

KNOX COUNTY, TENNESSEE

**Schedules of Expenditures of Federal Awards
and State Financial Assistance
and Reports as Required by
Government Auditing Standards and
the Uniform Guidance**

For the Year Ended June 30, 2018



KNOX COUNTY, TENNESSEE

**Schedules of Expenditures of Federal Awards and State Financial Assistance
and Reports as Required by *Government Auditing Standards* and the Uniform Guidance**

For the Year Ended June 30, 2018

TABLE OF CONTENTS

	<u>Page Number</u>
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.....	3-5
Schedule of Expenditures of Federal Awards for the Year Ended June 30, 2018	6-14
Schedule of Expenditures of State Financial Assistance for the Year Ended June 30, 2018	15-17
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance for the Year Ended June 30, 2018.....	18-19
Schedule of Findings and Questioned Costs.....	20-27
Summary Schedule of Prior Audit Findings.....	28
Corrective Action Plans.....	29-32



PUGH & COMPANY, P.C.
 315 NORTH CEDAR BLUFF ROAD, SUITE 200
 KNOXVILLE, TENNESSEE 37923
 TELEPHONE 865-769-0660
 FAX 865-769-1660
 www.pughcpas.com

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 AUDITOR’S REPORT

Honorable Mayor, County Commissioners and Audit Committee
 of Knox County, Tennessee
 Knoxville, Tennessee

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, the discretely presented component units, each major fund, budgetary comparison statement of the general fund and the aggregate remaining fund information of Knox County, Tennessee (the “County”) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements, and have issued our report thereon dated December 28, 2018. Our report on the financial statements includes a reference to other auditors who audited the financial statements of The Development Corporation of Knox County (“TDC”), a discretely presented component unit reported in the financial statements of the County, and the Great Schools Partnership Charitable Trust (the “Partnership”), a discretely presented component unit, reported in the financial statements of the Knox County Board of Education (the “Board”). This report does not include the results of the other auditors’ testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County’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 County’s internal control. Accordingly, we do not express an opinion on the effectiveness of the County’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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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.



An independently owned member
RSM US Alliance



TSCPA
 Members of the Tennessee Society
 Of Certified Public Accountants

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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2018-001 through 2018-003, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2018-003.

Knox County, Tennessee's Responses to Findings and the Corrective Action Plan

The County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs and the Corrective Action Plan. The County's responses were not subjected 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 County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
December 28, 2018



PUGH & COMPANY, P.C.
 315 NORTH CEDAR BLUFF ROAD, SUITE 200
 KNOXVILLE, TENNESSEE 37923
 TELEPHONE 865-769-0660
 FAX 865-769-1660
 www.pughcpas.com

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
 REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND
 REPORT ON SCHEDULE OF EXPENDITURES OF
 FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR’S REPORT

Honorable Mayor, County Commissioners and Audit Committee
 of Knox County, Tennessee
 Knoxville, Tennessee

Report on Compliance for Each Major Federal Program

We have audited Knox County, Tennessee’s (the “County”) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the County’s major federal programs for the year ended June 30, 2018. The County’s major federal programs are identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs.

The County’s basic financial statements include the operations of The Development Corporation of Knox County (the “TDC”), a discretely presented component unit, reported in the financial statements of the County, and the Great Schools Partnership Charitable Trust (the “Partnership”), a discretely presented component unit, reported in the financial statements of the Knox County Board of Education (the “Board”). Our audit, described below, did not include the operations of TDC or the Partnership because these entities engaged other auditors to perform their audits. Based upon the reports of the other auditors, TDC and the Partnership did not receive any federal awards for the year ended June 30, 2018.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the County’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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.



An independently owned member
RSM US Alliance



TSCPA
 Members of the Tennessee Society
 Of Certified Public Accountants

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County 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, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-004 and 2018-005. Our opinion on each major federal program is not modified with respect to these matters.

The County's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs and the Corrective Action Plans. The County's responses were not subjected 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

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County'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 an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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 or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2018-004 and 2018-005, that we consider to be significant deficiencies.

The County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs and the Corrective Action Plans. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedules of Expenditures of Federal Awards and State Financial Assistance Required by the Uniform Guidance and the Tennessee Comptroller of the Treasury

We have audited the financial statements of Knox County, Tennessee as of and for the year ended June 30, 2018, and have issued our report thereon dated December 28, 2018 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by the Uniform Guidance and the Tennessee Comptroller of the Treasury and are 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 statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the financial statements as a whole.

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
December 28, 2018

**KNOX COUNTY, TENNESSEE (PRIMARY GOVERNMENT)
KNOX COUNTY BOARD OF EDUCATION (DISCRETELY PRESENTED COMPONENT UNIT)**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grant/Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Knox County, Tennessee (Primary Government):				
U.S. Department of Agriculture:				
Passed through Tennessee Department of Health:				
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC):				
Women, Infants, and Children (WIC)	10.557	GG-15-43543-02	\$	439,686
Women, Infants, and Children (WIC)	10.557	GG-15-43543-00		1,505,455
Women, Infants, and Children (WIC)	10.557	GG-15-43543-02		26,981
Women, Infants, and Children (WIC)	10.557	GG-15-43543-00		<u>95,909</u>
Total U.S. Department of Agriculture				<u>2,068,031</u>
U.S. Department of Housing and Urban Development:				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grant	14.218	B-17-UC-47-0001	\$	544,305
Community Development Block Grant	14.218	B-16-UC-47-0001		78,666
Community Development Block Grant	14.218	B-15-UC-47-0001		61,681
Community Development Block Grant	14.218	B-14-UC-47-0001		<u>464,943</u>
Total CDBG - Entitlement Grants Cluster				<u>1,149,595</u>
HOME Investment Partnerships Programs	14.239	M-17-UC-47-0204		<u>21,481</u>
Total HOME Investment Partnerships Programs				<u>21,481</u>
Total U.S. Department of Housing and Urban Development				<u>1,149,595</u>
U.S. Department of Justice:				
Edward Byrne Memorial Justice Assistance Grant Program:				
Edward Byrne Memorial Justice Assistance Grant	16.738	2016-DJ-BX-0707		58,785
Edward Byrne Memorial Justice Assistance Grant	16.738	2015-MU-BX-0442		<u>47,937</u>
Total Edward Byrne Memorial Justice Assistance Grant Program				<u>106,722</u>
Federal Bureau of Investigation:				
Law Enforcement Assistance - FBI Field Police Training	16.302	N/A		9,539
Law Enforcement Assistance - FBI Field Police Training	16.302	N/A		3,739
Law Enforcement Assistance - FBI Field Police Training	16.302	N/A		139
Law Enforcement Assistance - FBI Field Police Training	16.302	N/A		<u>764</u>
Total Federal Bureau of Investigation				<u>14,181</u>

The accompanying notes are an integral part of this schedule.

**KNOX COUNTY, TENNESSEE (PRIMARY GOVERNMENT)
KNOX COUNTY BOARD OF EDUCATION (DISCRETELY PRESENTED COMPONENT UNIT)**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grant/Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Knox County, Tennessee (Primary Government) (Continued):				
U.S. Department of Justice (Continued)				
Office of Community Oriented Policing Services:				
Public Safety Partnership and Community Policing Grants	16.710	SE-TNE-193	\$	13,019
Public Safety Partnership and Community Policing Grants	16.710	281D-KX-61230		<u>4,286</u>
Total Office of Community Oriented Policing Services				<u>17,305</u>
Passed Through Tennessee Office of Criminal Justice Programs:				
Crime Victim Assistance	16.575	2015-VA-GX-0018		54,773
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-H3618-TN-DJ		<u>87,868</u>
Total Passed Through Tennessee Office of Criminal Justice Programs				<u>142,641</u>
Total U.S. Department of Justice				<u>280,849</u>
U.S. Department of Transportation:				
Federal Highway Administration:				
Passed through Tennessee Department of Transportation:				
Highway Planning & Construction Cluster:				
Highway Planning and Construction - Traffic Signal Coordination Project	20.205	Agreement No. 140234		<u>65,715</u>
Total Highway Planning & Construction Cluster				<u>65,715</u>
Total U.S. Department of Transportation - Federal Highway Administration				<u>65,715</u>
National Highway Traffic Safety Administration:				
Passed through Tennessee Department of Transportation:				
Alcohol Open Container Requirements	20.607	Z-17-THS041		63,651
Alcohol Open Container Requirements	20.607	Z-16-GHS182		<u>20,162</u>
Total Alcohol Open Container Requirements				83,813
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HM-HMP-0545-16-01-00		<u>10,200</u>
Total National Highway Traffic Safety Administration				<u>94,013</u>
Total U.S. Department of Transportation				<u>159,728</u>
Institute of Museum and Library Services:				
Passed through Tennessee Secretary of State:				
Grants to States:				
Library Services - Materials for the Disadvantaged	45.310	LS-00-17-0043-17		<u>6,400</u>
Total Institute of Museum and Library Services				<u>6,400</u>

The accompanying notes are an integral part of this schedule.

**KNOX COUNTY, TENNESSEE (PRIMARY GOVERNMENT)
KNOX COUNTY BOARD OF EDUCATION (DISCRETELY PRESENTED COMPONENT UNIT)**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grant/Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Knox County, Tennessee (Primary Government) (Continued):				
National Endowment for the Arts				
Passed through Tennessee Secretary of State:				
Promotion of the Arts Grants to Organizations and Individuals				
Festival of Reading	45.024	17-5200-7132		\$ <u>10,000</u>
Total National Endowment for the Arts				<u>10,000</u>
Environmental Protection Agency:				
Office of Air and Radiation:				
Air Pollution Control Program Support:				
Section 105	66.001	A-00408315-3		248,926
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act:				
Section 103	66.034	PM-96497615		<u>100,507</u>
Total Office of Air and Radiation				<u>349,433</u>
Office of Water:				
Passed through Tennessee Department of Agriculture:				
Nonpoint Source Implementation Grant	66.460	Edison 44778		24,917
Nonpoint Source Implementation Grant	66.460	Edison 53196		<u>11,389</u>
Total Office of Water				<u>36,306</u>
Total Environmental Protection Agency				<u>385,739</u>
Department of the Interior:				
Passed through Tennessee Wildlife Resources Agency:				
Fish and Wildlife Cluster:				
Sport Fishing Restoration - Riparian Conservation and Best Management Practices	15.605	Tracking 328.01 Edison 2830		<u>750</u>
Total U.S. Department of Interior				<u>750</u>
U.S. Department of Energy:				
Passed Through Tennessee Emergency Management Agency:				
Environmental Monitoring/Cleanup, Cultural and Resource Mgmt., Emergency				
Response Research, Outreach, Technical Analysis	81.214	Edison 51230		<u>15,871</u>
Total U.S. Department of Energy				<u>15,871</u>

The accompanying notes are an integral part of this schedule.

**KNOX COUNTY, TENNESSEE (PRIMARY GOVERNMENT)
KNOX COUNTY BOARD OF EDUCATION (DISCRETELY PRESENTED COMPONENT UNIT)**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grant/Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Knox County, Tennessee (Primary Government) (Continued):				
U.S. Department of Education:				
Passed through Tennessee Department of Education:				
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	2017		\$ <u>9,956</u>
Total U.S. Department of Education				<u>9,956</u>
U.S. Department of Health and Human Services:				
Passed through Tennessee Department of Health:				
Centers for Disease Control and Prevention:				
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	GG-18-55052-00		<u>408,596</u>
Immunization Cooperative Agreements Grants Program:				
Immunizations and Vaccines for Children Program	93.268	GG-18-54543-00		181,381
Immunizations and Vaccines for Children Program	93.268	GG-18-54543-00		<u>88,172</u>
Total Immunization Cooperative Agreements Grants Program				<u>269,553</u>
Hospital Preparedness Program and Public Health Emergency Preparedness Aligned Cooperative Agreements:				
Public Health Emergency Preparedness	93.074	GG-18-54852-00		70,100
National Bioterrorism Hospital Preparedness Program	93.074	GG-18-54852-00		<u>497,012</u>
Total Hospital Preparedness Program and Public Health Emergency Preparedness Aligned Cooperative Agreements:				<u>567,112</u>
National State Based Tobacco Control Programs:				
National State Based Tobacco Control Programs	93.305	GG-17-53481-00		27,287
National State Based Tobacco Control Programs	93.305	GG-17-53481-00		<u>12,786</u>
Total National State Based Tobacco Control Programs				<u>40,073</u>
HIV Prevention Activities Program:				
HIV Prevention - Health Department Based	93.940	GG-17-52507-00		70,905
HIV Prevention - Health Department Based	93.940	GG-18-56814-00		65,100
HIV Prevention - Health Department Based	93.940	GG-17-52507-00		63,503
HIV Prevention - Health Department Based	93.940	GG-18-56814-00		<u>79,698</u>
Total HIV Prevention Activities Program				<u>279,206</u>

The accompanying notes are an integral part of this schedule.

**KNOX COUNTY, TENNESSEE (PRIMARY GOVERNMENT)
KNOX COUNTY BOARD OF EDUCATION (DISCRETELY PRESENTED COMPONENT UNIT)**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grant/Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Knox County, Tennessee (Primary Government) (Continued):				
U.S. Department of Health and Human Services (Continued)				
Passed through Tennessee Department of Health (Continued)				
Centers for Disease Control and Prevention (Continued)				
Sexually Transmitted Disease Prevention and Control Grants:				
Preventative Health Services - STD Control Grant - Infertility Youth Screening	93.977	GG-18-56934-00	\$	39,289
Preventative Health Services - STD Control Grant - Infertility Youth Screening	93.977	GG-17-52484-00		<u>31,708</u>
Total Sexually Transmitted Disease Prevention and Control Grants				<u>70,997</u>
Injury Prevention and Control Research and State and Community Based Programs:				
Injury Prevention and Control Research	93.136	GG-15-44316-00		23,538
Injury Prevention and Control Research	93.136	GG-15-44316-00		<u>15,182</u>
Total Injury Prevention and Control Research Programs				<u>38,720</u>
Preventative Health and Health Services Block Grant	93.758	GG-17-53908-00		<u>61,500</u>
Assistance Programs for Chronic Disease Prevention and Control	93.945	GG-14-41079-03		<u>69,755</u>
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946	GU-15-45140-00		<u>87</u>
Total Centers for Disease Control and Prevention				<u>1,805,599</u>
Health Resources and Services Administration:				
HIV Care Formula Grant Program:				
HIV Care Formula Grant	93.917	GG-17-53500-00		434,281
HIV Care Formula Grant -Centers of Excellence	93.917	GG-18-58424-00		<u>197,557</u>
Total HIV Care Formula Grant Program				<u>631,838</u>
Maternal and Child Health Services Block Grants to the States:				
Maternal and Child Health Services Block Grant - Breast & Cervical Cancer	93.994	GG-18-55036-00		35,766
Maternal and Child Health Services Block Grant - Children's Special Services	93.994	GG-18-54437-00		183,525
Maternal and Child Health Services Block Grant - Family Planning Services	93.994	GG-18-54442-00		<u>148,660</u>
Total Maternal and Child Health Services Grants Block Grants to the States				<u>367,951</u>
Total Health Resources and Services Administration Programs				<u>999,789</u>
Office of Population Affairs:				
Family Planning Services	93.217	GG-18-54442-00		<u>213,080</u>
Total Passed through Tennessee Department of Health				<u>3,018,468</u>

The accompanying notes are an integral part of this schedule.

**KNOX COUNTY, TENNESSEE (PRIMARY GOVERNMENT)
KNOX COUNTY BOARD OF EDUCATION (DISCRETELY PRESENTED COMPONENT UNIT)**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grant/Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Knox County, Tennessee (Primary Government) (Continued):				
U.S. Department of Health and Human Services (Continued):				
Passed through Tennessee Department of Human Services:				
Office of Administration for Children and Families:				
Child Support Enforcement	93.563	CONTRACT 44946-01	\$	156,728
Child Support Enforcement	93.563	Edison 36305-04		<u>173,306</u>
Total Passed through TN Department of Human Services				<u>330,034</u>
Total U. S. Department of Health and Human Services				<u>3,348,502</u>
U.S. Department of Homeland Security:				
Direct Federal Emergency Management Agency:				
Preparing for Emerging Threats and Hazards				
Program to Prepare Communities for Complex Coordinated Terrorist Attacks	97.133	2017-V6-B114-P120-4101-D		<u>12,416</u>
Total Passed through Tennessee Emergency Management Agency				<u>12,416</u>
Passed through Tennessee Emergency Management Agency:				
Disaster Grants - Public Assistance	97.036	FEMA 1974 DR TN		167,666
Port Security Grant Program - Disaster Grants - Public Assistance	97.056	2016-SL-B411-P410-4101		<u>13,200</u>
Total Passed through Tennessee Emergency Management Agency				<u>180,866</u>
Passed through Tennessee Department of Military:				
Homeland Security Grant Program	97.067	2016		226,845
Homeland Security Grant Program	97.067	2015		<u>20,515</u>
Total Passed through Tennessee Department of Military				<u>247,360</u>
Total U.S. Department of Homeland Security				<u>440,642</u>
Executive Office of the President:				
Passed through Laurel County, Kentucky:				
High Intensity Drug Trafficking Areas Program	95.001	G-17-AP0001A		9,009
High Intensity Drug Trafficking Areas Program	95.001	G-18-AP0001A		8,151
High Intensity Drug Trafficking Areas Program	95.001	G-17-AP0001A		6,182
High Intensity Drug Trafficking Areas Program	95.001	G-18-AP0001A		<u>10,689</u>
Total Executive Office of the President				<u>34,031</u>
Total Federal Awards-Knox County Primary Government			\$	<u>1,149,595</u> \$ <u>8,381,387</u>

The accompanying notes are an integral part of this schedule.

**KNOX COUNTY, TENNESSEE (PRIMARY GOVERNMENT)
KNOX COUNTY BOARD OF EDUCATION (DISCRETELY PRESENTED COMPONENT UNIT)**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grant/Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Knox County Board of Education (Component Unit):				
U.S. Department of Agriculture:				
Passed through Tennessee Department of Agriculture:				
Food and Nutrition Service:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	2018		\$ 4,571,274
National School Lunch Program	10.555	2018		14,487,078
National School Lunch Program - Non-Cash Assistance - Commodities	10.555	2017		1,821,949
National School Lunch Program - State Contracted Warehouse Rebate	10.555	2018		<u>79,342</u>
Total Child Nutrition Cluster				20,959,643
Fresh Fruit and Vegetable Program	10.582	2016		324,748
Healthier US School Challenge: Smarter Lunchrooms	10.543	2018		<u>5,000</u>
Total Food and Nutrition Service				<u>21,289,391</u>
Total U.S. Department of Agriculture				<u>21,289,391</u>
U.S. Department of Justice:				
Passed through City of Knoxville Police Department:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2018		<u>225</u>
Total U.S. Department of Justice				<u>225</u>
U.S. Department of Transportation - Federal Highway Administration:				
Highway Training and Education	20.215	2016		<u>141,588</u>
Total U.S. Department of Transportation - Federal Highway Administration				<u>141,588</u>
U.S. Department of Education:				
Passed through Tennessee Department of Education:				
Office of Elementary and Secondary Education:				
Title I Grants to Local Education Agencies:				
Title I Grants to Local Education Agencies	84.010A	2018		14,149,496
Title I Part D Grants to Local Education Agencies	84.010A	2018		108,330
Title I Neglected	84.010A	2018		50,385
iZone Grant	84.010A	2018		594,391
Focus Schools - Chilhowee	84.010A	2016		6,183
Focus Schools - Mooreland Heights	84.010A	2016		<u>11,125</u>
Total Title I Grants to Local Education Agencies				<u>14,919,910</u>

The accompanying notes are an integral part of this schedule.

**KNOX COUNTY, TENNESSEE (PRIMARY GOVERNMENT)
KNOX COUNTY BOARD OF EDUCATION (DISCRETELY PRESENTED COMPONENT UNIT)**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grant/Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Knox County Board of Education (Component Unit) (Continued)				
U.S. Department of Education (Continued):				
Passed through Tennessee Department of Education (Continued):				
Education for Homeless Children and Youth Programs	84.196A	2018		\$ <u>121,007</u>
Twenty-First Century Community Learning Centers:				
Twenty-First Century Community Learning Centers	84.287	2018		610,000
Twenty-First Century Community Learning Centers	84.287	2018		<u>106,580</u>
Total Twenty-First Century Community Learning Centers				<u>716,580</u>
English Language Acquisition State Grants Program:				
English Language Acquisition State Grants Title III	84.365A	2018		244,641
English Language Acquisition State Grants Title III - Immigrant	84.365A	2018		<u>20,539</u>
Total English Language Acquisition State Grants Program				<u>265,180</u>
Supporting Effective Instruction State Grant				
Quality State Grants - Title II - Part A	84.367A	2018		1,783,120
Diversity Innovation Grant - Cafeteria	84.367A	2018		485
Diversity Innovation Grant	84.367A	2018		<u>2,067</u>
Total Supporting Effective Instruction State Grant				<u>1,785,672</u>
School Improvement Grants:				
School Improvement Grant - Cohort 4 VINE	84.377	2018		<u>695,130</u>
Total School Improvement Grants				<u>695,130</u>
Student Support and Academic Enrichment Program	84.424A	2018		<u>168,148</u>
Total Office of Elementary and Secondary Education				<u>18,671,627</u>

The accompanying notes are an integral part of this schedule.

**KNOX COUNTY, TENNESSEE (PRIMARY GOVERNMENT)
KNOX COUNTY BOARD OF EDUCATION (DISCRETELY PRESENTED COMPONENT UNIT)**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grant/Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Knox County Board of Education (Component Unit) (Continued)				
U.S. Department of Education (Continued):				
Passed through Tennessee Department of Education (Continued):				
Office of Special Education and Rehabilitative Services:				
Special Education Cluster (IDEA) :				
Special Education - Grants to States	84.027A	2018		\$ 13,557,113
Special Education - Preschool Grants	84.173A	2018		<u>267,623</u>
Total Special Education Cluster (IDEA)				<u>13,824,736</u>
Office of Career, Technical, and Adult Education:				
Career and Technical Education - Basic Grants to States:				
Career and Technical Education - Carl Perkins	84.048A	2018		<u>877,705</u>
Total Office of Career, Technical, and Adult Education				<u>877,705</u>
Total Passed through Tennessee Department of Education				33,374,068
Passed through Tennessee Department of Human Services:				
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	34570-51318		<u>64,653</u>
Total U.S. Department of Education				<u>33,438,721</u>
U.S. Department of Health and Human Services				
Passed through Tennessee Department of Education				
Child Care and Development Block Grant	93.575	2018		<u>144,333</u>
Total U.S. Department of Health and Human Services				<u>144,333</u>
Total Federal Awards--Knox County Board of Education Component Unit				<u>55,014,258</u>
Total Federal Awards - Knox County Primary Government and Board of Education Component Unit			\$ 1,149,595	<u>\$ 63,395,645</u>

The accompanying notes are an integral part of this schedule.

**KNOX COUNTY, TENNESSEE (PRIMARY GOVERNMENT)
KNOX COUNTY BOARD OF EDUCATION (DISCRETELY PRESENTED COMPONENT UNIT)**

STATE FINANCIAL ASSISTANCE

For the Year Ended June 30, 2018

Program Title	Identifying Number	State Expenditures
Knox County, Tennessee (Primary Government):		
Tennessee Department of Mental Health and Substance Abuse Services:		
Pre-Arrest Diversion Grant - Helen Ross McNabb Center	Edison 56547	\$ 2,213,264
Tennessee Certified Recovery Court Program	Edison 50788	255,000
Tennessee Certified Juvenile Recovery Court Program	Edison 50250	<u>6,826</u>
Total Tennessee Mental Health and Substance Abuse Services		<u>2,475,090</u>
Tennessee Department of Corrections:		
Community Corrections (CAPP)	Contract 55207	<u>608,433</u>
Total Tennessee Department of Corrections		<u>608,433</u>
Tennessee Commission on Children and Youth:		
Children Services - Youth Officer	Edison 39605	<u>9,000</u>
Total Tennessee Commission on Children and Youth		<u>9,000</u>
Tennessee Secretary of State:		
General Library Services	30504-00217-02	<u>45,500</u>
Total Tennessee Secretary of State		<u>45,500</u>
Tennessee Department of Health:		
Project Diabetes	GG-17-50990-00	136,734
Tuberculosis Nursing	GG-18-55052-00	117,214
Tobacco Settlement Reimbursement	GG-18-56546-00	222,080
Maternal and Child Health Services Block Grant - Breast & Cervical Cancer	GG-18-55036-00	26,981
Sexually Transmitted Disease	GG-17-52507-00	14,395
Sexually Transmitted Disease	GG-18-56814-00	15,305
Sexually Transmitted Disease	GG-17-52507-00	35,629
Sexually Transmitted Disease	GG-18-56814-00	38,850
Family Planning	GG-18-54442-00	133,794
Oral Health	GG-17-50995-00	238,371
Adolescent Pregnancy	GG-18-53910-00	50,000
Children's Special Services	GG-18-54437-00	122,350
EPSDT Tenndercare	GG-17-50347-00	312,338

The accompanying notes are an integral part of this schedule.

**KNOX COUNTY, TENNESSEE (PRIMARY GOVERNMENT)
KNOX COUNTY BOARD OF EDUCATION (DISCRETELY PRESENTED COMPONENT UNIT)**

STATE FINANCIAL ASSISTANCE

For the Year Ended June 30, 2018

Program Title	Identifying Number	State Expenditures
Knox County, Tennessee (Primary Government) (Continued):		
Tennessee Department of Health (Continued):		
Fetal Infant Mortality	GG-18-54939-00	\$ 148,148
Mosquito Control and Surveillance	Z-18-166419-00	65,685
Hepatitis C Equipment - Ryan White	GG-18-56822-01	102,069
Adult Emergency Dental Services	GG-17-51677-00	98,677
Help Us Grow Successfully	GG-15-41709-00	<u>241,900</u>
Total Tennessee Department of Health		<u>2,120,520</u>
Tennessee Department of Human Services:		
Juvenile Court InnerChange Grant	Edison 43847	<u>183,018</u>
Total Tennessee Department of Human Services		<u>183,018</u>
Tennessee Department of Military:		
FEMA Storm Damage May 2017	FEMA 4320 - 093-99093-00	<u>18,056</u>
Total Tennessee Department of Human Services		<u>18,056</u>
Tennessee Department of Environment and Conservation:		
Carter Convenience Center Grant	Edison 57491	<u>91,841</u>
Total Tennessee Department of Environment and Conservation		<u>91,841</u>
Tennessee Department of Agriculture - Forestry Division:		
Tenn. Agriculture Enhancement Program - Farmer's Market	Edison 63657	<u>1,000</u>
Total Tennessee Department of Agriculture - Forestry Division		<u>1,000</u>
Tennessee Wildlife Resources Agency:		
Riparian Conservation and Best Management Practices	Tracking 328.01 Edison 2830	<u>250</u>
Total Tennessee Wildlife Resources Agency		<u>250</u>
Tennessee Department of Children's Services:		
Safe Baby Court - Juvenile Court	Edison 56272	<u>33,839</u>
Total Tennessee Department of Children's Services		<u>33,839</u>
Tennessee Department of Transportation:		
Litter Grant	Z17LIT047	169,000
Gap Creek Bridge/Kimberlin Heights Road Project Bridge #47024360003	475ABI-S3-002	<u>343,555</u>
Total Tennessee Department of Transportation		<u>512,555</u>
Total State Financial Assistance - Knox County Primary Government		<u>6,099,102</u>

The accompanying notes are an integral part of this schedule.

KNOX COUNTY, TENNESSEE (PRIMARY GOVERNMENT)
KNOX COUNTY BOARD OF EDUCATION (DISCRETELY PRESENTED COMPONENT UNIT)
STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2018

Program Title	Identifying Number	State Expenditures
Knox County Board of Education (Component Unit)		
Tennessee Department of Education:		
Coordinated School Health	2017-2018	\$ 185,000
Pre-Kindergarten	2017-2018	2,014,203
Safe Schools Act	2017-2018	169,377
Priority School State Grant	2017-2018	299,717
New Skills for Youth	2017-2018	19,705
Read to be Ready Coaching Network	2017-2018	11,200
Child Nutrition State Matching	2017-2018	<u>251,547</u>
Total Tennessee Department of Education		<u>2,950,749</u>
Total State Financial Assistance - Knox County Board of Education (Component Unit)		<u>2,950,749</u>
Total State Financial Assistance - Knox County Primary Government and Board of Education Component Unit		<u>\$ 9,049,851</u>

The accompanying notes are an integral part of this schedule.

KNOX COUNTY, TENNESSEE

**NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

For the Year Ended June 30, 2018

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal awards and of state financial assistance (the "Schedules") include the federal award and state grant activity of Knox County, Tennessee (the "County"), and its discretely presented component unit, Knox County Board of Education, (the "Board"), for the year ended June 30, 2018. The information in these Schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the Tennessee Comptroller of the Treasury. Because the Schedules present only a selected portion of the operations of Knox County, Tennessee, they are not intended to and do not present the financial position, changes in net position, or cash flows of Knox County, Tennessee.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the Schedules are reported on the modified-accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown in the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in the prior years.

NOTE 3 - LOANS OUTSTANDING

The County had the following loan funding balances outstanding at June 30, 2018. All of the loan additions are represented by program expenditures, but only a portion comes from the federal grant with the remainder from program income:

<u>Cluster / Program Title</u>	<u>CFDA Number</u>	<u>FY 2018 Loan Funding</u>	<u>Outstanding Balance</u>
Community Development Block Grant	14.218	\$ 0	\$ 203,212
HOME Investment Partnerships Programs	14.239	0	712,841

NOTE 4 - SUBRECIPIENTS

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

	<u>CFDA Number</u>	<u>Amounts Provided to Subrecipients</u>
Community Development Block Grant	14.218	\$ <u>1,149,595</u>

NOTE 5 - NON-CASH ASSISTANCE

The Board is the recipient of certain federal awards that do not result in cash receipts or disbursements, including distributions of U.S. Department of Agriculture (USDA) Food Commodities, which are valued based on a USDA price list obtained from the Tennessee Department of Agriculture.

NOTE 6 - INDIRECT COSTS

A number of the County's and Board's federal and state funded programs allow indirect costs to be charged and include them as a line item in the grant budget. However, if the grant budget does not specifically provide for indirect costs to be charged, none of the indirect costs are reported as costs to the grantor nor are the costs included or presented in the schedules of expenditures of federal awards and of state financial assistance. The County and Board have elected not to use the ten percent de minimis indirect rate as allowed under the Uniform Guidance.

KNOX COUNTY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?

yes no

Major federal programs for Knox County, Tennessee for the year ended June 30, 2018 are:

<u>Program Name</u>	<u>CFDA#</u>
Title 1 Grants to Local Educational Agencies (Title 1, Part A)	84.010A
Special Education Cluster (IDEA)	84.027A, 84.173A
Twenty-First Century Community Learning Centers	84.287

Dollar threshold used to distinguish between Type A & Type B programs: \$1,901,869

Auditee qualified as low-risk auditee? yes no

KNOX COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended June 30, 2018

Section II - Financial Statement Findings

2018-001 Financial Statement Classification and Review

Criteria or Specific Requirement - Generally accepted accounting principles (GAAP) requires that capital grants and contributions be shown separately from operating grants and contributions in the government-wide statement of activities. GAAP also requires that all limitations on the availability of fund balance be presented in the fund financial statements. In addition, GAAP requires that revenue sources reported in the fund financial statements be classified correctly.

Condition - During the audit it was noted that capital asset contributions of approximately \$3,440,000 for the County and \$4,515,000 for the Board of Education (Board), were misclassified as operating grants and contributions in the draft of the government-wide statement of activities provided for our review. In addition, we determined that a committed fund balance amount of approximately \$4,276,000 was not reported as such on the Board's General Purpose School Fund (major fund) balance sheet, but instead was included in unassigned fund balance. We also noted that approximately \$1,318,000 of state grant revenues were misclassified as federal grant revenues in one of the County's nonmajor fund's statement of revenues, expenditures and changes in fund balances. Audit reclassifications were proposed and made to correct each of these items.

Cause and Effect - In the preparation of the year-end financial statements, which include the Board as a discretely presented component unit, a thorough review of the Comprehensive Annual Financial Report (CAFR) is necessary.

Recommendations - We recommend that the County and Board Finance Departments' personnel individually and jointly review the year-end Comprehensive Annual Financial Report (CAFR) in a more thorough manner to determine that all applicable entries are recorded at year-end, including the proper classification of all balances.

Management's Response - The capital contributions included in the statement of activities resulted from two separate types of donated capital items that initially were evaluated as being for operating purposes. In addition, the Board's committed fund balance amount referred to above was not identified during our review of year-end commitments, although the Board's total fund balance was reported correctly. Furthermore, the intergovernmental revenue reported, as required by GAAP, was not affected in total by the reclassifications between federal and state sources. All of the reclassification changes, proposed by the auditors and agreed to by us, did not change any of the amounts that we initially reported for total net position/fund balance or overall results of operations. We concur that the selection of appropriate financial reporting categories should be made correctly, and we will continue to strive to make all such selections correctly.

KNOX COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended June 30, 2018

Section II - Financial Statement Findings (Continued)

2018-002 Timeliness of General Ledger Receipting and Bank Account Reconciliations

Criteria or Specific Requirement - Good internal control procedures over financial reporting should include procedures whereby receipts received by the County should be posted to the general ledger in a timely manner. In addition, monthly bank account reconciliations should be prepared in a timely manner to ensure all transactions have been posted to the general ledger.

Condition - During the audit, we noted the following:

- a. Receipts that were recorded by the Knox County Finance Department in the general ledger 20 to 30 days after the transaction date during the time period of November 2017 to March 2018.
- b. During the year certain Knox County Trustee's bank accounts had deposits that were not recorded in the general ledger revenue accounts, as maintained by the Knox County Finance Department, in the same month as received. Some of these unreconciled items for the month ended June 30, 2018 were not recorded as revenues in the general ledger until November 2018.

Cause and Effect - The County collects a significant amount of revenues on a monthly basis. The receipting of revenues for general ledger purposes is largely done by one individual in the Knox County Finance Department. The volume of transactions frequently exceeds the capacity of one individual to record revenues in a timely manner. This was a contributing factor resulting in untimely bank account reconciliations by the Trustee's office. The untimely receipting of revenues and bank account reconciliations in turn effects the ability of management to accurately track the financial and budgetary position of the County and other related entities at any given time.

Recommendations - We recommend the following:

- a. The Knox County Finance Department should consider assigning additional personnel to post receipts to the general ledger in order to ensure all receipts are posted in a timely manner.
- b. The Knox County Trustee's Office should examine their practices and procedures regarding bank account reconciliations in order to ensure that all bank accounts are accurately reconciled in a timely manner.

KNOX COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended June 30, 2018

Section II - Financial Statement Findings (Continued)

2018-002 Timeliness of General Ledger Receipting and Bank Account Reconciliations (Continued)

Management's Response- During the fiscal year ended June 30, 2018, the Trustee's office received and recorded cash receipts totaling approximately \$832,000,000. The complete process whereby cash receipts are posted to the accounting records consists of multiple steps. When cash is received by the County, the Trustee's Office records the cash receipt and updates the general ledger cash balance applicable to the bank account. The cash receipt information then is provided to the County Finance Department, which identifies the applicable fund, department and object level to which the receipt is to be credited and posts the fund receipt to the general ledger. Often, the information accompanying the remittance of the cash to the County is not complete as to which department or revenue source should be credited with the cash receipt, necessitating follow-up inquiries by the Finance Department (with other County departments and/or the paying entity, for example) to identify the proper recipient posting information. There may be delays of days or weeks before the complete information is obtained as to the appropriate fund account that needs to be credited.

Prior to the commencement of the audit, the Finance department had increased the number of personnel and hours devoted to the posting process. We have cross trained an additional full-time employee and two part-time employees to assist in posting cash receipts to the general ledger for the funds. As noted above, we were aware that there have been delays in obtaining and posting the information regarding certain cash receipts to the appropriate fund general ledger accounts. We have already established procedures increasing the Finance Department resources dedicated to this function and providing for additional-cross-training of employees. We believe that these procedures will provide for improvement in the timeliness of recording the cash receipt information required for fund reporting in the general ledger.

The Trustees office is working with County Finance to identify and receipt revenue posted in the Undistributed Holding Accounts to the general ledger in a reasonable time frame. The bank statements are reconciled to cash within 15-30 days after they are received. The Trustees office has cross-trained additional staff for reconciling.

KNOX COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended June 30, 2018

Section II - Financial Statement Findings (Continued)

2018-003 Financing of Capital Projects

Criteria or Specific Requirement - Capital projects fund expenditures should be planned so that resources are provided for projects before they start and as they progress. Management should monitor funds available and the timing of capital expenditures to insure adequate short-term, or long-term, financing is in place to prevent expenditures from exceeding available funds and creating fund balance deficits. In this regard, Tennessee Code Annotated (TCA) Section 8-11-104 contains requirements governing the payment of public obligations.

Condition - The current practice of the County is to provide cash for capital project expenditures by recording interfund receivables and payables between funds as a means of short-term financing prior to the issuance of bonds. As of June 30, 2018, the County's Capital Projects Fund recorded an interfund payable of \$10,185,444 to the General Fund, and the Board's School Construction Capital Projects Fund recorded an interfund payable of \$13,556,968 to the Board's General Purpose School Fund. As a result of using interfund receivables/payables rather than loans, the County's Capital Projects Improvement Fund reported a fund balance (deficit) of \$(13,247,367) and the Board's School Construction Capital Projects Fund reported a fund balance (deficit) of \$(17,646,349) as of June 30, 2018.

Cause and Effect - The County spent cash to purchase or construct capital assets prior to issuing general obligation bonds or other short-term debt to provide financing. The County's use of interfund receivables and payables does not provide financing sources to the capital project funds.

Recommendations - Management should consider other types of short-term financing for capital projects such as interfund loans, bond anticipation notes, or a bank line of credit, as permitted by TCA Section 9-21-505 and the County's debt management policy.

Management's Response - In FY 2018, we had planned to issue the bonds approved for the 2018 adopted capital improvement plan during the fiscal year; however, we experienced delays during the bond issuance process and, as a result, the bonds were issued about three weeks after the end of the fiscal year. We do not expect this to reoccur in FY 2019 and we are taking the necessary steps to help ensure that the bonds are issued at the appropriate time. Going forward, we will review our procedures over the issuance of debt, and we will plan to issue bonds for capital purposes earlier in the fiscal year when practicable so that those proceeds will be available for project expenditures without the need to borrow from other funds. When necessary, we will plan to utilize other sources of cash for capital purposes such as interfund loans or other borrowings to provide funds prior to the issuance of the approved bonds.

KNOX COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended June 30, 2018

Section III - Federal Award Findings

2018-004 Requests for Reimbursement - Board

Program(s): Child Nutrition Cluster (CFDA # 10.553 & 10.555), Title 1 Grants to Local Education Agencies (CFDA # 84.010), Special Education Grants to States (IDEA, Part B) (CFDA # 84.027), Twenty-First Century Community Learning Centers (CFDA # 84.287)

Criteria or Specific Requirement - Good internal control procedures over compliance should include procedures whereby the requests for reimbursement related to federal grant awards submitted to the pass-through entity or Federal agency should be reviewed by a management level individual, and the review process documented. In addition, the Compliance Supplement requires, for the Child Nutrition Cluster, federal reimbursement payments received monthly from the administering agency be promptly credited to the food service bank account.

Condition and Context - During our audit we noted that the monthly requests for reimbursements for the Title 1, IDEA and Twenty-First Century programs were prepared by Knox County Schools' accounting staff and submitted electronically to the State of Tennessee for payment without review or approval by the respective program director.

Under the Child Nutrition Cluster, we also noted two payments during 2018 where federal reimbursements of \$15,352 in total were held in the Trustee's bank accounts for 3 months before being forwarded to the cafeteria fund's bank account. This was an improvement, however, from the prior year where \$3,914,475 was held by the Trustee for 3-4 months.

Cause and Effect - By not performing a review of reimbursement request reports, there is a weakness in internal control over compliance for reporting which can lead to errors. In addition, a management level review and approval of this process can help prevent and detect possible fraud.

The Nutrition Department and Board Finance Department informed the Knox County Finance Department of the requested reimbursements in a timely manner. While the Nutrition Department and Board Finance Department did periodically follow-up on the requests for reimbursements, follow-up on payments not received promptly did not occur on a consistent monthly basis.

Recommendations - We recommend the following:

- a. We recommend that requests for reimbursement for federal grant awards be reviewed and approved by the respective program director or designee before being submitted to the pass-through entity or federal agency. The reviewer should document evidence of their review.
- b. The Nutrition department and Board Finance Department should develop a system to ensure that all requests for reimbursement and the related transfer of funds from the Trustee and County Finance Department to the cafeteria fund are reviewed and monitored on a monthly basis as part of their monthly closing process. Any reimbursements not timely received and/or transferred should be reviewed and investigated.

Section III - Federal Award Findings (Continued)

Current Year Audit Findings (Continued)

2018-004 Requests for Reimbursement – Board (Continued)

Management's Response – The Board of Education concurs with the finding. The State of Tennessee ePlan application does not currently require any further review from the respective program director or designee before a reimbursement is requested. The program allows the federal program accountant to process reimbursement request without approval. This is assuming the program director and/or designee is reviewing his or her general ledger accounts at a minimum, monthly, and notifying the finance department of any expenditures that should or should not be posted. Also, the program director is required to approve the budget and final expenditure report submitted to the State of Tennessee. The finance department will request the State of Tennessee to add this approval process into its ePlan application. If the approval process is not granted to Knox County Schools, the finance department will take internal measures to ensure the program director and/or designee approves of all reimbursement request as they are submitted to the state for payment.

Regarding the Child Nutrition Cluster, Knox County Finance has agreed to advance the monies to the School Nutrition department as they are submitted to the Federal government for payment. This will eliminate any potential for delayed monies to the School Nutrition department in the future. The Knox County Schools Finance department will also review reimbursement requests monthly to ensure all money has been received in a timely fashion.

KNOX COUNTY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For the Year Ended June 30, 2018

Section III - Federal Award Findings (Continued)

2018-005 Equipment Management - Board

Program(s): Title 1 Grants to Local Education Agencies (CFDA # 84.010), Special Education Grants to States (IDEA, Part B) (CFDA # 84.027)

Criteria or Specific Requirement - The Uniform Guidance, along with the State of Tennessee as the pass-through entity, require the following for equipment purchased with Federal funds in excess of \$100:

- a. Property records must be maintained that include, among other things, a description of the property, a serial number or other identification number, the acquisition date, cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sales price of the property.
- b. A physical inventory of the property must be taken, and the results reconciled with the property records at least once every two years.
- c. A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property.

Condition and Context - During the audit we noted the following:

- a. Property records for both programs lacked some of the required elements, including a unique asset number, purchase date, and cost for several assets over \$100. In addition, property records did not include disposition data such as the date of disposal and sales price of the property.
- b. No reconciliation was performed between current year's expenditures charged to the equipment general ledger accounts and the equipment inventory listing for IDEA.
- c. Insufficient documentation existed to support that the biennial inventory was taken in the past two years for Title 1.
- d. During our inventory observations, 2 out of 25 items selected could not be located for Title 1, and 13 out of 25 items for IDEA.

Cause and Effect - There has been recent turnover in the equipment manager position and a lack of training on federal award requirements. The effect was noncompliance with Uniform Guidance and State of Tennessee equipment management requirements.

Recommendations - We recommend the following:

- a. Management should update equipment listings to include all the items required by the Uniform Guidance, including equipment disposed of, and reconcile the equipment inventory listing to expenditures charge to the equipment general ledger account on a periodic basis.
- b. Management should perform the required biennial inventory of all equipment, investigate and resolve all unaccounted-for equipment, and maintain sufficient documentation that such an inventory was conducted.
- c. Management should consider the need to implement an organization-wide equipment inventory system to better account for Board equipment and to minimize the diversity in practice between departments.

Management's Response - The Board of Education concurs with the findings. The Knox County Schools Information Technology department is in the process of putting an asset management system in place to track all equipment purchases for the school district. This will minimize the variance between departments and allow employees to maintain an up-to-date equipment listing and all required elements associated with a purchase or sale of an item or items within that listing. In addition, a biennial inventory will be performed and documented for all federal programs requiring such. The inventory listing will also be reconciled to the general ledger on a periodic basis to ensure a complete listing of assets is being maintained.



OFFICE OF COUNTY MAYOR GLENN JACOBS

Department of Finance • 400 Main Street, Suite 630, Knoxville, TN 37902

KNOX COUNTY, TENNESSEE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2018

PY Finding	Finding Title	Status/ Current Year Finding Number
2017-001	Accrual of Sick Leave Retirement Liability, Other Postemployment Benefits Liability and Financial Review	Corrected
2017-002	Purchasing Policies and Procedures	Corrected
2017-003	Electronic Commerce Cards (E-cards)	Corrected
2017-004	Requests for Reimbursement - Board	Partially Corrected / 2018-004
2017-005	Counting Meals Served - Board	Corrected



OFFICE OF COUNTY MAYOR GLENN JACOBS

Department of Finance • 400 Main Street, Suite 630, Knoxville, TN 37902

Knox County, Tennessee (Primary Government) Management's Corrective Action Plan For the Year Ended June 30, 2018

Finding 2018-001: Financial Statement Classification and Review

Person(s) Responsible for Implementing the Corrective Action:

Chris Caldwell

Finance Director, Knox County

Robert Thomas

Superintendent, Knox County Schools

Corrective Action Planned:

The County and Board will continue to jointly review the CAFR annually.

Anticipated Completion Date of Corrective Action:

Management has already implemented this corrective action.

Finding 2018-002: Timeliness of General Ledger Receipting and Bank Account Reconciliations

Person(s) Responsible for Implementing the Corrective Action:

Chris Caldwell
Finance Director, Knox County

Corrective Action Planned:

The County will increase the Finance Department's resources dedicated to the receipting function and provide for additional-cross-training of employees to assist. In addition, we will work with the Trustee's office to review the reconciliation process to determine appropriate measures to improve the timeliness of completion.

Anticipated Completion Date of Corrective Action:

Management has implemented the corrective actions related to the receipting process. Management will implement the corrective actions related to the reconciliation process during FY 2019.

Finding 2018-003: Financing of Capital Project

Person(s) Responsible for Implementing the Corrective Action:

Chris Caldwell
Finance Director, Knox County

Corrective Action Planned:

The County will review the procedures related to the issuance of debt, and will plan to issue bonds for capital purposes earlier in the fiscal year so that those proceeds will be available for project expenditures without the need to borrow from other funds.

Anticipated Completion Date of Corrective Action:

Management will implement the corrective actions during FY 2019.



Signature

Bob Thomas, Superintendent



**Knox County Board of Education (Discretely Presented Component Unit)
Management's Corrective Action Plan
For the Year Ended June 30, 2018**

Finding 2018-004: Requests for Reimbursement - Board

Person(s) Responsible for Implementing the Corrective Action:

Chris Caldwell
Finance Director, Knox County

Robert Thomas
Superintendent, Knox County Schools

Corrective Action Planned:

The Board will review the procedures for requests for reimbursement of federal grant awards before being submitted to the pass-through entity or federal agency. The Board will also work with the County to review the process of receipt of funds to see that they are received timely.

Anticipated Completion Date of Corrective Action:

Management will implement the corrective actions during FY 2019.

Bob Thomas, Superintendent



**Knox County Board of Education (Discretely Presented Component Unit)
Management's Corrective Action Plan
For the Year Ended June 30, 2018**

Finding 2018-005: Equipment Management - Board

Person(s) Responsible for Implementing the Corrective Action:

Robert Thomas
Superintendent, Knox County Schools

Corrective Action Planned:

The Board will review the procedures related to equipment management including updating the equipment lists to describe all the required items, reconciling the inventory lists to the general ledger, and performing biennial inventory counts on all equipment. The Board will have ongoing discussions regarding implementation of a comprehensive asset management software system to address onboarding, management, and disposal of equipment

Anticipated Completion Date of Corrective Action:

Management will implement the corrective actions during FY 2019.


Signature

