	16.579	2005-DJ-BX-0234	<u>49,498</u>
Total Program	16.579		<u>700,005</u>
Bulletproof Vest	16.607	N/A	1,407
Organized Crime Drug Enforcement Task Forces	N/A	SE-TNE-191H	24,326
Safe Streets - FBI Overtime Reimbursement	N/A	281D-KX-61230	<u>19,074</u>
Total U.S. Department of Justice Direct Programs			<u>744,812</u>

*Knox County, Tennessee (Primary Government) and
Knox County Board of Education (Discretely Presented Component Unit)*
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2009

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures
Knox County, Tennessee (Primary Government) (continued):			
U.S. Department of Justice (continued):			
Passed through the Tennessee Department of Children's Services:			
Juvenile Court Accountability Incentive Grant Program:			
Juvenile Court Accountability Incentive Grant	16.523	GG-08-22855-00	\$ 34,087
Juvenile Court Accountability Incentive Grant	16.523	GG-09-26614-00	<u>4,131</u>
Total Program	16.523		<u>38,218</u>
Public Defender - Commission on Children & Youth Program:			
Public Defender - Commission on Children & Youth	16.540	GG-09-213552-00	17,647
Public Defender - Commission on Children & Youth	16.540	GG-08-22765-00	<u>7,995</u>
Total Program	16.540		<u>25,642</u>
Total Passed through the Tennessee Department of Children's Services			<u>63,860</u>
Total U.S. Department of Justice			<u>808,672</u>
Department of Transportation Federal Highway Administration:			
Passed through Tennessee Dept. of Transportation:			
Sheriff's Alcohol Countermeasures	20.607	Z-08-024033-00	<u>25,595</u>
Total Department of Transportation Federal Highway Administration			<u>25,595</u>
National Foundation on the Arts and the Humanities:			
Passed through Tennessee Secretary of State:			
Library Services	45.310	GG-08-24864-00	<u>15,444</u>
Total National Foundation on the Arts and the Humanities			<u>15,444</u>
Environmental Protection Agency Direct Programs:			
Air Pollution Program:			
Air Pollution Control Section 105	66.001	A-00408307-1	248,222
Air Pollution Section 103 Clean Air Monitoring	66.001	PM-96497608-0	<u>126,276</u>
Total Program	66.001		<u>374,498</u>
Water Quality	66.463	CP-96455806	<u>96,533</u>
Total Environmental Protection Agency			<u>471,031</u>

*Knox County, Tennessee (Primary Government) and
Knox County Board of Education (Discretely Presented Component Unit)*
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2009

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures
Knox County, Tennessee (Primary Government) (continued):			
U.S. Election Assistance Commission:			
Passed through Tennessee Department of State:			
Help America Vote Act Requirements Payments	90.401	Z-09-217234.00	\$ 4,800
Total U.S. Election Assistance Commission			<u>4,800</u>
U. S. Department of Health and Human Services:			
Passed through Tennessee Department of Health:			
Tuberculosis Nursing	93.116	GG-09-25487-00	122,171
Family Planning Services	93.217	GU-09-25168-00	300,600
Immunization Programs:			
Immunization	93.268	GG-08-25868-00	59,803
Immunization	93.268	GG-09-27308-00	<u>72,813</u>
Total Program	93.268		<u>132,616</u>
Disease Control and Prevention Program:			
Emergency Preparedness Pandemic	93.283	GG-08-22530-01	41,074
Emergency Preparedness Pandemic	93.283	GG-09-26118-01	561,080
Tobacco Prevention	93.283	GG-08-25868-00	48,398
Tobacco Prevention	93.283	GG-09-25868-01	<u>17,019</u>
Total Program	93.283		<u>667,571</u>
HIV Consortia and Case Management Program:			
HIV Consortia and Case Management Services	93.917	GG-08-24599-00	257,422
HIV Consortia and Case Management Services	93.917	GG-09-27894-00	<u>109,798</u>
Total Program	93.917		<u>367,220</u>
Breast and Cervical Cancer	93.919	GG-09-25173-00	55,000
HIV Prevention Program:			
HIV Prevention	93.940	GG-07-12716-00	49,669
HIV Prevention	93.940	GG-08-23489-00	<u>68,203</u>
Total Program	93.940		<u>117,872</u>
Community Prevention	93.959	GG-09-26815-00	27,500

*Knox County, Tennessee (Primary Government) and
Knox County Board of Education (Discretely Presented Component Unit)*
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2009

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures
Knox County, Tennessee (Primary Government) (continued):			
U. S. Department of Health and Human Services (continued):			
Passed through Tennessee Department of Health (continued):			
Preventive Health Services Program:			
Infertility Youth Screening Project	93.977	GG-08-23486-00	\$ 34,150
Infertility Youth Screening Project	93.977	GG-09-26917-00	36,773
Sexually Transmitted Disease	93.977	GG-08-23489-00	60,127
Sexually Transmitted Disease	93.977	GG-09-28498-00	<u>66,717</u>
Total Program	93.977		<u>197,767</u>
Preventive Health and Health Services Program:			
Rape Prevention	93.991	GG-09-25908-00	30,400
Health Promotion	93.991	GG-09-26173-00	<u>61,500</u>
Total Program	93.991		<u>91,900</u>
Maternal and Child Health Services Program:			
Children's Special Services	93.994	GG-09-25205-00	67,371
Maternal and Child Health Services	93.994	GU-09-25168-00	<u>306,300</u>
Total Program	93.994		<u>373,671</u>
Total Passed through Tennessee Department of Health			<u>2,453,888</u>
Passed through Tennessee Department of Human Services:			
Child Support Enforcement IV-D	93.563	GG-09-25452-01	<u>393,850</u>
Total U. S. Department of Health and Human Services			<u>2,847,738</u>
U.S. Department of Homeland Security:			
Passed through Tennessee Emergency Management Agency:			
Hurricane Gustav Relief Program	97.036	FEMA-1786-DR-LA	18,999
Passed through Tennessee Department of Military:			
State Domestic Preparedness Equipment Program:			
Homeland Security 2008	97.004	GG-3958	1,800
Homeland Security 2007	97.004	GG-08-24520-00	266,377
Homeland Security 2006	97.004	GG-07-23623-00	<u>291,525</u>
Total Program	97.004		<u>559,702</u>
Total U.S. Department of Homeland Security			<u>578,701</u>

*Knox County, Tennessee (Primary Government) and
Knox County Board of Education (Discretely Presented Component Unit)*
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2009

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures
Knox County, Tennessee (Primary Government) (continued):			
Office of National Drug Control Policy:			
Passed through Laurel County, Kentucky:			
High Intensity Drug Trafficking Areas	N/A	G-09-AP0001A	\$ 9,256
High Intensity Drug Trafficking Areas	N/A	I8PAPP501Z	<u>2,885</u>
Total Office of National Drug Control Policy			<u>12,141</u>
Total Federal Financial Assistance--Knox County Primary Government			<u>\$ 6,774,209</u>

*Knox County, Tennessee (Primary Government) and
Knox County Board of Education (Discretely Presented Component Unit)*
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2009

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures
Knox County Board of Education (Component Unit):			
U.S. Department of Agriculture:			
Passed through Tennessee Department of Agriculture:			
Child Nutrition Cluster:			
USDA School Breakfast Program	10.553	N/A	\$ 2,652,172
USDA School Lunch Program	10.555	N/A	<u>8,297,826</u>
Total Child Nutrition Cluster			10,949,998
USDA Food Distribution (Commodities)	10.550	N/A	<u>1,340,685</u>
Total U.S. Department of Agriculture			<u>12,290,683</u>
U.S. Department of Housing and Urban Development:			
Passed through City of Knoxville:			
Youth Academy of Finance	14.244	C-06-0172	<u>38,159</u>
Total U.S. Department of Housing and Urban Development			<u>38,159</u>
U.S. Department of Labor:			
Passed through Tennessee Department of Labor:			
Adult Education Incentive	17.267	07-16-FY6-1AE-NCNTV	<u>12,000</u>
Total U.S. Department of Labor			<u>12,000</u>
U.S. Department of Transportation:			
STEM Education for Teachers - Federal Highway Administration	20.200	DTFH61-08-G-00020	<u>12,986</u>
Total U.S. Department of Transportation			<u>12,986</u>
U.S. Department of Education:			
Passed through Tennessee Department of Education:			
Title I Part A	84.010A	2009	13,603,444
Special Education Program:			
Individuals with Disabilities Education Act Part B	84.027A	2007.21	674,682
Individuals with Disabilities Education Act Part B	84.027A	2008.01	235,082
Individuals with Disabilities Education Act Part B	84.027A	2008.21	132,795
Individuals with Disabilities Education Act Part B	84.027A	2009.01	10,329,371
Special Education - AYP	84.027A	2009	<u>72,388</u>
Total Program	84.027A		<u>11,444,318</u>

*Knox County, Tennessee (Primary Government) and
Knox County Board of Education (Discretely Presented Component Unit)*
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2009

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures
Knox County Board of Education (Component Unit) (continued):			
U.S. Department of Education (continued):			
Passed through Tennessee Department of Education (continued):			
Career and Technical Education Program:			
Perkins IV	84.048A	2009	\$ 32,268
Carl Perkins	84.048A	2009	<u>839,094</u>
Total Program	84.048A		<u>871,362</u>
Special Education - Preschool Program:			
Preschool	84.173A	2007.21	597
Preschool	84.173A	2008.01	442
Preschool	84.173A	2008.21	22,613
Preschool	84.173A	2009.01	<u>329,996</u>
Total Program	84.173A		<u>353,648</u>
Title IV	84.186A	2009	209,550
Youth Violence and Drug Prevention	84.186B	Year 2	75,000
Homeless Education	84.196A	2009	116,068
Title II Part D	84.318X	2009	120,169
Title V	84.298A	2009	504,720
Reading First	84.357	2008	877,822
Early Reading First	84.359	2009	250,170
School Improvement	84.377A	2009	267,403
English Language Acquisition Program:			
Title III	84.365A	2009	192,749
Title III - Immigrant	84.365A	2009	<u>15,000</u>
Total Program	84.365A		<u>207,749</u>
Improving Teacher Quality Program:			
Title II Part A	84.367A	2009	2,282,789
Title II Part A	84.367A	2009	<u>7,380</u>
Total Program			<u>2,290,169</u>
ARRA - State Fiscal Stabilization Fund	84.394	2009	<u>2,771,600</u>
Total passed through Tennessee Department of Education			<u>33,963,192</u>

*Knox County, Tennessee (Primary Government) and
Knox County Board of Education (Discretely Presented Component Unit)*
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2009

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures
Knox County Board of Education (Component Unit) (continued):			
U.S. Department of Education (continued):			
Passed through Tennessee Department of Labor and Workforce Development:			
Adult Education Program:			
Adult Basic Education	84.002	Z-09-213481-00	\$ 232,342
Adult Education - Carryover Project	84.002	Z-08-020798-00	25,728
English Literacy and Civics	84.002	Z-09-213236-00	<u>48,488</u>
Total Program	84.002		<u>306,558</u>
Total passed through Tennessee Department of Labor and Workforce Development			<u>306,558</u>
Passed through Tennessee Department of Human Services:			
Case Manager	84.126A	GG-08-22112-01	<u>21,119</u>
Total passed through Tennessee Department of Human Services			<u>21,119</u>
Total U.S. Department of Education			<u>34,290,869</u>
Corporation for National and Community Service:			
Passed through Tennessee Department of Education:			
Learn & Serve	94.004	009-07-1-021	<u>7,741</u>
Total Corporation for National and Community Service			<u>7,741</u>
Total Federal Financial Assistance--Knox County Board of Education (Component Unit)			<u>46,652,438</u>
Total Federal Financial Assistance			<u>\$ 53,426,647</u>

The accompanying notes are an integral part of the schedule.

*Knox County, Tennessee (Primary Government) and
Knox County Board of Education (Discretely Presented Component Unit)*
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended June 30, 2009

Program Title	Identifying Number	State Expenditures
Knox County, Tennessee (Primary Government):		
Tennessee Department of Corrections:		
Community Corrections (CAPP)	Z-08-021319-01	\$ 619,824
Total Tennessee Department of Corrections		<u>619,824</u>
Tennessee Commission on Children and Youth:		
Children Services - Youth Officer	Z-09-22871-00	9,000
Total Tennessee Commission on Children and Youth		<u>9,000</u>
Tennessee Comptroller of the Treasury:		
Reappraisal	30711	136,079
Total Tennessee Comptroller of the Treasury		<u>136,079</u>
Tennessee Department of State:		
Tennessee Arts Commission - Public Library Heartland	N/A	10,000
Tennessee Arts Commission - Jazz Festival	Z-09-215831-00	4,800
Total Tennessee Department of State		<u>14,800</u>
Tennessee Department of Health:		
Tuberculosis Nursing	GG-09-25487-00	203,829
Immunization	GG-08-23276-00	47,418
Immunization	GG-09-27308-00	57,733
Sexual Transmitted Disease	GG-08-23489-00	16,750
Sexual Transmitted Disease	GG-09-28498-00	18,484
Family Planning	GU-09-25168-00	40,400
Oral Health	GG-09-25486-00	219,000
Adolescent Pregnancy	GG-09-25469-00	50,000
Health Community Development	GG-09-25883-00	37,151
Diabetes Management 2009	GG-09-25882-00	195,450
EPSDT Tenndercare	GG-09-25908-00	303,038
Children's Special Services	GG-09-25205-00	55,356

*Knox County, Tennessee (Primary Government) and
Knox County Board of Education (Discretely Presented Component Unit)*
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended June 30, 2009

Program Title	Identifying Number	State Expenditures
Knox County, Tennessee (Primary Government) (continued):		
Tennessee Department of Health (continued):		
TennCare EPSDT Child in DCS	N/A	\$ 86,014
Adult Emergency Dental Services	GG-08-25166-00	192
Help Us Grow Successfully	GG-09-25170-00	199,828
Total Tennessee Department of Health		<u>1,530,643</u>
Tennessee Department of Agriculture - Forestry Division:		
Tenn. Agriculture Enhancement Program - Beverly Park	Z-09-213890-00	915
Tenn. Agriculture Enhancement Program - New Harvest	6922	4,614
Tenn. Agriculture Enhancement Program - Schumpert	Z-09-213869-00	16,659
Total Tennessee Department of Agriculture - Forestry Division		<u>22,188</u>
Tennessee Department of State:		
Community Enhancement Grants:		
Knox County Community Grants-Parks and Recreation	N/A	750
Knox County Community Grants-Public Library	N/A	15,000
Knox County Community Grants-Senior Centers	N/A	1,975
Sheriff's Sr. Citizen Awareness Network (SCAN)	N/A	14,999
Total Tennessee Department of State		<u>32,724</u>
Tennessee Department of Transportation:		
Litter Grant	Z-08-20182-00	124,777
Total Tennessee Department of Transportation		<u>124,777</u>
Total State Financial Assistance - Knox County Primary Government		<u>2,490,035</u>

*Knox County, Tennessee (Primary Government) and
Knox County Board of Education (Discretely Presented Component Unit)*
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended June 30, 2009

Program Title	Identifying Number	State Expenditures
Knox County Board of Education (Component Unit):		
Tennessee Department of Education:		
Safe Schools	2007-2008	\$ 139,040
Safe Schools	2008-2009	70,614
Early Childhood - Pilot	2009	136,804
Early Childhood - Pre-Kindergarten	2009	1,504,849
Family Resource Center	2009	33,300
LEAPS	119-09-1-023	69,810
Coordinated School Health	MOU	<u>197,094</u>
Total Tennessee Department of Education		<u>2,151,511</u>
Tennessee Department of Labor and Workforce Development:		
Adult Education	Z-09-213481-00	77,447
Adult Education - Carryover	Z-08-020798-00	8,576
Adult Education - State	Z-09-216878	23,757
EL Civics	Z-08-21213-00	<u>16,163</u>
Total Tennessee Department of Labor and Workforce Development		<u>125,943</u>
Total State Financial Assistance--Knox County Board of Education (Component Unit)		<u>2,277,454</u>
Total State Financial Assistance		<u>\$ 4,767,489</u>

The accompanying notes are an integral part of the schedule.

KNOX COUNTY, TENNESSEE

Notes to Schedules of Expenditures of Federal and State Awards

Year ended June 30, 2009

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Knox County, Tennessee, and its discretely presented component unit (the 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.

Federal awards include all grants, contracts, and similar agreements entered into directly between the County and agencies and departments of the federal government, and all subawards to the County by nonfederal organizations pursuant to federal grants, contracts, and similar agreements.

In compliance with Tennessee state law, the accompanying schedule of expenditures of state awards is also included with this report. Such schedule presents all state funded financial awards, as defined by the State Comptroller's Office, and is prepared and presented in a manner consistent with the schedule of expenditures of federal awards.

(2) Loans Outstanding

The County had the following loan funding balances outstanding at June 30, 2009. All of the loan additions are represented by program expenditures, but only a portion comes from the federal grant with the remainder from program income:

<u>Cluster / Program Title</u>	<u>CFDA Number</u>	<u>FY 2009 Loan Funding</u>	<u>Outstanding Balance</u>
Community Development Block Grant	14.218	\$ —	\$ 1,404,408
HOME Investment Partnerships Programs	14.239	272,948	1,407,010

(3) Subrecipients

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

	<u>CFDA Number</u>	<u>Amounts Provided to Subrecipients</u>
Community Development Block Grant	14.218	\$ 412,713
HOME Investment Partnerships Programs	14.239	298,848
Community Prevention	93.959	17,500
Total Subrecipient Awards		<u>\$ 729,061</u>

KNOX COUNTY, TENNESSEE

Notes to Schedules of Expenditures of Federal and State Awards

Year ended June 30, 2009

(4) Non-cash Assistance

The County is the recipient of certain federal awards that do not result in cash receipts or disbursements, including distribution of U.S. Department of Agriculture (USDA) Food Commodities (CFDA No. 10.550), which are valued based on a USDA price list obtained from the Tennessee Department of Health.

(5) Indirect Costs

A number of the County's federal and state funded programs allow indirect costs to be charged and include them as a line item in the grant budget. However, if the grant budget does not specifically provide for indirect costs to be charged, none of the indirect costs are reported as costs to the grantor nor are the costs included or presented in the schedules of expenditures of federal and state awards.

KNOX COUNTY, TENNESSEE

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

(1) Summary of Auditors' Results

- (a) The type of report issued on the basic financial statements: **Unqualified opinion**
- (b) Significant deficiencies in internal control was disclosed by the audit of the basic financial statements: **None reported**

Material weaknesses: **None**

- (c) Noncompliance which is material to the basic financial statements: **None**
- (d) Significant deficiencies in internal control over major programs: **Yes**

Material weaknesses: **Yes – see note (3)**

- (e) The type of report issued on compliance for major programs: **Unqualified opinion**
- (f) Any audit findings which are required to reported under Section 510(a) of OMB Circular A-133: **Yes – see note (3)**
- (g) Major programs:

<u>CFDA number</u>	<u>Name of federal program or cluster</u>
Child Nutrition Cluster:	
10.553	USDA School Breakfast Program
10.555	USDA School Lunch Program
Other Programs:	
84.010A	Title I Part A
84.367A	Title II Part A
84.394	ARRA - State Fiscal Stabilization Fund

- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$1,602,799**
- (i) Auditee qualified as a low-risk auditee under Section .530 of OMB Circular A-133: **No**

KNOX COUNTY, TENNESSEE

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

(2) **Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*:**

None.

(3) **Findings and Questioned Costs Relating to Federal Awards:**

Finding 2009-01: Activities Allowed / Unallowed

Finding Type: Material Weakness

CFDA#: 84.367A – Title II Part A

Federal Agency: U.S. Department of Education

Federal Award Year: July 1, 2008 to September 30, 2009

Requirement

In accordance with OMB Circulars A-133 and A-87, employees who work on federal activities are required to have time and effort reporting to support the cost charged to the program. Employee costs charged to a federal grant must be supported by one of the following three types of documentation: (1) a contemporaneous timesheet, (2) for an employee working solely on one grant, a semi-annual certification stating that the employee worked solely on that grant, and (3) a federally approved time study showing how an employee's time should be allocated among various federal grants.

Condition

The Title II program typically utilizes semi-annual certifications to document and substantiate that employees worked solely in that program. However, during our testing of a sample of employees whose personnel costs had been charged to the grant, we noted that the time and effort certifications had not been performed during the 2009 fiscal year.

Subsequent to our initial request, a complete review was conducted for all personnel costs related to Title II by the individuals who supervised these employees. As a result of this review the employees' time was subsequently certified in two semi-annual periods.

Questioned Cost

None, given that certifications supporting 100% of employee time and effort were ultimately provided and reviewed.

Possible Asserted Cause and Effect

Controls over time and effort reporting were not operating effectively.

KNOX COUNTY, TENNESSEE

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Recommendation

We recommend that Knox County Board of Education add an additional level of supervisory review to ensure that all employees working on federal programs have semi-annual certifications or other acceptable documentation is maintained which helps substantiate their level of effort on federal programs in which personnel costs are charged.

Views of Responsible Management

We concur. The Knox County Board of Education will install effective controls over time and effort reporting. In agreement with the recommendation articulated in this Schedule of Findings, the superintendent of Knox County Board of Education will add an additional level of supervisory review of title-funded programs. The school district's Chief Accountability Officer will be the highest level supervisor of all federal programs to ensure internal controls of program documentation, expenditures, system compliance, and program evaluation. Included among the Chief Accountability Officer's supervisory authority will be the receipt and authorization of reports prepared by the Title program directors attesting to employees working in federally funded programs.