

Reports Required by the Single Audit Act

2013

Jefferson County Board of Education

For the Fiscal Year Ended June 30, 2013



Strothman+Co

Reports Required by the Single Audit Act

Jefferson County Board of Education

For the Fiscal Year Ended June 30, 2013

Reports Required by the Single Audit Act

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**Independent Auditors' 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***

Members of the Board
Jefferson County Board of Education
Louisville, Kentucky

Report on Financial Statements

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Jefferson County Board of Education (the "Board") as of and for the year ended June 30, 2013, and have issued our report thereon dated November 1, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A *deficiency in internal control* 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Board's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency [Item 2013-1].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board'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*.

In addition, the results of our tests disclosed no instances of material noncompliance with specific state statutes or regulations identified in the *Kentucky School Districts' Audit Contract and Requirements* prescribed by the Kentucky State Committee for School District Audits.

We also noted certain other matters that we reported to management of the Board in a separate letter dated November 1, 2013.

Response to Findings

The Board's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Board's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control or on compliance. The report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Louisville, Kentucky
November 1, 2013

**Independent Auditors' 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***

**Independent Auditors' Report on Compliance for
Each Major Program and on Internal Control Over
Compliance Required by OMB Circular A-133, and
on the Schedule of Expenditures of Federal Awards**



Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133, and on the Schedule of Expenditures of Federal Awards

Members of the Board
Jefferson County Board of Education
Louisville Kentucky

Report on Compliance for Each Major Federal Program

We have audited the Jefferson County Board of Education's (the "Board") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Board's major federal programs for the year ended June 30, 2013. The Board's major federal programs are identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Board's major federal programs based on our audit of the types of compliance requirements referred to above. 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *Kentucky Public School Districts' Audit Contract and Requirements* prescribed by the Kentucky State Committee for School District Audits. 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 program occurred. An audit includes examining, on a test basis, evidence about the Board'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 on compliance with each major federal program. However, our audit does not provide a legal determination of the Board's compliance.

Opinion on Each Major Federal Program

In our opinion, the Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as Items 2013-2 and 2013-3. Our opinion on each major federal program is not modified with respect to these matters.

The Board's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Board's responses were not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

The management of the Board 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 Board's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Board's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as Item 2013-2 that we consider to be a significant deficiency.

The Board's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Board's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements. We issued our report thereon dated November 1, 2013, which contained unqualified opinions on these financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively compromise the Board's financial statements. 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for other purposes.

Stathman & Company PSC

Louisville, Kentucky

November 14, 2013, except for the second
to last paragraph which is November 1, 2013

Schedule of Expenditures of Federal Awards

Jefferson County Board of Education
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Program Title	CFDA Number	Grant Number	Amount
School Breakfast Program	10.553	7760005-13	\$ 1,692,855
National School Lunch Program	10.555	7790021-13 & 7800016-13	63,462
National School Lunch Program	10.555	7760005-13	35,069,336
National School Lunch Program	10.555	7800016-13	74,781
Summer Food Service Program for Children	10.559	7760005-13	387,852
Commodity Supplemental Food Program	10.565	NA	2,431,027
Farm to School Grant Program	10.575	CN-F2S-IMPL-13-KY-01	19,208
Fresh Fruit and Vegetable Program	10.582	7720012-12/13	860,918
U.S. Department of Agriculture / Food and Nutrition Services passed through Kentucky Department of Education			40,599,439
Department of Defense (JROTC) Army	12.000		280,764
Department of Defense (JROTC) Marines	12.000		166,982
Department of Defense (JROTC) Air Force	12.000		58,678
Department of Defense (JROTC) Navy	12.000		216,352
U.S. Department of Defense - Direct To District			722,776
Section 8 Housing Choice Vouchers	14.871	340-160-12	29,321
U.S. Department of Housing and Urban Development / Office of Public and Indian Housing passed through Louisville Metro Government			29,321
WIA Youth Activities	17.259	211-400-12	483,679
U.S. Department of Labor / Employment Training Administration passed through Kentucky Cabinet for Workforce Development			483,679
U.S. Refugee Admissions Program	19.510	FY-CCTAG-2012-01	6,622
U.S. Refugee Admissions Program	19.510	FY-CC-2012-02	13,796
U.S. Refugee Admissions Program	19.510	FY-CC-2013-01	27,156
U.S. Refugee Admissions Program	19.510	FY-CCTAG-2013-01	3,904
U.S. Refugee Admissions Program	19.510	FY-CC-2012-01	68,801
U.S. Department of State / Bureau of Population, Refugees, and Migration passed through Kentucky Department of Education Through Catholic Charities			120,279

Continued

Jefferson County Board of Education
Schedule of Expenditures of Federal Awards--Continued
For the Year Ended June 30, 2013

Program Title	CFDA Number	Grant Number	Amount
Highway Planning and Construction	20.205	1000003843	7,639
U.S. Department of Transportation / Federal Highway Administration (FHWA) passed through Kentucky Department of Transportation			
Adult Education - Basic Grants to States	84.002	1300002090 1	10,588
Adult Education - Basic Grants to States	84.002	1300002090 1	92,270
Adult Education - Basic Grants to States	84.002	1300002090 1	1,363,467
Adult Education - Basic Grants to States	84.002	1300002090 1	29,079
Adult Education - Basic Grants to States	84.002	1300002090-1	148,243
Adult Education - Basic Grants to States	84.002	1300002090-2	4,992
Adult Education - Basic Grants to States	84.002	1300002090-1	24,770
Adult Education - Basic Grants to States	84.002	1300002090 1	374
U.S. Department of Education / Office of Vocational and Adult Education passed through Kentucky Adult Education & Literacy			1,673,783
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	NA	47,645
U.S. Department of Education / Office of Elementary and Secondary Education passed through Kentucky Department of Education			
Title I Grants to Local Educational Agencies	84.010	3100202-12	779,088
Title I Grants to Local Educational Agencies	84.010	3100102-11	245,911
Title I Grants to Local Educational Agencies	84.010	3100102-10	16,437
Title I Grants to Local Educational Agencies	84.010	3100202-10	207,868
Title I Grants to Local Educational Agencies	84.010	3100202-11	2,081,258
Title I Grants to Local Educational Agencies	84.010	3100202-12	213,712
Title I Grants to Local Educational Agencies	84.010	3100002-12	31,203,585
Title I Grants to Local Educational Agencies	84.010	3100002-11	6,094,992
Safe and Drug-Free Schools and Communities - State Grants	84.186	NA	3,000
Educational Technology State Grants	84.318	3210002-10	49,702
Educational Technology State Grants	84.318	3210002-10	39,685
State Fiscal Stabilization Fund - Innovation Fund, Recovery Act	84.396	U396C100380	1,035,035
U.S. Department of Education passed through Kentucky Department of Education			41,970,273

Continued

Jefferson County Board of Education
Schedule of Expenditures of Federal Awards--Continued
For the Year Ended June 30, 2013

Program Title	CFDA Number	Grant Number	Amount
Special Education - Grants to States	84.027	3810004-11	661,789
Special Education - Grants to States	84.027	3810004-10	217,231
Special Education - Grants to States	84.027	3810002-12	18,630,627
Special Education - Grants to States	84.027	3810002-11	7,023,467
Special Education - Grants to States	84.027	3810002-10	37,001
Special Education - Preschool Grants	84.173	3800002-12	812,889
U.S. Department of Education / Office of Special Education and Rehabilitative Services passed through Kentucky Department of Education			27,383,004
Education for Homeless Children and Youth	84.196	3990002-12	169,150
English Language Acquisition State Grants	84.365	330001-11	43,236
English Language Acquisition State Grants	84.365	330002-11	210,496
English Language Acquisition State Grants	84.365	330002-10	112,408
English Language Acquisition State Grants	84.365	330002-10	32,092
English Language Acquisition State Grants	84.365	330002-11	880,865
Mathematics and Science Partnerships	84.366	130001798-1	13,346
Improving Teacher Quality State Grants	84.367	3230002-10	42,800
Improving Teacher Quality State Grants	84.367	3230002-11	892,406
Improving Teacher Quality State Grants	84.367	3230002-12	3,136,595
School Improvement Grants	84.377	3100302-10	1,836,909
School Improvement Grants	84.377	3100302-11	3,627,919
U.S. Department of Education / Office of Elementary and Secondary Education passed through Kentucky Department of Education			10,998,222
Tech Prep Education	84.243	120000094-1	2,964
U.S. Department of Education passed through Kentucky Cabinet for Workforce Development			2,964
Career and Technical Education -- Basic Grants to States	84.048	4621332-12	46,305
Career and Technical Education -- Basic Grants to States	84.048	4621232-11	1,183,078
U.S. Department of Education / Office of Vocational and Adult Education passed through Kentucky Cabinet for Workforce Development			1,229,383

Continued

Jefferson County Board of Education
Schedule of Expenditures of Federal Awards--Continued
For the Year Ended June 30, 2013

Program Title	CFDA Number	Grant Number	Amount
Women's Educational Equity Act Program	84.083	U083A090048-10	8,389
Women's Educational Equity Act Program	84.083	U083A090048	5,667
U.S. Department of Education - Direct To District			14,056
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126		84,909
U.S. Department of Education / Office of Special Education and Rehabilitative Services Direct to District			84,909
Fund for the Improvement of Education	84.215	Q215F100081	117,210
Fund for the Improvement of Education	84.215	Q215F100081-12	187,765
Fund for the Improvement of Education	84.215	S215L100078 - 10A	1,047,391
Fund for the Improvement of Education	84.215	S215L080629	476,196
Fund for the Improvement of Education	84.215	U215X080020	152,462
U.S. Department of Education / Office of Innovation and Improvement - Direct to District			1,981,024
Twenty-First Century Community Learning Centers	84.287	7800016-12	25,696
Twenty-First Century Community Learning Centers	84.287	7800016-11	2,148
Twenty-First Century Community Learning Centers	84.287	7800016-13	121,088
Twenty-First Century Community Learning Centers	84.287	7800016-12	43
U.S. Department of Education / Office of Educational Research and Improvement passed through Kentucky Department of Education			148,975
Teacher Quality Partnership Grants	84.336	524553-10-001	2,050
U.S. Department of Education / Office of Innovation and Improvement passed through Eastern Kentucky University			2,050
School Improvement Grants, Recovery Act	84.388	4100302-09	682,228
School Improvement Grants, Recovery Act	84.388	4100302-09	4,373,195
State Fiscal Stabilization Fund - Innovation Fund, Recovery Act	84.396	PRD-8G305-13-017	9,327
State Fiscal Stabilization Fund - Innovation Fund, Recovery Act	84.396	PRD-8G305-13-017	3,649
U.S. Department of Education passed through University of Kentucky			5,068,399

Continued

**Jefferson County Board of Education
Schedule of Expenditures of Federal Awards--Continued
For the Year Ended June 30, 2013**

Program Title	CFDA Number	Grant Number	Amount
Education Jobs Fund Race to The Top	84.410 84.413	EJOB00-10 3960002-11	110,844 78,744
U.S. Department of Education / Office of Elementary and Secondary Education passed through Kentucky Department of Education			189,588
Teenage Pregnancy Prevention Program	93.297	NA	2,300
U.S. Department of Health and Human Services / Office of the Secretary passed through University of Louisville			2,300
Temporary Assistance for Needy Families	93.558	600-300-13	61,956
Head Start	93.600	04CH0280/26	2,689
Head Start	93.600	04CH0280/26	157,160
Head Start	93.600	04CH0280/26	8,700
Head Start	93.600	04CH0280/26	63,339
Head Start	93.600	04CH0280/27	128,147
Head Start	93.600	04CH0280/27	11,725,660
Head Start	93.600	04CH0280/27	56,897
Head Start	93.600	04CH0280/27	2,403,770
U.S. Department of Health and Human Services / Administration for Children and Families Direct to District			14,608,318
Community Services Block Grant	93.569	NA	29,282
U.S. Department of Health and Human Services / Administration for Children and Families passed through Jefferson County Public Education Foundation			29,282
Refugee and Entrant Assistance - Discretionary Grants	93.576	90ZE0126	156,914
Refugee and Entrant Assistance - Discretionary Grants	93.576	90ZE0175/01	102,508
U.S. Department of Health and Human Services / Administration for Children and Families passed through Kentucky Cabinet for Health and Family Services			259,422

Continued

**Jefferson County Board of Education
Schedule of Expenditures of Federal Awards--Continued
For the Year Ended June 30, 2013**

Program Title	CFDA Number	Grant Number	Amount
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	2000001-12	450
U.S. Department of Health & Human Services / Centers for Disease Control and Prevention passed through Kentucky Health Services			450
Learn and Serve America - School and Community Based Programs	94.004	1100001098-1	180
Corporation for National and Community Services passed through Kentucky Department of Education			180
AmeriCorps, Recovery Act	94.006	1100000493-2	54,983
AmeriCorps, Recovery Act	94.006	1300000229-2	168,519
Corporation for National and Community Service passed through Kentucky Cabinet for Health and Family Services/Kentucky Commission on Community Volunteerism and Service			223,502
Program Development and Innovation Grants	94.007	NA	32,773
Corporation for National and Community Service Passed Through America's Promise Alliance			32,773
Grand Total			\$ 147,913,635

See Notes to Schedule of Expenditures of Federal Awards

Notes to Schedule of Expenditures of Federal Awards

Jefferson County Board of Education

June 30, 2013

Note A--Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Jefferson County Board of Education and is presented on the 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 the Schedule of Expenditures of Federal Awards from amounts presented in or used in the preparation of the financial statements.

Note B--Food Distribution

The Board expended \$2,431,027 of food commodities received from the United States Department of Agriculture ("USDA") during the fiscal year ended June 30, 2013. These expenditures are recorded in the Schedule of Expenditures of Federal Awards at their fair values as determined by the USDA.

Note C--Cluster Programs

The following CFDA numbers are considered cluster programs:

U.S. Department of Education

Title I, Part A Cluster

Title I Grants to Local Educational Agencies	84.010
Title I Grants to Local Educational Agencies, Recovery Act	84.389

Special Education Cluster (IDEA)

Special Education--Grants to States (IDEA, Part B)	84.027
Special Education--Preschool Grants (IDEA Preschool)	84.173

Educational Technology State Grants Cluster

Education Technology State Grants	84.318
Education Technology State Grants, Recovery Act	84.386

Teacher Quality Partnership Grants Cluster

Teacher Quality Partnership Grants	84.336
Teacher Quality Partnerships, Recovery Act	84.405

School Improvement Grants Cluster

School Improvement Grants	84.377
School Improvement Grants, Recovery Act	84.388

Continued

Notes to Schedule of Expenditures of Federal Awards--Continued

Jefferson County Board of Education

June 30, 2013

Note C--Cluster Programs--Continued

U.S. Department of Agriculture

Child Nutrition Cluster

School Breakfast Program (SBP)	10.553	
National School Lunch Program (NSLP)	10.555	
Special Milk Program for Children (SMP)		10.556
Summer Food Service Program for Children (SFSPC)	10.559	

U.S. Department of Health and Human Services

TANF Cluster

Temporary Assistance for Needy Families (TANF) State Programs	93.558	
ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs	93.714	
ARRA – Temporary Assistance for Needy Families (TANF) Supplemental Grants	93.716	

U.S. Department of Housing and Urban Development

Housing Voucher Cluster

Section 8 Housing Choice Vouchers	14.871	
Mainstream Vouchers	14.879	
Family Unification Program (FUP)	14.880	

U.S. Department of Transportation

Highway Planning and Construction Cluster

Highway Planning and Construction	20.205	
Recreational Trails Program	20.219	
Appalachian Development Highway System	23.003	

U.S. Department of Labor

WIA Cluster

WIA Adult Program	17.258	
WIA Youth Activities	17.259	
WIA Dislocated Worker Formula Grants	17.278	

Schedule of Findings and Questioned Costs

Schedule of Findings and Questioned Costs

Jefferson County Board of Education

Year Ended June 30, 2013

Section I – Summary of Audit Results

1. The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the Jefferson County Board of Education (the "Board").
2. One significant deficiency relating to the audit of the financial statements is reported. No material weaknesses are reported.
3. No significant deficiencies of noncompliance material to the financial statements of the Board, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. One significant deficiency in internal control over major federal award programs disclosed during the audit is reported. No material weaknesses are reported.
5. The auditors' report on compliance for the major federal programs of the Board expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The threshold used for distinguishing Types A and B programs was \$3,000,000.
8. The Board qualified to be audited as a low-risk auditee.

Continued

Schedule of Findings and Questioned Costs--Continued

Jefferson County Board of Education

Year Ended June 30, 2013

Section I – Summary of Audit Results--Continued

9. The programs tested as major programs include:

Federal Grantor/Program Title	CFDA Number
U.S. Department of Education	
Head Start	93.600
Title I, Part A Cluster:	
Title I Grants to Local Educational Agencies	84.010
State Fiscal Stabilization Fund - Innovation Fund, Recovery Act	84.396
School Improvement Grants Cluster:	
School Improvement Grants	84.377
School Improvement Grants, Recovery Act	84.388
Improving Teacher Quality State Grants	84.367

Schedule of Findings and Questioned Costs--Continued

Jefferson County Board of Education

Year Ended June 30, 2013

Section II – Findings – Financial Statement Audit

Item 2013-1 – Proper Inclusion of Component Units

Condition & Criteria: Management believes the Jefferson County Public Education Foundation to be a component unit and it is not included in the Board's financial statements.

Cause: The information necessary to properly include the Foundation has not been available by the date needed for inclusion.

Effect: This component unit is not included in the Board financial statements

Recommendation: We recommend that management engage and complete in a timely manner the audit of the component unit so that it can be properly included in the financial statements.

Management's Response: We have tried to get the audited financial statements of the Jefferson County Public Education Foundation by the deadline for a number of years. We will continue to ask for them, but they are a separate entity with their own audit schedules.

Schedule of Findings and Questioned Costs--Continued

Jefferson County Board of Education

Year Ended June 30, 2013

Section III – Findings and Questioned Costs – Major Federal Programs Audit

Item 2013-2 – Unallowable Costs

Condition & Criteria: During the testing of payroll for CFDA 84.367, it was noted that there were three personnel not associated with this grant that were paid using grant funds.

Cause: A proper review of how these personnel were to be paid was not conducted.

Effect: Grant expenditures were overstated and the Board has been reimbursed for these funds. The Board will have to use general funds to cover these salaries

Questioned Costs: Approximately \$236,000

Recommendation: We recommend that controls be implemented to ensure that all personnel paid with grant funds are associated with such grants.

Management's Response: We have corrected the error retroactive to the 2012-13 year for all open grants by transferring the incorrect salaries out and replacing eligible expenses. In addition, we have completed an entity-wide review of all positions and individuals assigned to grants and their duties to ensure that the situation does not exist elsewhere in our organization. In the future, we will review grant positions when created and periodically for existing positions to ensure that they are supporting the grant paying the salary.

Item 2013-3 – Salaries and Benefits

Condition & Criteria: During the testing for CFDA 84.377, it was noted that the salaries of two Education Recovery Specialists were calculated incorrectly.

Cause: The salaries were not properly calculated.

Effect: The employees were overpaid. Also, the grant paid for a retirement plan match that is not an allowable grant expense.

Questioned Costs: Approximately \$7,600

Recommendation: We recommend that salaries for grant employees be evaluated and reviewed to determine they have been properly calculated. We also recommend that any potential benefits associated with grant employees be reviewed to determine if they are allowable or unallowable costs.

Management's Response: The incorrectly calculated salaries have been corrected going forward, and the individuals have been set up on a payment plan to reimburse the district for the overage. We have controls in place including salary calculations with mandatory review and approvals with multi-department cross checks for non-standard salary and stipend calculations, such as those covered under these Memorandums of Agreement.

Schedule of Prior Audit Findings

Schedule of Prior Audit Findings

Jefferson County Board of Education

Year Ended June 30, 2013

Section II – Findings – Financial Statement Audit

Item 2012-1 – Segregation of Duties

Condition & Criteria: There are accounts payable clerks that have the ability to set up and edit vendor information, including EFT information, as well as process invoices.

Cause: There are no controls in place that allow for proper segregation of duties.

Effect: Clerks could potentially enter fraudulent invoices for payment.

Recommendation: We recommend that segregation of duties be implemented as much as administratively possible. When not possible we recommend an alternate review, such as a vendor audit, be performed.

Management's Response: During the year, we removed the vendor maintenance functions from all clerks except the clerk responsible for the vendor file. We have substantially reduced the invoice processing from this clerk, but we have been unable to completely remove this task without causing the position to be less than a full-time position. We continue to perform additional reviews of the invoices processed by this clerk and of vendor file changes.

Current Status: The Board has implemented some compensating controls to address this issue, therefore it was not included as a significant deficiency for the year ended June 30, 2013.

Item 2012-2 – Proper Inclusion of Component Units

Condition & Criteria: Management believes the Jefferson County Public Education Foundation to be a component unit and it is not included in the Board's financial statements.

Cause: The information necessary to properly include the Foundation has not been available by the date needed for inclusion.

Effect: This component unit is not included in the Board financial statements

Recommendation: We recommend that management engage and complete in a timely manner the audit of the component unit so that it can be properly included in the financial statements.

Management's Response: We have tried to get the audited financial statements of the Jefferson County Public Education Foundation by the deadline for inclusion in our financial statements for a number of years. We will continue to ask for them, but they are a separate entity with their own audit schedules.

Current Status: See 2013-1

Continued

Schedule of Prior Audit Findings--Continued

Jefferson County Board of Education

Year Ended June 30, 2013

Section III – Findings and Questioned Costs – Major Federal Programs Audit

Item 2012-1 – Performance Reports

Condition & Criteria: During the testing of performance reports for CFDA 84.215, it was noted that there were reports for which supporting financial documentation was not available and reports in which the financial information reported was unverifiable.

Cause: Reports were not properly completed or reviewed.

Effect: Incomplete or inaccurate reporting could result in loss of funds.

Questioned Costs: Unknown

Recommendation: We recommend that controls be implemented in order to ensure that reports are complete and accurate. All reports should be reviewed by someone other than the preparer prior to submission.

Management's Response: There was no financial impact in this case, and we will be retraining staff to ensure that this does not occur in the future.

Current Status: No instances were noted during testing; this finding appears to have been corrected.

Item 2012-2 – Matching

Condition & Criteria: During the testing for CFDA 84.215, it was noted that documentation to support the non-Federal match was not available and the non-Federal match for some grants was not booked through Munis in Fund 2.

Cause: The match was not properly recorded.

Effect: Not properly meeting the matching requirements could result in loss of funds.

Questioned Costs: Unknown

Recommendation: We recommend that if a match is required that it be properly recorded in accordance with the grant agreement.

Management's Response: We will review our procedures to ensure that this does not occur in the future.

Current Status: No instances were noted during testing; this finding appears to have been corrected.

Continued

Schedule of Prior Audit Findings--Continued

Jefferson County Board of Education

Year Ended June 30, 2013

Section III – Findings and Questioned Costs – Major Federal Programs Audit--Continued

Item 2012-3 – ARRA Quarterly Reports

Condition & Criteria: During the testing of CFDA 84.396, it was noted that one of the American Recovery and Reinvestment Act ("ARRA") quarterly reports reported an incorrect amount of funds received. It was also noted that quarterly reports for two different quarters were exactly the same when in fact changes during the quarter had occurred.

Cause: Reports were not properly completed or reviewed.

Effect: Incomplete or inaccurate reporting could result in loss of funds or delay in receiving reimbursement.

Questioned Costs: Unknown

Recommendation: We recommend that controls be implemented in order to ensure that reports are complete and accurate. All reports should be reviewed by someone other than the preparer prior to submission.

Management's Response: We are reviewing our procedures to ensure that errors would be corrected prior to submission to funding agencies. Additionally, we will require that a financial contact be included on all new grant contracts to ensure that Finance has access to all financial information submitted.

Current Status: No instances were noted during testing; this finding appears to have been corrected.