Strothman & Company P S C

Certified Public Accountants & Advisors

Reports Required by the Single Audit Act

Jefferson County Board of Education

For the Fiscal Year Ended June 30, 2012

Reports Required by the Single Audit Act

Jefferson County Board of Education

For the Fiscal Year Ended June 30, 2012

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

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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*

Strothman & Company P S C
Certified Public Accountants & Advisors

1600 Waterfront Plaza
325 West Main Street
Louisville, Kentucky 40202-4251

502 585 1600
502 585 1601 Fax
www.strothman.com

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

We have audited the financial statements of the Jefferson County Board of Education (the "Board") as of and for the year ended June 30, 2012, and have issued our report thereon dated November 1, 2012. We conducted our audit 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 the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract – General Audit Requirements, Appendix II of the Independent Auditor's Contract – State Audit Requirements, Appendix III of the Independent Auditor's Contract – Audit Extension Request, and Appendix IV of the Independent Auditor's Contract – Instructions for Submission of the Audit Report.*

Internal Control Over Financial Reporting

Management of the Board is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Board'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 Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

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.

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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies in internal control over financial reporting [Item 2012-1 and Item 2012-2]. 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.

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 Appendices I, II, III, and IV of the Independent Auditor's Contract.

We also noted certain other matters that we reported to management of the Board in a separate letter dated November 1, 2012.

The Board's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Board's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the members of management, the Audit Committee, the Board, the Kentucky Department of Education, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Stoltzfus & Company PSC

Louisville, Kentucky
November 1, 2012

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133, and on the Schedule of Expenditures of Federal Awards

Strothman & Company P S C
Certified Public Accountants & Advisors

1600 Waterfront Plaza
325 West Main Street
Louisville, Kentucky 40202-4251

502 585 1600
502 585 1601 Fax
www.strothman.com

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133, and on the Schedule of Expenditures of Federal Awards

Members of the Board
Jefferson County Board of Education
Louisville Kentucky

Compliance

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, 2012. The Board's major federal programs are identified in the Summary of Audit 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 Board's management. Our responsibility is to express an opinion on the Board'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, *Audit of States, Local Governments, and Non-Profit Organizations* and audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract – General Audit Requirements, Appendix II of the Independent Auditor's Contract – State Audit Requirements, Appendix III of the Independent Auditor's Contract – Audit Extension Request, and Appendix IV of the Independent Auditor's Contract – Instructions for Submission of the Audit Report.* 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 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. Our audit does not provide a legal determination of the Board's compliance with those requirements.

In our opinion, the Board complied, in all material respects, with the 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, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, 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 2012-1 through 2012-3.

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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board as of and for the year ended June 30, 2012, and have issued our report thereon dated November 1, 2012, 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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 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 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 financial statements taken as a whole.

This report is intended solely for the information and use of the members of management, the Audit Committee, the Board, the Kentucky Department of Education, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Stoltman & Cuppy PSC

Louisville, Kentucky
November 14, 2012, except for the second
to last paragraph which is November 1, 2012

Schedule of Expenditures of Federal Awards

Jefferson County Board of Education
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Program Title	CFDA Number	Grant Number	Expense Amount
School Breakfast Program	10.553	056-275-999	$ 1,452,128
National School Lunch Program	10.555	056-275-999	107,283
National School Lunch Program	10.555	056-275-999	32,147,718
Summer Food Service Program for Children	10.559	056-275-999	330,500
Commodity Supplemental Food Program	10.565	056-275-999	2,379,859
Fresh Fruit and Vegetable Program	10.582	SP23-2012	796,469
U.S. Department of Agriculture / Food and Nutrition Services passed through Kentucky Department of Education			**37,213,957**
Department of Defense (JROTC) Navy	12.000	NA	220,843
Department of Defense (JROTC) Air Force	12.000	NA	68,787
Department of Defense (JROTC) Marines	12.000	NA	179,234
Department of Defense (JROTC) Army	12.000	NA	256,986
U.S. Department of Defense - Direct To School District			**725,850**
Section 8 Housing Choice Vouchers	14.871	340-160-11	26,394
U.S. Department of Housing and Urban Development passed through Louisville Metro Government			**26,394**
WIA Youth Activities	17.259	211-400-11	476,956
WIA Dislocated Workers	17.260	1200001241-1	10,559
WIA Dislocated Workers	17.260	120000124-2	4,687
U.S. Department of Labor / Employment Training Administration passed through Kentucky Cabinet for Workforce Development			**492,202**
U.S. Refugee Admissions Program	19.510	1074-11	45,294
U.S. Refugee Admissions Program	19.510	FY-CC-2011-01	28,255
U.S. Refugee Admissions Program	19.510	FY-CC-2012-01	28,199
U.S. Refugee Admissions Program	19.510	FY-CC-2012-02	7,479
U.S. Refugee Admissions Program	19.510	FY-CCTAG-2012-01	4,178
U.S. Department of State / Bureau of Population, Refugees, and Migration passed through Kentucky Department of Education Through Catholic Charities			**113,405**

Continued

Jefferson County Board of Education
Schedule of Expenditures of Federal Awards--Continued
For the Year Ended June 30, 2012

Program Title	CFDA Number	Grant Number	Expense Amount
Highway Planning and Construction	20.205	PO2-628-6061	1,000
U.S. Department of Transportation / Federal Highway Administration (FHWA) passed through Kentucky Department of Transportation			**1,000**
Environmental Education Grants	66.951	NE-83448201-0	43,484
Environmental Protection Agency / Office of the Administrator - Direct to District			**43,484**
State Energy Program	81.041	NA	26,496
State Energy Program	81.041	NA	26,915
U.S. Department of Energy - Direct to District			**53,411**
Conservation Research and Development	81.086	5651-50-02	949,024
Conservation Research and Development	81.086	5651-50-04	1,153,638
U.S. Department of Energy Passed through Kentucky Department of Education			**2,102,662**
Adult Education - Basic Grants to States	84.002	1200002573-1	91,547
Adult Education - Basic Grants to States	84.002	1200001241-1	18,362
Adult Education - Basic Grants to States	84.002	1200001241-1	39,846
Adult Education - Basic Grants to States	84.002	1200001241-1	1,196,861
Adult Education - Basic Grants to States	84.002	1200001241-1	222,725
Adult Education - Basic Grants to States	84.002	1200001241-1	58,675
U.S. Department of Education / Office of Vocational and Adult Education passed through Kentucky Adult Education & Literacy			**1,628,016**
Civil Rights Training and Advisory Services	84.004	S004F090012	17,289
U.S. Department of Education / Office of Elementary and Secondary Education - Direct to District			**17,289**

Continued

Jefferson County Board of Education
Schedule of Expenditures of Federal Awards--Continued
For the Year Ended June 30, 2012

Program Title	CFDA Number	Grant Number	Expense Amount
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	3132001-12	54,084
U.S. Department of Education / Office of Elementary and Secondary Education Passed Through Kentucky Department of Education			**54,084**
Title I Grants to Local Educational Agencies	84.010	3101001-11	15,941,875
Title I Grants to Local Educational Agencies	84.010	3102001-12	30,403,759
Title I Grants to Local Educational Agencies	84.010	3140001-10	17,845
Title I Grants to Local Educational Agencies	84.010	3141001-11	293,147
Title I Grants to Local Educational Agencies	84.010	3142001-12	32,528
Title I Grants to Local Educational Agencies	84.010	3200001-10	25,910
Title I Grants to Local Educational Agencies	84.010	3201001-11	1,278,975
Title I Grants to Local Educational Agencies	84.010	3100001-10	196,040
Safe and Drug-Free Schools and Communities - State Grants	84.186	4060001-10	77,040
Educational Technology State Grants	84.318	4250001-10	31,938
Educational Technology State Grants	84.318	4251001-11	55,446
Educational Technology State Grants	84.318	1000001898-1	38,563
Educational Technology State Grants	84.318	1200000120-1	118,045
Education Technology State Grants, Recovery Act	84.386	1000001305-1	127,816
Education for Homeless Children and Youth, Recovery Act	84.387	3219001-09	16,256
Title I Grants to Local Educational Agencies, Recovery Act	84.389	3999001-09	165,839
Title I Grants to Local Educational Agencies, Recovery Act	84.389	3919001-09	829,192
Special Education - Grants to States (IDEA, Part B), Recovery Act	84.391	4249001-09	6,376,465
Special Education - Preschool Grants (IDEA Preschool), Recovery Act	84.392	4239001-09	146,184
State Fiscal Stabilization Fund - Innovation Fund, Recovery Act	84.396	U396C100380	926,833
U.S. Department of Education passed through Kentucky Department of Education			**57,099,696**
Special Education Grants to States (IDEA, Part B)	84.027	3361001-11	448,367
Special Education Grants to States (IDEA, Part B)	84.027	3362001-12	619,171
Special Education Grants to States (IDEA, Part B)	84.027	3371001-11	5,681,132
Special Education Grants to States (IDEA, Part B)	84.027	3372001-12	14,779,432
Special Education Preschool Grants (IDEA Preschool)	84.173	3431001-11	279,744

Continued

Jefferson County Board of Education
Schedule of Expenditures of Federal Awards--Continued
For the Year Ended June 30, 2012

Program Title	CFDA Number	Grant Number	Expense Amount
Special Education Preschool Grants (IDEA Preschool)	84.173	3432001-12	818,416
U.S. Department of Education / Office of Special Education and Rehabilitative Services passed through Kentucky Department of Education			**22,626,262**
Education for Homeless Children and Youth	84.196	1100000482-1	15,043
Education for Homeless Children and Youth	84.196	1200000025-1	158,017
English Language Acquisition State Grants	84.365	1100002619-2	98,965
English Language Acquisition State Grants	84.365	3452001-12	834,422
English Language Acquisition State Grants	84.365	3451I001-11	15,311
English Language Acquisition State Grants	84.365	3451001-11	211,892
Improving Teacher Quality State Grants	84.367	4011001-11	1,064,263
Improving Teacher Quality State Grants	84.367	4012001-12	3,913,301
Improving Teacher Quality State Grants	84.367	4010001-10	23,015
Grants for Enhanced Assessment Instruments	84.368	4850001-10	15,645
School Improvement Grants	84.377	4601001-11	2,647,355
U.S. Department of Education / Office of Elementary and Secondary Education passed through Kentucky Department of Education			**8,997,229**
Tech Prep Education	84.243	1200000094-1	69,294
U.S. Department of Education passed through Kentucky Cabinet for Workforce Development			**69,294**
Career and Technical Education -- Basic Grants to States	84.048	3481A001-11	56,625
Career and Technical Education -- Basic Grants to States	84.048	3482001-12	1,203,185
Career and Technical Education -- Basic Grants to States	84.048	1100002286-1	5,575
Career and Technical Education -- Basic Grants to States	84.048	3480A001-10	45,520
U.S. Department of Education / Office of Vocational and Adult Education passed through Kentucky Cabinet of Workforce Development			**1,310,905**
Women's Educational Equity Act Program	84.083	U083A090048-10	14,226
Women's Educational Equity Act Program	84.083	U083A050014-08	100,446
U.S. Department of Education - Direct To District			**114,672**

Continued

Jefferson County Board of Education
Schedule of Expenditures of Federal Awards--Continued
For the Year Ended June 30, 2012

Program Title	CFDA Number	Grant Number	Expense Amount
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126		22,604
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	NA	100,550
U.S. Department of Education / Office of Special Education and Rehabilitative Services Direct to District			**123,154**
Fund for the Improvement of Education	84.215	Q215E090041-10	167,235
Fund for the Improvement of Education	84.215	Q215E090041-11	263,786
Fund for the Improvement of Education	84.215	Q215F100081	139,533
Fund for the Improvement of Education	84.215	Q215F100081	210,007
Fund for the Improvement of Education	84.215	S215L080629	557,815
Fund for the Improvement of Education	84.215	S215L80629	1,863,251
Fund for the Improvement of Education	84.215	U215X080020	111,081
U.S. Department of Education / Office of Innovation and Improvement - Direct to District			**3,312,708**
Twenty-First Century Community Learning Centers	84.287	100002717-4	6,000
Twenty-First Century Community Learning Centers	84.287	1000002717-6	9,957
Twenty-First Century Community Learning Centers	84.287	1000002717-5	199,190
Twenty-First Century Community Learning Centers	84.287	1000002717-1	5,908
Twenty-First Century Community Learning Centers	84.287	1000002717-1	300
Twenty-First Century Community Learning Centers	84.287	1000002717-1	1,548
Twenty-First Century Community Learning Centers	84.287	1000002717-6	9,852
Twenty-First Century Community Learning Centers	84.287	100002717-4	20,047
Twenty-First Century Community Learning Centers	84.287	1000002717-1	18,260
U.S. Department of Education / Office of Educational Research and Improvement passed through Kentucky Department of Education			**271,062**
Research in Special Education	84.324	No Contract Provided	4,000
Research in Special Education	84.324	R324A090237	1,000
Research in Special Education	84.324	No Contract Provided	941
U.S. Department of Education / Institute of Education Sciences passed through University of Louisville			**5,941**

Continued

Jefferson County Board of Education
Schedule of Expenditures of Federal Awards--Continued
For the Year Ended June 30, 2012

Program Title	CFDA Number	Grant Number	Expense Amount
Teacher Quality Partnership Grants	84.336	524553-10-001	112,320
U.S. Department of Education / Office of Innovation and Improvement passed through Eastern Kentucky University			**112,320**
School Improvement Grants, Recovery Act	84.388	5600A001-11	1,666,610
School Improvement Grants, Recovery Act	84.388	5600B001-12	4,642,209
State Fiscal Stabilization Fund - Innovation Fund, Recovery Act	84.396	4282001-12	18,991
U.S. Department of Education Passed Through University of Kentucky			**6,327,810**
Education Jobs Fund	84.410	4411001-11	15,636,596
U.S. Department of Education / Office of Elementary and Secondary Education passed through Kentucky Department of Education			**15,636,596**
Affordable Care Act (ACA) Grants for School-Based Health Center Capital Expenditures	93.501	C12CS21865-01-00	28,410
U.S. Department of Health & Human Services / Health Resources and Services Administration passed through Kentucky Department of Education			**28,410**
Nursing Research	93.361	4354001-04	3,183
U.S. Department of Health and Human Services / National Institutes of Health passed through University of Kentucky			**3,183**
Temporary Assistance for Needy Families	93.558	600-300-12	68,380
Head Start	93.600	04CH0280/26	2,043,927
Head Start	93.600	04CH0280/26	128,573
Head Start	93.600	04CH0280/26	11,889,031
Head Start	93.600	04CH0280-25	9,376
Head Start	93.600	04CH0280/25	40,095
Head Start	93.600	04CH0280/25	389,824
Head Start	93.600	04CH0280/26	52,338
Head Start	93.600	04CH0280/25	23,055
ARRA - Head Start	93.708	04SH0280/02	1,712

Continued

Jefferson County Board of Education
Schedule of Expenditures of Federal Awards--Continued
For the Year Ended June 30, 2012

Program Title	CFDA Number	Grant Number	Expense Amount
ARRA - Head Start	93.708	04SH0280/02	58,241
ARRA - Head Start	93.708	04SH0280/02	13,003
ARRA - Early Head Start	93.709	04SA028/02	297,991
ARRA - Early Head Start	93.709	04SA0280/02	13,175
U.S. Department of Health and Human Services / Administration for Children and Families Direct to District			**15,028,721**
Community Services Block Grant	93.569	UL2012-001	25,192
U.S. Department of Health and Human Services / Administration for Children and Families passed through Jefferson County Public Education Foundation			**25,192**
Refugee and Entrant Assistance - Discretionary Grants	93.576	90ZE0126	93,619
Refugee and Entrant Assistance - Discretionary Grants	93.576	90ZE0126	127,542
U.S. Department of Health and Human Services / Administration for Children and Families passed through Kentucky Cabinet for Health and Family Services			**221,161**
ARRA - Prevention and Wellness - Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)	93.724	1U58DPO02619-01	937,411
U.S. Department of Health and Human Services / Centers for Disease Control and Prevention passed through Louisville Metro Government			**937,411**
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	1100057486	1,000
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	1200067549	2,000
U.S. Department of Health & Human Services / Centers for Disease Control and Prevention passed through Kentucky Health Services			**3,000**

Continued

Jefferson County Board of Education
Schedule of Expenditures of Federal Awards--Continued
For the Year Ended June 30, 2012

Program Title	CFDA Number	Grant Number	Expense Amount
Learn and Serve America - School and Community Based Programs	94.004	1100001098-1	4,528
Learn and Serve America - School and Community Based Programs	94.004	1100001098-2	1,150
Learn and Serve America - School and Community Based Programs	94.004	2010-10008	5,000
U.S. Department of Education passed through Education Commission of the States			**10,678**
AmeriCorps	94.006	1100000493-2	163,937
AmeriCorps	94.006	1100000493-1	29,885
Program Development and Innovation Grants	94.007	0981G	34,802
Program Development and Innovation Grants	94.007	0982G	35,227
Corporation for National and Community Service Passed Through Community Services			**263,851**
Grand Total			$ **175,001,010**

See Notes to Schedule of Expenditures of Federal Awards

Notes to the Schedule of Expenditures of Federal Awards

Jefferson County Board of Education

June 30, 2012

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 $2,379,859 of food commodities received from the United States Department of Agriculture ("USDA") during the fiscal year ended June 30, 2012. 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
Special Education--Grants to States (IDEA, Part B), Recovery Act	84.391
Special Education--Preschool Grants (IDEA Preschool), Recovery Act	84.392
State Fiscal Stabilization Fund Cluster	
State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act (Education Stabilization Fund)	84.394
State Fiscal Stabilization Fund (SFSF) – Government Services, Recovery Act	84.397
Vocational Rehabilitation Cluster	
Rehabilitation Services – Vocational Rehabilitation Grants to States	84.126
Rehabilitation Services – Vocational Rehabilitation Grants to States, Recovery Act	84.390
Education of Homeless Children and Youth Cluster	
Education of Homeless Children and Youth	84.196
Education of Homeless Children and Youth, Recovery Act	84.387

Continued

Note C--Cluster Programs--Continued

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	
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		
Head Start Cluster		
Head Start	93.600	
ARRA--Head Start	93.708	
ARRA--Early Head Start	93.709	
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	
CSBG Cluster		
Community Services Block Grants	93.569	
ARRA – Community Services Block Grants	93.710	

Continued

Note C--Cluster Programs--Continued

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

Schedule of Findings and Questioned Costs

Schedule of Findings and Questioned Costs

Jefferson County Board of Education

Year Ended June 30, 2012

Section I – Summary of Audit Results

1. The Independent Auditors' Report expresses an unqualified opinion on the financial statements of the Jefferson County Board of Education (the "Board").

2. Two significant deficiencies relating to the audit of the financial statements are reported.

3. No instances of noncompliance material to the financial statements of the Board were disclosed during the audit.

4. No significant deficiencies in internal control relating to the audit of the major federal award programs are reported.

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

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 qualified to be audited 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	
Special Education Cluster (IDEA):	
Special Education--Grants to States (IDEA, Part B)	84.027
Special Education--Preschool Grants (IDEA Preschool)	84.173
Special Education--Grants to States (IDEA, Part B), Recovery Act	84.391
Special Education--Preschool Grants (IDEA Preschool), Recovery Act	84.392
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
Fund for the Improvement of Education	84.215
Improving Teacher Quality State Grants	84.367
Education Jobs Fund	84.410
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
U.S. Department of Health and Human Services	
ARRA Prevention and Wellness - Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)	93.724

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.

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.

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.

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.

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.

Schedule of Prior Audit Findings

Schedule of Prior Audit Findings

Jefferson County Board of Education

Year Ended June 30, 2012

Section II – Findings – Financial Statement Audit

Item 2011-1 – 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: The vendor set-up and maintenance task is not enough hours that we could dedicate one staff member to that task only. If a fraudulent transaction was processed, the staff member would risk discovery by the school or cost center that is reviewing their budget and would risk discovery during audit or other document review. We are currently performing periodic additional reviews of the staff who have this permission to review transactions processed.

Current Years' Auditor's Comments: This finding was included as a finding for the fiscal year ended June 30, 2012.

Item 2011-2 – 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 made 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 Years' Auditor's Comments: This finding was included as a finding for the fiscal year ended June 30, 2012.

Continued

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

There were no findings or questioned costs relating to the major federal awards programs which are required to be reported by OMB Circular A-133, Section 510(a).