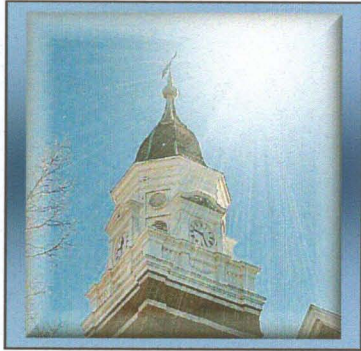


# Knox County



# Tennessee

***Single Audit Report  
And  
Findings and  
Recommendations***

***For the Fiscal Year Ended  
June 30, 2010***



**KNOX COUNTY, TENNESSEE**

Schedules of Expenditures of Federal and State Awards  
and Reports as Required by the Single Audit Act Amendments of 1996  
and Office of Management and Budget Circular A-133

Year ended June 30, 2010

# KNOX COUNTY, TENNESSEE

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

**Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 23, 2010. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Student Activity Funds agency fund of the Knox County Board of Education, a discretely presented component unit of Knox County, Tennessee, as of and for the year ended June 30, 2010, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control over Financial Reporting**

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

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as described above.



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, and others within the County, and federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

November 23, 2010



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

**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**

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

**Compliance**

We have audited the compliance of Knox County, Tennessee (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the 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, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2010-1.

**Internal Control Over Compliance**

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but





not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2010-1. 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.

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

#### **Schedules of Expenditures of Federal and State Awards**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of and for the year ended June 30, 2010, and have issued our report thereon dated November 23, 2010, which was modified to refer to other auditors. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedules of Expenditures of Federal and State Awards are presented for purposes of additional analysis as required by OMB Circular A-133 and the State of Tennessee, respectively, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, and others within the County, and federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

January 31, 2011, except for the schedules of  
expenditures of federal and state awards  
which is as of November 23, 2010

*Knox County, Tennessee (Primary Government) and  
Knox County Board of Education (Discretely Presented Component Unit)*  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
*For the Year Ended June 30, 2010*

<b>Federal Grantor/Pass-through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Grant/Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>Knox County, Tennessee (Primary Government):</b>			
U.S. Department of Agriculture:			
Passed through Tennessee Department of Health:			
Special Supplemental Nutrition for Women, Infants and Children Program:			
Women, Infants, and Children (WIC)	10.557	GG-10-30179-00	\$ 906,211
Women, Infants, and Children (WIC)	10.557	GG-09-26592-00	<u>198,363</u>
Total Special Supplemental Nutrition for Women, Infants and Children Program			<u>1,104,574</u>
Total U.S. Department of Agriculture			<u>1,104,574</u>
U.S. Department of Housing and Urban Development Direct Programs:			
CDBG - Entitlement Grants Cluster:			
Community Development Block Grant	14.218	B-09-UC-47-0001	1,173,774
ARRA-Community Development Block Grant	14.253	B-09-UY-47-0001	<u>55,998</u>
Total CDBG - Entitlement Grants Cluster			1,229,772
HOME Investment Partnerships Programs	14.239	M-00-UC-47-0204	803,070
Economic Development Initiative Special Projects	14.228	B04SPTN0749	<u>7,936</u>
Total U.S. Department of Housing and Urban Development			<u>2,040,778</u>
U.S. Department of Justice Programs:			
Direct Programs:			
Edward Byrne Memorial Justice Assistance Grant Program:			
Edward Byrne Memorial Justice Assistance Grant	16.738	2009-DJ-BX-1324	1,773
Edward Byrne Memorial Justice Assistance Grant	16.738	2008-DJ-BX-0453	18,027
Edward Byrne Memorial Justice Assistance Grant	16.738	2007-DJ-BX-0485	58,119
Edward Byrne Memorial Justice Assistance Grant	16.738	2006-DJ-BX-0729	49,195
Edward Byrne Memorial Justice Assistance Grant	16.738	2005-DJ-BX-0234	<u>139,900</u>
Total Edward Byrne Memorial Justice Assistance Grant Program			267,014
ARRA-Edward Byrne Memorial Justice Assistance Recovery Act Grant	16.804	2009-SB-B9-2035	566,105



*Knox County, Tennessee (Primary Government) and  
Knox County Board of Education (Discretely Presented Component Unit)*  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
*For the Year Ended June 30, 2010*

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grant/Pass-Through Entity Identifying Number	Federal Expenditures
<b>Knox County, Tennessee (Primary Government) (continued):</b>			
U.S. Department of Justice Programs (continued):			
Public Safety Partnership and Community Policing Grant Program:			
Organized Crime Drug Enforcement Task Forces	16.710	SE-TNE-191H	\$ 3,339
Safe Streets - FBI Overtime Reimbursement	16.710	281D-KX-61230	10,977
Safe Streets - FBI Overtime Reimbursement	16.710	281D-KX-61230	<u>4,096</u>
Total Public Safety Partnership and Community Policing Grant Program			<u>18,412</u>
Edward Byrne Memorial Formula Grant Program-Drug Court	16.579	Z-05-025532-00	477,314
Bulletproof Vest	16.607	N/A	2,087
National Institute of Justice Cold Case Grant	16.741	2009-DN-BX-K166	69,403
Bureau of Justice Assistance Adjudication Pilot Hire Program	16.751	2009-D2-BX-0027	<u>74,169</u>
Total U.S. Department of Justice Direct Programs			<u>1,474,504</u>
Passed through the Tennessee Department of Children's Services:			
Juvenile Justice and Delinquency Prevention Program:			
Public Defender - Commission on Children & Youth	16.540	GG-10-30069-00	10,812
Public Defender - Commission on Children & Youth	16.540	GG-09-213552-00	<u>4,386</u>
Total Juvenile Justice and Delinquency Prevention Program			15,198
Juvenile Court Accountability Incentive Grant	16.523	GG-10-30069-00	<u>27,460</u>
Total passed through the Tennessee Department of Children's Services			<u>42,658</u>
Passed through the Tennessee Office of Criminal Justice Programs:			
ARRA-Edward Byrne Memorial Justice Assistance Recovery Program:			
ARRA-Edward Byrne Memorial Justice Assistance Recovery Grant	16.803	4232	63,879
ARRA-Edward Byrne Memorial Justice Assistance Recovery Grant	16.803	3547	45,151
ARRA-Edward Byrne Memorial Justice Assistance Recovery Grant	16.803	3842	<u>81,972</u>
Total ARRA-Edward Byrne Memorial Justice Assistance Recovery Program			<u>191,002</u>
Total passed through the Tennessee Office of Criminal Justice Programs			<u>191,002</u>
Total U.S. Department of Justice			<u>1,708,164</u>

*Knox County, Tennessee (Primary Government) and  
Knox County Board of Education (Discretely Presented Component Unit)*  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
*For the Year Ended June 30, 2010*

<b>Federal Grantor/Pass-through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Grant/Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>Knox County, Tennessee (Primary Government) (continued):</b>			
National Foundation on the Arts and the Humanities:			
Passed through Tennessee Secretary of State:			
Library Services	45.310	GG-10-30545-00	\$ <u>93,500</u>
Total National Foundation on the Arts and the Humanities			<u>93,500</u>
Environmental Protection Agency Direct Programs:			
Air Pollution Control Program Support:			
Air Pollution Control Section 105	66.001	A-00408310-0	286,298
Air Pollution Section 103 Clean Air Monitoring	66.001	PM-96497608-0	102,829
Diesel Retrofit	66.001	DE-95417609-0	<u>117,788</u>
Total Air Pollution Control Program Support			506,915
Water Quality	66.463	CP-96455806	<u>16,269</u>
Total Environmental Protection Agency			<u>523,184</u>
U. S. Department of Health and Human Services:			
Passed through Tennessee Department of Health:			
Tuberculosis Nursing Program:			
Tuberculosis Nursing	93.116	GG-10-28821-00	34,171
ARRA - Tuberculosis Nursing	93.116	GG-10-28821-00	<u>88,000</u>
Total Tuberculosis Nursing Program			<u>122,171</u>
Immunization Grants Program:			
Immunization	93.268	GG-10-31691-00	109,253
Immunization	93.268	GG-09-27308-00	<u>98,092</u>
Total Immunization Grants Program			<u>207,345</u>

*Knox County, Tennessee (Primary Government) and  
Knox County Board of Education (Discretely Presented Component Unit)*  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
*For the Year Ended June 30, 2010*

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grant/Pass-Through Entity Identifying Number	Federal Expenditures
<b>Knox County, Tennessee (Primary Government) (continued):</b>			
U.S. Department of Health and Human Services (continued):			
Centers for Disease Control and Prevention Program:			
Emergency Preparedness Pandemic	93.283	GG-10-16138-00	\$ 453,495
Emergency Preparedness Pandemic	93.283	GG-09-26118-01	28,695
Tobacco Prevention	93.283	GG-10-31138-00	9,044
Tobacco Prevention	93.283	GG-09-27893-00	<u>39,993</u>
Total Centers for Disease Control and Prevention Program			<u>531,227</u>
HIV Care Formula Grant Program:			
HIV Consortia and Case Management Services	93.917	GG-10-33742-00	76,850
HIV Consortia and Case Management Services	93.917	GG-09-27894-00	<u>234,297</u>
Total HIV Care Formula Grant Program			<u>311,147</u>
HIV Prevention Activities Program:			
HIV Prevention	93.940	GG-10-31520-00	67,056
HIV Prevention	93.940	GG-09-28498-00	<u>48,797</u>
Total HIV Prevention Activities Program			<u>115,853</u>
Preventive Health Services-Sexually Transmitted Disease Control Grants:			
Infertility Youth Screening Project	93.977	GG-10-30756-00	35,062
Infertility Youth Screening Project	93.977	GG-09-26917-00	32,612
Sexually Transmitted Disease	93.977	GG-10-31520-00	57,829
Sexually Transmitted Disease	93.977	GG-09-28498-00	<u>74,396</u>
Total Preventive Health Services-Sexually Transmitted Disease Control Grants			<u>199,899</u>
Maternal and Child Health Services Grants:			
Children's Special Services	93.994	GG-09-25205-00	89,228
Family Planning Services	93.994	GU-10-30470-00	<u>306,300</u>
Total Maternal and Child Health Services Grants			<u>395,528</u>
H1N1 Virus Grant	93.069	GG-10-30176-00	718,612
Rape Prevention	93.136	GG-10-29156-00	29,039

*Knox County, Tennessee (Primary Government) and  
Knox County Board of Education (Discretely Presented Component Unit)*  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
*For the Year Ended June 30, 2010*

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grant/Pass-Through Entity Identifying Number	Federal Expenditures
<b>Knox County, Tennessee (Primary Government) (continued):</b>			
U.S. Department of Health and Human Services (continued):			
Family Planning Services	93.217	GU-10-30470-00	\$ 300,600
Breast and Cervical Cancer	93.919	GG-10-28577-00	51,462
Health Promotion	93.991	GG-10-29771-00	<u>61,500</u>
Total passed through Tennessee Department of Health			<u>3,044,383</u>
Passed through Tennessee Department of Human Services:			
Child Support Enforcement IV-D	93.563	GG-09-25452-01	<u>65,492</u>
Total U. S. Department of Health and Human Services			<u>3,109,875</u>
U.S. Department of Homeland Security:			
Passed through Tennessee Emergency Management Agency:			
FEMA Fire Investigation Grant	97.044	2009-M8-0001GF	77,544
Passed through Tennessee Department of Military:			
Homeland Security Grant Program:			
Homeland Security 2007	97.067	GG-08-24520-00	586,649
Homeland Security 2008	97.067	GG-3958	458,073
Homeland Security 2009	97.067	GG-10-30184	<u>54,755</u>
Total Homeland Security Grant Program			1,099,477
Homeland Security Interoperability Grant	97.055	7174-GG0927848	<u>50,000</u>
Total passed through Tennessee Department of Military			<u>1,149,477</u>
Total U.S. Department of Homeland Security			<u>1,227,021</u>
Office of National Drug Control Policy:			
Passed through Laurel County, Kentucky:			
High Intensity Drug Trafficking Areas	N/A	G-09-AP0001A	9,689
High Intensity Drug Trafficking Areas	N/A	I8PAPP501Z	<u>13,370</u>
Total Office of National Drug Control Policy			<u>23,059</u>
Total Federal Financial Assistance-Knox County Primary Government			<u>9,830,155</u>

*Knox County, Tennessee (Primary Government) and  
Knox County Board of Education (Discretely Presented Component Unit)*  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
*For the Year Ended June 30, 2010*

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grant/Pass-Through Entity Identifying Number	Federal Expenditures
<b>Knox County Board of Education (Component Unit):</b>			
U.S. Department of Agriculture:			
Passed through Tennessee Department of Agriculture:			
Child Nutrition Cluster:			
USDA School Breakfast Program	10.553	2010	\$ 2,985,197
USDA School Lunch Program	10.555	2010	<u>10,681,660</u>
Total Child Nutrition Cluster			13,666,857
ARRA-Child Nutrition Discretionary Grant	10.579	2010	<u>11,643</u>
Total U.S. Department of Agriculture			<u>13,678,500</u>
U.S. Department of Housing and Urban Development:			
Passed through City of Knoxville:			
Youth Academy of Finance	14.244	C-06-0172	<u>10,093</u>
Total U.S. Department of Housing and Urban Development			<u>10,093</u>
U.S. Department of Labor:			
Passed through Tennessee Department of Labor and Workforce Development:			
ARRA-Adult Education Dislocated Worker	17.260	2-09-219703	<u>18,916</u>
Total U.S. Department of Labor			<u>18,916</u>
U.S. Department of Transportation Direct Program:			
STEM Education for Teachers - Federal Highway Administration	20.200	DTFH61-08-G-00020	<u>59,718</u>
Total U.S. Department of Transportation			<u>59,718</u>
U.S. Department of Education:			
Passed through Tennessee Department of Education:			
Title I Part A Program Cluster:			
Title I Part A	84.010A	2010	13,817,955
Title I Part A	84.010A	2009	128,130
ARRA-Title I Part A	84.389	2010	<u>5,944,929</u>
Total Title I Part A Program Cluster			<u>19,891,014</u>

*Knox County, Tennessee (Primary Government) and  
Knox County Board of Education (Discretely Presented Component Unit)*  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
*For the Year Ended June 30, 2010*

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grant/Pass-Through Entity Identifying Number	Federal Expenditures
<b>Knox County Board of Education (Component Unit) (continued):</b>			
U.S. Department of Education (continued):			
Special Education (IDEA) Cluster:			
Individuals with Disabilities Education Act Part B program:			
Individuals with Disabilities Education Act Part B	84.027A	2008.21	\$ 335,619
Individuals with Disabilities Education Act Part B	84.027A	2009.01	255,093
Individuals with Disabilities Education Act Part B	84.027A	2009.21	276,008
Individuals with Disabilities Education Act Part B	84.027A	2010.01	10,828,117
Individuals with Disabilities Education Act Part B	84.027A	2010	<u>74,653</u>
Total Individuals with Disabilities Education Act Part B program			<u>11,769,490</u>
ARRA-Individuals with Disabilities Education Act Part B	84.391A	2010	6,495,019
Preschool program:			
Preschool	84.173A	2008.21	1,179
Preschool	84.173A	2009.01	6,373
Preschool	84.173A	2009.21	2,021
Preschool	84.173A	2010.01	<u>300,128</u>
Total Preschool program			<u>309,701</u>
ARRA-Preschool	84.392A	2010	<u>303,858</u>
Total Special Education (IDEA) Cluster			<u>18,878,068</u>
Career and Technical Education Program:			
Carl Perkins	84.048A	2009-2010	941,195
Perkins IV	84.048A	2009	<u>600</u>
Total Career and Technical Education Program			<u>941,795</u>
Reading First Program:			
Title I Part B - Reading First	84.357	FY09	85,158
Title I Part B - Reading First	84.357	FY09	104,026
Title I Part B - Reading First	84.357	FY09	<u>100,539</u>
Total Reading First Program			<u>289,723</u>



*Knox County, Tennessee (Primary Government) and  
Knox County Board of Education (Discretely Presented Component Unit)*  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
*For the Year Ended June 30, 2010*

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grant/Pass-Through Entity Identifying Number	Federal Expenditures
<b>Knox County Board of Education (Component Unit) (continued):</b>			
U.S. Department of Education (continued):			
Safe and Drug-Free Schools and Communities Program:			
Title IV	84.186A	2010	\$ 209,622
Youth Violence and Drug Prevention	84.186B	Year 3	<u>75,000</u>
Total Safe and Drug-Free Schools and Communities Program			<u>284,622</u>
Education Technology Programs:			
Title II Part D	84.318X	2010	87,536
ARRA-Title II Part D	84.386	2010	<u>118,911</u>
Total Education Technology Programs			<u>206,447</u>
Education for Homeless Children and Youth Programs:			
Homeless Education	84.196A	2010	77,070
ARRA-Homeless Education	84.387	2010	<u>34,341</u>
Total Education for Homeless Children and Youth Programs			<u>111,411</u>
English Language Acquisition Grants Program:			
Title III	84.365A	2010	215,933
Title III - Immigrant	84.365A	2009	<u>16,365</u>
Total English Language Acquisition Grants Program			<u>232,298</u>
Project Serve Program	84.184S	2010	18,519
Twenty-First Century Community Learning Centers Program	84.287C	192-10-1-015	378,380
Title V	84.298A	2009	104,650
Early Reading First Program	84.359B	S359B060022	309,922
High School Graduation Initiative Program	N/A	2010	4,998
Improving Teacher Quality (Title IIA) Program	84.367A	2010	2,240,719
School Improvement Grant Program	84.377A	2009	72,597

*Knox County, Tennessee (Primary Government) and  
Knox County Board of Education (Discretely Presented Component Unit)*  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
*For the Year Ended June 30, 2010*

<b>Federal Grantor/Pass-through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Grant/Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>Knox County Board of Education (Component Unit) (continued):</b>			
U.S. Department of Education (continued):			
State Fiscal Stabilization Fund Cluster:			
ARRA-State Fiscal Stabilization Fund Education State Grants Program	84.394	2010	\$ 9,895,300
ARRA-State Fiscal Stabilization Fund Government Services Program:			
ARRA-Extended Contract Program	84.397	2010	447,280
ARRA-Safe Schools Act	84.397	2010	113,200
ARRA-Coordinated School Health	84.397	2010	185,000
ARRA-Family Resource Center	84.397	2010	33,300
ARRA-Tech Access/ConnecTen	84.397	2010	<u>158,767</u>
Total ARRA-State Fiscal Stabilization Fund Government Services Program			<u>937,547</u>
Total State Fiscal Stabilization Fund Cluster			<u>10,832,847</u>
Total passed through Tennessee Department of Education			<u>54,798,010</u>
Passed through Tennessee Department of Labor and Workforce Development:			
Adult Education Program:			
Adult Basic Education	84.002	Z-10-218525-00	221,446
English Literacy and Civics	84.002	Z-10-218451-00	<u>54,638</u>
Total Adult Education Program			<u>276,084</u>
Passed through Tennessee Department of Human Services:			
Rehabilitation Services Program-Case Manager	84.126A	GG-08-22112-02	<u>21,183</u>
Total U.S. Department of Education			<u>55,095,277</u>
Total Federal Financial Assistance--Knox County Board of Education Component Unit			<u>68,862,504</u>
Total Federal Financial Assistance			<u>\$ 78,692,659</u>

The accompanying notes are an integral part of the schedule.

*Knox County, Tennessee (Primary Government) and  
Knox County Board of Education (Discretely Presented Component Unit)  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
For the Year Ended June 30, 2010*

Program Title	Identifying Number	State Expenditures
<b>Knox County, Tennessee (Primary Government):</b>		
Tennessee Department of Corrections:		
Community Corrections (CAPP)	Z-08-021319-01	\$ 613,881
Total Tennessee Department of Corrections		<u>613,881</u>
Tennessee Commission on Children and Youth:		
Children Services - Youth Officer	Z-09-22871-00	9,000
Total Tennessee Commission on Children and Youth		<u>9,000</u>
Tennessee Comptroller of the Treasury:		
Reappraisal	30711	92,707
Total Tennessee Comptroller of the Treasury		<u>92,707</u>
Tennessee Environment and Conservation:		
Waste Tire	N/A	392,606
Total Tennessee Environment and Conservation		<u>392,606</u>
Tennessee Department of Health:		
Tuberculosis Nursing	GG-10-28821-00	203,829
Immunization	GG-10-31691-00	45,436
Sexually Transmitted Disease	GG-10-31520-00	23,502
Sexually Transmitted Disease	GG-09-28498-00	20,700
Family Planning	GU-10-30470-00	40,400
Oral Health	GG-09-25486-00	219,000
Adolescent Pregnancy	GG-09-25469-00	45,600
Diabetes Management	GG-10-31229-00	87,242
EPSDT Tenndercare	GG-10-29180-00	298,648
Children's Special Services	GG-09-25205-00	73,316
TennCare EPSDT Child in DCS	NONE	76,333
Adult Emergency Dental Services	GG-10-30/32-00	104,640
Help Us Grow Successfully	GG-09-25170-00	241,900
Total Tennessee Department of Health		<u>1,480,546</u>
Tennessee Department of Agriculture - Forestry Division:		
Tenn. Agriculture Enhancement Program - Trees Grant	EDISON0000005873	13,143
Tenn. Agriculture Enhancement Program - New Harvest	6922	5,233
Total Tennessee Department of Agriculture - Forestry Division		<u>18,376</u>
Tennessee Department of Transportation:		
Litter Grant	GG-208-210-12-00	116,213
Total Tennessee Department of Transportation		<u>116,213</u>
Total State Financial Assistance - Knox County Primary Government		<u>2,723,329</u>
<b>Knox County Board of Education (Component Unit):</b>		
Tennessee Department of Education:		
Early Childhood - Pre-Kindergarten	2010	1,723,180
Safe Schools	2008-2009	136,986
GED Testing Center	2010	1,339
LEAPS	119-09-1-023	111,131
Total Tennessee Department of Education		<u>1,972,636</u>
Tennessee Department of Labor and Workforce Development:		
Adult Education	Z-10-218525-00	73,815
EL Civics	Z-10-218451-00	18,213
Total Tennessee Department of Labor and Workforce Development:		<u>92,028</u>
Total State Financial Assistance - Knox County Board of Education (Component Unit)		<u>2,064,664</u>
Total State Financial Assistance		<u>\$ 4,787,993</u>

The accompanying notes are an integral part of the schedule.

**KNOX COUNTY, TENNESSEE**

Notes to Schedules of Expenditures of Federal and State Awards

Year ended June 30, 2010

**(1) Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Knox County, Tennessee, and its discretely presented component unit (the County), and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the Comprehensive Annual Financial Report.

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

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

**(2) Loans Outstanding**

The County had the following loan funding balances outstanding at June 30, 2010. 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 2010 Loan Funding</u>	<u>Outstanding Balance</u>
Community Development Block Grant	14.218	\$ —	\$ 1,366,772
HOME Investment Partnerships Programs	14.239	325,702	1,708,435

**(3) Subrecipients**

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

	<u>CFDA Number</u>	<u>Amounts Provided to Subrecipients</u>
Community Development Block Grant	14.218	\$ 683,881
HOME Investment Partnerships Programs	14.239	843,140
Total Subrecipient Awards		\$ <u>1,527,021</u>

## **KNOX COUNTY, TENNESSEE**

### Notes to Schedules of Expenditures of Federal and State Awards

Year ended June 30, 2010

**(4) Non-cash Assistance**

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

**(5) Indirect Costs**

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

**KNOX COUNTY, TENNESSEE**

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

**(1) Summary of Auditors' Results**

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

Material weaknesses: **No**

- (c) Noncompliance which is material to the basic financial statements: **No**
- (d) Significant deficiencies in internal control over major programs: **Yes**

Material weaknesses: **No**

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

(g) Major programs:

<u>CFDA number</u>	<u>Name of federal program or cluster</u>
Child Nutrition Cluster:	
10.553	USDA School Breakfast Program
10.555	USDA School Lunch Program
Title I Part A Program Cluster:	
84.010A	Title I - Part A
84.389	Title I - Part A (ARRA)
Special Education (IDEA) Cluster:	
84.027A	Special Education - IDEA Part B
84.173A	Special Education - Preschool
84.391A	Special Education - IDEA (ARRA)
84.392A	Special Education - Preschool (ARRA)
State Fiscal Stabilization Fund Cluster:	
84.394	State Fiscal Stabilization Fund (ARRA) - Education State Grants
84.397	State Fiscal Stabilization Fund (ARRA) - Government Services
CDBG - Entitlement Grants Cluster:	
14.218	Community Development Block Grant
14.253	Community Development Block Grant (ARRA)
Other Programs:	
84.367A	Improving Teacher Quality Title II - Part A

- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$2,443,625**
- (i) Auditee qualified as a low-risk auditee under Section .530 of OMB Circular A-133: **No**



**KNOX COUNTY, TENNESSEE**

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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

None

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

***Finding 2010-1: Procurement and Suspension and Debarment***

**Finding:** Commodity Pricing

**Finding Type:** Noncompliance and Significant Deficiency

**CFDA#:** Various – Child Nutrition Cluster

**Federal Agency:** U.S. Department of Agriculture, Passed through the Tennessee Department of Agriculture

**Federal Award Year:** July 1, 2009 to June 30, 2010

***Requirement***

In accordance with Knox County Schools (the Schools) commodity pricing guidelines which are identical to the federally determined guidelines, all commodities received by the Schools during fiscal year 2010 should be recorded at the value per case in accordance with the Department of Agriculture Community Distribution 2009-2010 Price List.

***Condition***

We selected and reviewed a sample of over 200 commodity receipts from the population of the Schools who received commodities from the government during fiscal year 2010. As a result of KPMG's testwork procedures, we determined that the incorrect value of frozen cooked sliced ham was utilized during the month of August of 2009 by the Schools. Upon examination of 100% of this population an adjustment of \$12,119 was recorded to reduce the value of commodities received by the Schools. In addition, we noted two other items included in our sample that were incorrectly priced as well (receipt of ten cases of fruit mix was not recorded at all by the Schools valued at \$290; and ten cases of frozen peaches were recorded at a value of \$230 that were never actually received).

Due to lack of appropriate oversight, we found that based on the documentation obtained by the Schools from the government that an adjustment of \$12,059 was required in order to correctly reflect the commodity value received and expended during fiscal year 2010. As a result of our detailed testwork, the Schools recorded an entry to record this adjustment amount and commodity revenues and expenditures are properly stated for fiscal year 2010.

***Questioned Cost***

None

**KNOX COUNTY, TENNESSEE**

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

***Possible Asserted Cause and Effect***

Due to lack of appropriate oversight, commodity receipts were not properly recorded at the value per case in accordance with the Department of Agriculture Community Distribution 2009-2010 Price List. As a result, the Schools inappropriately valued the value of the commodities received.

***Recommendation***

We recommend that Knox County Schools enhance its supervisory review procedures to ensure that the value of commodities being received is properly recorded and reported.

***View of Responsible Management***

We concur. Knox County Board of Education will install effective supervisory controls to review and verify that commodities being provided by the government are properly tracked and reported in the Knox County Board of Education Central Cafeteria Fund financial statements.