

**HENRY COUNTY BOARD
OF EDUCATION**

SINGLE AUDIT REPORT

**FOR THE
FISCAL YEAR ENDED JUNE 30, 2011**

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TABLE OF CONTENTS

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 and 2
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	3 - 5
Schedule of Expenditures of Federal Awards.....	6
Note to Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	8 - 10
Schedule of Prior Year Findings	11

**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**

**To the Superintendent and Members of the
Henry County Board of Education
McDonough, Georgia**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Henry County Board of Education as of and for the year ended June 30, 2011, which collectively comprise the Henry County Board of Education's basic financial statements and have issued our report thereon dated January 20, 2012. As discussed in Note 1, the Henry County Board of Education implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* effective July 1, 2010. 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.

Internal Control Over Financial Reporting

Management of the Henry County Board of Education is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Henry County Board of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Henry County Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Henry County Board of Education's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 11-1 to be a material weakness.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Henry County Board of Education in a separate letter dated January 20, 2012.

The Henry County Board of Education'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 Henry County Board of Education's response and, accordingly, we express no opinion on it.

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

Mauldin & Jenkins, LLC

Macon, Georgia
January 20, 2012

**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**

To the Superintendent and Members of the
Henry County Board of Education
McDonough, Georgia

Compliance

We have audited the compliance of the Henry County Board of Education with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Henry County Board of Education's major federal programs for the year ended June 30, 2011. The Henry County Board of Education'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 Henry County Board of Education's management. Our responsibility is to express an opinion on the Henry County Board of Education'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 Henry County Board of Education'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 Henry County Board of Education's compliance with those requirements.

As described in item 11-2 in the accompanying schedule of findings and questioned costs, the Henry County Board of Education did not comply with the requirements regarding cash management that are applicable to the School Improvement Grant Program. Compliance with such requirements is necessary, in our opinion, for Henry County Board of Education to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Henry County Board of Education 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, 2011. The results of our auditing procedures also disclosed another instance of noncompliance with the 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 11-3.

Internal Control Over Compliance

Management of the Henry County Board of Education is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Henry County Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Henry County Board of Education's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 11-2 to be a material weakness.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Henry County Board of Education as of and for the year ended June 30, 2011, and have issued our report thereon dated January 20, 2012, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting or other records used to prepare 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 schedule of expenditures of federal awards is 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 management, the Superintendent and members of the Henry County Board of Education, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Macon, Georgia
January 20, 2012

HENRY COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Total Expenditures
U. S. DEPARTMENT OF AGRICULTURE:		
Passed through Georgia Department of Education		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 2,303,645
National School Lunch Program	10.555	8,703,190
Total Child Nutrition Cluster		<u>11,006,835</u>
U. S. DEPARTMENT OF DEFENSE:		
Direct Federal Award		
Junior ROTC	12.unknown	<u>585,212</u>
U. S. DEPARTMENT OF EDUCATION:		
Direct Federal Award		
Fund for the Improvement of Education	84.215	<u>65,329</u>
Passed through Georgia Department of Education:		
Title I, Part A Cluster:		
Title I, Part A	84.010	4,740,069
ARRA - Title I, Part A	84.389	1,930,944
Total Title I, Part A Cluster		<u>6,671,013</u>
Title II, Part A - Improving Teacher Quality	84.367	<u>821,600</u>
Title II, Part B - Mathematics & Science Partnerships	84.366	<u>374,323</u>
Title III - Limited English Proficient	84.365	<u>137,855</u>
Title IV - Drug Free Schools and Communities	84.186	<u>1,152</u>
ARRA - School Improvement Grant Cluster	84.388	<u>792,054</u>
ARRA - Race to the Top	84.395	<u>12,695</u>
Education Jobs Fund	84.410	<u>8,030,177</u>
Special Education Cluster:		
IDEA Flowthrough	84.027	6,408,783
ARRA - IDEA Flowthrough	84.391	2,567,897
IDEA Preschool	84.173	123,077
ARRA - IDEA Preschool	84.392	114,354
Total Special Education Cluster		<u>9,214,111</u>
Vocational Education - Basic Grants to States	84.048	<u>290,541</u>
Education for Homeless Children and Youth Cluster	84.196	<u>43,542</u>
Total U.S. Department of Education		<u>26,454,392</u>
Total Expenditures of Federal Awards		<u><u>\$ 38,046,439</u></u>

HENRY COUNTY BOARD OF EDUCATION

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1. BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Henry County Board of Education and is presented on the accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

NOTE 2. DONATED COMMODITIES

The Child Nutrition Cluster includes \$931,989 of non-cash expenditures in the form of donated food commodities.

HENRY COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting:
 Material weaknesses identified? X yes no

Significant deficiencies identified not considered
 to be material weaknesses? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal Control over major programs:
 Material weaknesses identified? X yes no

Significant deficiencies identified not considered
 to be material weaknesses? yes X none reported

Type of auditor's report issued on compliance for
 major programs Qualified

Any audit findings disclosed that are required to
 be reported in accordance with OMB Circular
 A-133, Section 510(a)? X yes no

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
	<u>Special Education Cluster:</u>
	U.S. Department of Education:
	IDEA Flowthrough
	ARRA – IDEA Flowthrough
	IDEA Preschool
	ARRA – IDEA Preschool
	<u>Title I, Part A Cluster:</u>
	U.S. Department of Education:
	Title I, Part A
	ARRA – Title I, Part A
	<u>School Improvement Grants Cluster:</u>
	U.S. Department of Education:
	ARRA- School Improvement Grant
	U.S. Department of Education:
	Education Jobs Fund
84.027	
84.391	
84.173	
84.392	
84.010	
84.389	
84.388	
84.410	

HENRY COUNTY BOARD OF EDUCATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

A. SUMMARY OF AUDIT RESULTS (CONTINUED)

Dollar threshold used to distinguish between
Type A and Type B programs: \$1,141,393

Auditee qualified as low-risk auditee? yes no

B. FINDINGS: FINANCIAL STATEMENTS AUDIT

11-1. Recording of Benefits Payable

Criteria: Procedures should be in place to ensure all benefits owed on behalf of employees are recorded as part of year-end closing procedures.

Condition: The School System did not properly address the above criteria during the year ended June 30, 2011.

Context: The School System did not properly accrue health insurance for certified employees at June 30, 2011.

Effect: We discussed the issue with management who determined the need for audit adjustments in the amount of \$3,920,931 in the General Fund and \$152,523 in the Special Revenue Fund in order to record additional accruals for health insurance. Additionally, adjustments of \$152,523 to transfer funds from the General Fund to the Special Revenue Fund to cover these additional expenditures were required.

Recommendation: We recommend the School System compare amounts accrued for benefits at year end to amounts paid in the subsequent fiscal year to ensure reasonableness of accruals.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. The School System will strengthen internal controls to ensure accurate reporting of benefit accruals.

C. FINDINGS: FEDERAL PROGRAMS AUDIT

11-2. Compliance with Time and Effort Requirements – ARRA School Improvement Grant, CFDA 84.388

Criteria: An employee who works solely on a single cost objective must furnish a semi-annual certification that he/she has engaged solely in activities that support the single cost objective. If an employee works only in part on a single cost objective, he/she must document the time spent to support the single cost objective.

Condition: The School System did not properly address the above criteria during the year ended June 30, 2011.

HENRY COUNTY BOARD OF EDUCATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

C. FINDINGS: FEDERAL PROGRAMS AUDIT (CONTINUED)

11-2. Compliance with Time and Effort Requirements – ARRA School Improvement Grant, CFDA 84.388 (Continued)

Effect: Failure to require documentation of employees' time and effort could result in unallowable costs being charged to the grant.

Recommendation: We recommend the School System review the requirements for federal programs to ensure appropriate documentation is maintained.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. The School System will review the requirements for federal programs to ensure all appropriate documentation is maintained.

11-3. Compliance with Cash Management Requirements – ARRA School Improvement Grant, CFDA 84.388

Criteria: 34 CFR 80.21 requires that grantees shall establish methods and procedures for payment to minimize the time elapsing between the transfer/receipt of grant funds and the disbursement of funds to subgrantees or contractors/vendors.

Condition: Controls were not in place to ensure timely disbursement of grant receipts.

Context: As of June 30, 2011, the School District had received \$378,624 of School Improvement Grant funds in excess of expenditures. While \$307,308 was expended by September 30, 2011, the end of the grant period, \$71,316 was required to be returned to the grantor agency as unspent on October 20, 2011.

Effect: Funds were drawn in excess of immediate cash needs of the School System.

Recommendation: We recommend the School System strengthen controls over cash management to ensure timely disbursement of grant receipts.

Views of Responsible Officials and Planned Corrective Action: We concur with the finding. The School System will review the requirements for cash management and strengthen internal controls to ensure timely disbursement of grant funds upon receipt.

HENRY COUNTY BOARD OF EDUCATION

SCHEDULE OF PRIOR YEAR FINDINGS FOR THE FISCAL YEAR ENDED JUNE 30, 2011

10-1. Taxes Receivable

Criteria: Generally accepted accounting principles require revenue to be recognized in the accounting period in which it becomes both measurable and available to finance expenditures of the current period.

Condition: The School System did not properly record property taxes receivable as of June 30, 2010 in the General Fund or Debt Service Fund.

Auditee Response/Status: Resolved