Reports Required by the Single Audit Act

Jefferson County Board of Education

For the Fiscal Year Ended June 30, 2014

Reports Required by the Single Audit Act

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* 1

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 3

Schedule of Expenditures of Federal Awards 6

Notes to Schedule of Expenditures of Federal Awards 11

Schedule of Findings and Questioned Costs 13

Schedule of Prior Audit Findings 17

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*

Strothman and Company
Certified Public Accountants and Advisors
1600 Waterfront Plaza
325 West Main Street
Louisville, KY 40202
502 585 1600

Strothman+Co

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, 2014, and have issued our report thereon dated November 1, 2014.

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 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. 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 2014-1).

Board's Response to Findings

The Board's response to the findings 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 the financial statements and, accordingly, we express no opinion on it.

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, 2014.

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.

Stuart and Company PSC

Louisville, Kentucky
November 1, 2014

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

Strothman and Company
Certified Public Accountants and Advisors
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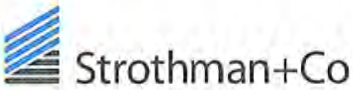

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133, and on the Schedule of Expenditures of Federal Awards

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, 2014. 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, 2014.

Report on Internal Control Over Compliance

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 of compliance, we considered the Board's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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 that 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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, 2014, and the related notes to financial statements, which collectively comprise the Board's basis financial statements. We issued our report thereon dated November 1, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on those financial statements that collectively comprise the basic 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 basic financial statements or to the basic financial statements 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 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 purpose.

Strothman and Company PSC
Louisville, Kentucky
November 14, 2014, except for the second
to last paragraph which is November 1, 2014

Schedule of Expenditures of Federal Awards

Jefferson County Board of Education
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Program Title	CFDA Number	Pass-through Grant Number	Amount
School Breakfast Program	10.553	7750002	$ 1,764,701
National School Lunch Program	10.555	7750002	35,692,886
CACFP	10.555	7790021	379,404
Summer Food Service Program for Children	10.559	7690024	568,994
Commodity Supplemental Food Program	10.565	NA	2,477,993
Farm to School Grant Program	10.575	CN-F2S-IMPL-13-KY-01	50,981
Fresh Fruit and Vegetable Program	10.582	77200112	795,562
U.S. Department of Agriculture / Food and Nutrition Services passed through Kentucky Department of Education			**41,730,521**
Department of Defense (JROTC) Army	12.000		256,489
Department of Defense (JROTC) Marines	12.000		179,101
Department of Defense (JROTC) Air Force	12.000		65,861
Department of Defense (JROTC) Navy	12.000		252,664
U.S. Department of Defense - Direct To District			**754,115**
WIA Youth Activities	17.259	211-400-13	505,108
U.S. Department of Labor / Employment Training Administration passed through Kentucky Cabinet for Workforce Development			**505,108**
Disability Employment Policy Development	17.720	203-100-13	32,854
U.S. Department of Labor / Office of Disability Employment Policy			**32,854**
U.S. Refugee Admissions Program	19.510	FY-CC-2013-01	35,896
U.S. Refugee Admissions Program	19.510	FY-CCTAG-2013-01	2,430
U.S. Refugee Admissions Program	19.510	FY-CC-2013-01	50,493
U.S. Refugee Admissions Program	19.510	FY-CCTAG-2013-01	2,228
U.S. Refugee Admissions Program	19.510	FY-CCCWO 2013-01	816
U.S. Department of State / Bureau of Population, Refugees, and Migration passed through Kentucky Department of Education Through Catholic Charities			**91,863**

Continued

Jefferson County Board of Education
Schedule of Expenditures of Federal Awards--Continued
For the Year Ended June 30, 2014

Program Title	CFDA Number	Grant Number	Amount
Highway Planning and Construction	20.205	1000003843	34,360
U.S. Department of Transportation / Federal Highway Administration (FHWA) passed through Kentucky Department of Transportation			**34,360**
Adult Education - Basic Grants to States	84.002	1300002090-1	188,785
Adult Education - Basic Grants to States	84.002	1400002372-1	116,925
Adult Education - Basic Grants to States	84.002	1400000686	1,025,003
Adult Education - Basic Grants to States	84.002	1400000686-2	3,575
Adult Education - Basic Grants to States	84.002	1400000686-2	8,148
Adult Education - Basic Grants to States	84.002	1400000686	36,651
Adult Education - Basic Grants to States	84.002	1400000686	28,704
U.S. Department of Education / Office of Vocational and Adult Education passed through Kentucky Adult Education & Literacy			**1,407,791**
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013		33,680
U.S. Department of Education / Office of Elementary and Secondary Education passed through Kentucky Department of Education			**33,680**
Title I Grants to Local Educational Agencies	84.010	3100002-10	19
Title I Grants to Local Educational Agencies	84.010	3100002-11	90,934
Title I Grants to Local Educational Agencies	84.010	3100002-12	3,961,224
Title I Grants to Local Educational Agencies	84.010	3100002-13	29,697,872
Title I Grants to Local Educational Agencies	84.010	3100102-11	9,527
Title I Grants to Local Educational Agencies	84.010	3100102-12	143,959
Title I Grants to Local Educational Agencies	84.010	3100202-11	173,781
Title I Grants to Local Educational Agencies	84.010	3100202-12	61,288
Title I Grants to Local Educational Agencies	84.010	3100202-13	187,630
Title I Grants to Local Educational Agencies	84.010	3100202-13	529,451
U.S. Department of Education passed through Kentucky Department of Education			**34,855,685**

Continued

Jefferson County Board of Education
Schedule of Expenditures of Federal Awards--Continued
For the Year Ended June 30, 2014

Program Title	CFDA Number	Grant Number	Amount
Special Education - Grants to States	84.027	3810004-12	252,157
Special Education - Grants to States	84.027	3810004-13	659,074
Special Education - Grants to States	84.027	3810002-13	3,369,843
Special Education - Grants to States	84.027	3810002-14	17,785,807
Special Education - Preschool Grants	84.173	3800002-12	790,814
U.S. Department of Education / Office of Special Education and Rehabilitative Services passed through Kentucky Department of Education			**22,857,695**
Education for Homeless Children and Youth	84.196	1300000126 1	32,167
Education for Homeless Children and Youth	85.196	3990002-12	155,847
English Language Acquisition State Grants	84.365	3810002-11	207,769
English Language Acquisition State Grants	84.365	3810002-12	183,714
English Language Acquisition State Grants	84.365	3300002-13	1,015,687
Mathematics and Science Partnerships	84.366	1300001798-1	98,652
Mathematics and Science Partnerships	84.366	14000001051	48,388
Improving Teacher Quality State Grants	84.367	3230002-11	9,168
Improving Teacher Quality State Grants	84.367	3230002-12	1,453,189
Improving Teacher Quality State Grants	84.367	3230002-13	2,684,394
School Improvement Grants	84.377	33000002-11	770,036
School Improvement Grants	84.377	33000002-12	1,013,193
School Improvement Grants	84.377	33000002-13	3,771,804
U.S. Department of Education / Office of Elementary and Secondary Education passed through Kentucky Department of Education			**11,444,008**
Career and Technical Education -- Basic Grants to States	84.048	4621332-12	67,895
Career and Technical Education -- Basic Grants to States	84.048	4621332-13	1,311,599
U.S. Department of Education / Office of Vocational and Adult Education passed through Kentucky Cabinet for Workforce Development			**1,379,494**

Continued

Jefferson County Board of Education
Schedule of Expenditures of Federal Awards--Continued
For the Year Ended June 30, 2014

Program Title	CFDA Number	Grant Number	Amount
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126		91,173
U.S. Department of Education / Office of Special Education and Rehabilitative Services Direct to District			**91,173**
Fund for the Improvement of Education	84.215	S215L100078 - 10A	441,985
Fund for the Improvement of Education	84.215	S215L080629	43,892
Fund for the Improvement of Education	84.215	Q215F100081-12	72,308
Fund for the Improvement of Education	84.215	U215X080020	105,482
U.S. Department of Education / Office of Innovation and Improvement - Direct to District			**663,667**
Twenty-First Century Community Learning Centers	84.287	13000001124	28,836
U.S. Department of Education / Office of Educational Research and Improvement passed through Kentucky Department of Education			**28,836**
School Improvement Grants, Recovery Act	84.388	4100302-09	402,021
School Improvement Grants, Recovery Act	84.388	4100302-09	1,313,041
State Fiscal Stabilization Fund (SFSF) - Investing in Innovation Fund, Recovery Act	84.396	U396C100380	1,698,435
State Fiscal Stabilization Fund (SFSF) - Investing in Innovation Fund, Recovery Act	84.396		682
State Fiscal Stabilization Fund (SFSF) - Investing in Innovation Fund, Recovery Act	84.396		3,751
State Fiscal Stabilization Fund (SFSF) - Investing in Innovation Fund, Recovery Act	84.396		1,226
U.S. Department of Education passed through University of Kentucky			**3,419,156**
Race to The Top	84.413	3960002-11	540,258
U.S. Department of Education / Office of Elementary and Secondary Education passed through Kentucky Department of Education			**540,258**

Continued

Jefferson County Board of Education
Schedule of Expenditures of Federal Awards--Continued
For the Year Ended June 30, 2014

Program Title	CFDA Number	Grant Number	Amount
Temporary Assistance for Needy Families	93.558	600-300-13	61,843
Head Start	93.600	04CH0280/27	321,705
Head Start	93.600	04CH0280/27	9,679
Head Start	93.600	04CH0280/27	42,502
Head Start	93.600	04CH0280/27	4,369
Head Start	93.600	04CH0280/28	11,384,230
Head Start	93.600	04CH0280/28	120,107
Head Start	93.600	04CH0280/28	2,195,600
Head Start	93.600	04CH0280/28	25,386
U.S. Department of Health and Human Services / Administration for Children and Families Direct to District			**14,165,421**
Refugee and Entrant Assistance - Discretionary Grants	93.576	90ZE0175/01	97,375
Refugee and Entrant Assistance - Discretionary Grants	93.576	90ZE0175/02	116,246
U.S. Department of Health and Human Services / Administration for Children and Families passed through Kentucky Cabinet for Health and Family Services			**213,621**
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938		2,250
U.S. Department of Health & Human Services / Centers for Disease Control and Prevention passed through Kentucky Health Services			**2,250**
AmeriCorps, Recovery Act	94.006	1100000493-3	28,691
AmeriCorps, Recovery Act	94.006	14000004791	185,226
Corporation for National and Community Service passed through Kentucky Cabinet for Health and Family Services/Kentucky Commission on Community Volunteerism and Service			**213,917**
Grand Total			**$ 134,465,473**

See Notes to Schedule of Expenditures of Federal Awards

Notes to Schedule of Expenditures of Federal Awards

Jefferson County Board of Education

June 30, 2014

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 differ from amounts presented in or used in the preparation of the financial statements.

Note B--Food Distribution

The Board expended $2,477,993 of food commodities received from the United States Department of Agriculture ("USDA") during the fiscal year ended June 30, 2014. 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

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

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	
Food Distribution Cluster		
Commodity Supplemental Food Program	10.565	
Emergency Food Assistance Program (Administrative Costs)	10.568	
Emergency Food Assistance Program (Food Commodities)	10.569	

Continued

Note C--Cluster Programs--Continued

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

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, 2014

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. No significant deficiencies in internal control over major federal award programs were disclosed during the audit.

5. The auditors' report on compliance for the major federal programs of the Board expresses an unmodified opinion on all major federal programs.

6. There are no findings to be reported in accordance with Section 510(a) of OMB Circular A-133.

7. The threshold used for distinguishing Types A and B programs was $3,000,000.

8. The Board did not qualify as a low-risk auditee.

Continued

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	
Title II	84.367
School Improvement Grants Cluster:	
School Improvement Grants	84.377
School Improvement Grants, Recovery Act	84.388
Special Education Cluster	
Special Education--Grants to States (IDEA, Part B)	84.027
Special Education--Preschool Grants (IDEA Preschool)	84.173
Race to the Top	84.413
U.S. Department of Agriculture	
Child Nutrition Cluster:	
School Breakfast Program (SBP)	10.553
National School Lunch Program (NSLP)	10.555
Summer Food Service Program for Children (SFSPC)	10.559

Section II – Findings – Financial Statement Audit

Item 2014-1 - 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's 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 continue to request this information, but we have no control over this entirely separate organization, which negotiated their audit fee partially based on flexibility of completion date.

Continued

Section III – Findings – Audit of Major Federal Award Program Compliance

There are no findings.

Schedule of Prior Audit Findings

Schedule of Prior Audit Findings

Jefferson County Board of Education

Year Ended June 30, 2014

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.

Current Status: See 2014-1

Continued

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.

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

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.

Continued

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

Item 2013-3 – Salaries and Benefits--Continued

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.

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