

THE BOARD OF PUBLIC EDUCATION
FOR THE CITY OF SAVANNAH
AND THE COUNTY OF CHATHAM, GEORGIA
SINGLE AUDIT REPORTS
FOR THE YEAR ENDED JUNE 30, 2008

KARP, RONNING & TINDOL, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
SAVANNAH, GEORGIA

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KARP, RONNING & TINDOL
CERTIFIED PUBLIC ACCOUNTANTS
123 ABERCORN STREET
SAVANNAH, GEORGIA 31401

**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 Audit Committee and Members of the Board of Public
Education for the City of Savannah and the County of Chatham
Savannah, Georgia

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Public Education for the City of Savannah and the County of Chatham (district), as of and for the year ended June 30, 2008, which collectively comprise the district's basic financial statements and have issued our report thereon dated December 12, 2008. 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

In planning and performing our audit, we considered the district'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 district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the district's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design and operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the district's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the district's financial statements that is more than inconsequential will not be prevented or detected by the district's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting (Finding reference no: 2008-01).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the district's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the district'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 also noted other matters that we reported to the district's management in a separate letter dated December 12, 2008.

The district'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 district's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board, audit committee, management, 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.

Karp, Ronning & Tindol, P.C.

December 12, 2008

KARP, RONNING & TINDOL

CERTIFIED PUBLIC ACCOUNTANTS

123 ABERCORN STREET
SAVANNAH, GEORGIA 31401

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Audit Committee and Members of the Board of Public
Education for the City of Savannah and the County of Chatham
Savannah, Georgia

Compliance

We have audited the compliance of the Board of Public Education for the City of Savannah and the County of Chatham (district), 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, 2008. The district's major federal programs are identified in the summary of auditors' 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 district's management. Our responsibility is to express an opinion on the district'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 district'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 on the district's compliance with those requirements.

In our opinion, the district complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2008-02 and 2008-03.

Internal Control Over Compliance

The management of the district 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 district's internal control over compliance with 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 district's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2008-02 and 2008-03 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, which result in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program, will not be prevented or detected by the entity's internal control. We do not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

The district's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the district'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 Board of Public Education for the City of Savannah and the County of Chatham (district) for the year ended June 30, 2008, and issued our report thereon dated December 12, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the district's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information of the audit committee, management, 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.

Karpis, Ronning & Tindol, P.C.

January 25, 2009 (except with respect to the schedule of expenditures of federal awards, as to which the date is December 12, 2008)

I. SCHEDULE OF FINDINGS AND QUESTIONED COSTS

A. Summary of Auditors' Results

Financial Statements

1. The auditors' report expresses an unqualified opinion on the basic financial statements of Board of Public Education for the City of Savannah and the County of Chatham (district).
2. Internal control over financial reporting:
 - a Material weakness(es) identified? _____ yes X no
 - b Significant deficiency(ies) identified that are not considered to be material weaknesses? X yes _____ none reported
3. Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

4. Internal control over major programs:
 - a Material weakness(es) identified? _____ yes X no
 - b Significant deficiency(ies) identified that are not considered to be material weaknesses? X yes _____ none reported
5. The auditors' report expresses an unqualified opinion for all major programs.
6. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? X yes _____ no
7. The programs tested as major programs include:

<u>Program</u>	<u>CFDA No.</u>
Child Nutrition Cluster	10.555 & 10.553
Food Distribution	10.550
Impact Aid	84.041
Title IVA1 -Safe & Drug Free Schools and Communities	84.186
Title IVB - 21st Century Community Learning	84.287
Title IIA - Improving Teacher Quality	84.367
Special Education Cluster	84.027 & 84.173

8. The threshold for distinguishing Types A and B programs was \$1,268,852.
9. The district was determined not to be a low risk auditee.

B. Financial Statement Findings

2008-01: Improve Segregation of Duties over Journal Entries

Condition: Journal entries are prepared and approved by the same person.

Criteria: The preparation of journal entries should be performed by individuals not involved in the approval process.

Effect: Increased risk that the internal control system over journal entries would not detect and correct errors or irregularities in a timely manner that could have a material and direct effect on the district financial statements.

Recommendation: The district should consider evaluating the duties of personnel within the Finance department to improve the segregation of duties over the preparation and approval process of journal entries.

Response from management: Management will review the journal entry process in order to improve segregation of duties. All journal entries currently being prepared and approved by the same person will be examined to determine whether the preparation or the approval could be assigned to another staff member. This review and reassignments will be completed by March 31, 2009. In addition, a summary report of all manual journal entries will be reviewed by the Chief Financial Officer on a monthly basis, beginning March 31, 2009.

C. Federal Award Findings and Questioned Costs

U.S. Department of Education

2008-02: Title IIA – Improving Teacher Quality – CFDA #84.367

Condition: During allowable cost audit procedures performed on grant expenditures, we noted that suspension and debarment procedures were not performed for vendor goods or services acquired through sole source or check request procurement processes.

Criteria: In accordance with Title 34, part 85 of the U.S. Department of Education grant regulations, suspension and debarment must be verified by checking the Excluded Parties List system or collecting a certification from the vendor if applicable, or adding a clause or condition to the transaction with the vendor on all contracts for goods or services that are expected to equal or exceed \$25,000, and are funded or authorized under the U.S. Department of Education federal programs.

Effect: Noncompliance with EDGAR, Title 34, part 85, Subpart A and increased risk of not detecting or correcting the procurement of goods and services from vendors that are suspended or debarred within a timely manner.

Questioned cost: Undeterminable

Recommendation: The district should revise the procurement procedures to include verification for suspension and debarment on all goods and services that are acquired with federal funding and equal or exceed \$25,000, regardless of method of acquisition.

Response from management: The Purchasing Department has revised its sole source approval process to include a review of the Excluded Parties List system effective February 1, 2009.

**2008-03: Special Education – Grant to States (IDEA, Part B) - CFDA # 84.027
Special Education – Preschool Grants (IDEA, Preschool) – CFDA #84.173**

Condition: During audit procedures performed over allowable costs, semi-annual certifications were not located for four (4) out of twenty-five (25) personnel working solely on the single federal program.

Criteria: In accordance with OMB Circular A-87, Attachment B, paragraph 8.h.(3), employees working solely on a single cost objective (i.e. single federal program whose funds have not been consolidated or Federal programs whose funds have been consolidated but not with State and local funds) must furnish a semi-annual certification that the individual has been engaged solely in activities supported by the applicable funding source.

Effect: Noncompliance with OMB Circular A-87, Attachment B, paragraph 8.h.(3).

Questioned cost: Undeterminable

Recommendation: The district should consider designing a centralized monitoring process to ensure that all employees working solely on a single cost objective (i.e. single federal program whose funds have not been consolidated or Federal programs whose funds have been consolidated but not with State and local funds) furnish a semi-annual certification that the individual has been engaged solely in activities supported by the applicable funding source.

Response from management: Site-specific monthly position control reports are currently distributed to school sites. In addition, grant-specific reports are available upon request and will be distributed on a monthly basis to district-level grant managers, effective February 1, 2009. The completion of the semi-annual certification is being monitored by central office staff in conjunction with the position control reports, effective as of September 2, 2008.

STATUS OF PRIOR YEAR MAJOR FEDERAL AWARD PROGRAM AUDIT FINDINGS

2007-05: Title IA–Grants to Local Education Agencies – CFDA# 84.010
Teaching American History – CFDA # 84.215X
Title IVB – 21st Century Community Learning Center – CFDA# 84.287
Special Education – Grants to States – CFDA #84.027
Title IIA – Improving Teacher Quality – CFDA #84.367

Condition: As discussed in finding 2007-03, the district utilized temporary employees to fill positions funded by local monies and federal award monies. For the temporary employees funded with federal award monies, the district did not obtain periodic certification from the specified personnel. According to the program managers, period certifications were only obtained from employees in permanent positions. They were unaware that the period certifications were required from all employees funded by federal award programs.

Status: Corrected

2007-06: Title I – CFDA #84.010

Condition: During audit engagement procedures performed over highly qualified teachers and paraprofessional compliance criteria, noted that out of 15 Title I funded positions examined, one paraprofessional was performing direct instructional duties that were inconsistent with the level of education and certifications. The paraprofessional was assigned a full course load for the entire 2006-07 academic year, performing instructional services to students without the direct supervision of a highly qualified teacher.

Status: Corrected

2006-01: Improving Teacher Quality – CFDA # 84.367

Condition: Check requests are being processed for the purchase of goods and services not meeting the purchasing guidelines. Because of the failure to adhere to the purchasing guidelines, purchases greater than \$10,000 that required the sealed bid procedures were not followed. One out of ten invoices tested for the program was not in compliance with the procurement rules and regulations.

Status: Corrected

2006-03: Improving Teacher Quality – CFDA # 84.367
Special Education-Grants to States (IDEA Part B) – CFDA # 84.027
Special Education-Preschool Grants (IDEA Preschool) – CFDA #84.173

Condition: Schools participating in the Schoolwide program are determined by applying the low income eligibility requirements under the Title IA programs. Certain salaries of staff

funded with the above awards are dedicated to positions at non-Title IA schools or the central office that are subject to bi-annual certification requirements. The bi-annual certifications were not completed by the specified staff. According to the program managers, semi-annual certifications from employees funded by Special Education federal funds were not prepared, and employees funded by the Improving Teacher Quality federal funds completed only one of the two required certifications.

Status: Partially corrected – See Finding 2008-02

**THE BOARD OF PUBLIC EDUCATION FOR THE CITY OF SAVANNAH
AND THE COUNTY OF CHATHAM, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

Grant Title	CFDA Number	Grantor's Number	Grant Expenditures (1)
U.S. Department of Agriculture			
Passed through			
Georgia Department of Education			
Food Distribution	10.550	N/A	\$ 808,703
After School Snack Program	10.558	624.50	5,131
Child Nutrition Cluster:			
National School Lunch Program	10.555	624.50	7,311,559
School Breakfast Program	10.553	624.50	<u>2,059,607</u>
Total U.S. Department of Agriculture			<u>10,185,000</u>
U.S. Department of Education			
Direct Program			
Impact Aid	84.041	N/A	520,782
Teaching American History	84.215X	N/A	622,862
Magnet Schools Assistance	84.165	N/A	1,942,148
Smaller Learning Communities	84.215L	N/A	269,412
Passed through			
Georgia Department of Education			
Hurricane Education Recovery Act Programs	84.938	145.00	-
Safe and Drug Free Schools and Communities	84.186	61.00	237,211
Title IID - Education Technology State Grants	84.318	568.00	49,109
Special Education Cluster:			
Flowthrough	84.027	39.00	6,800,143
Part B Special Projects	84.027	184.00	251,954
Preschool Grants	84.173	624.12	200,294
Education for Homeless Children and Youth	84.196	55.00	60,310
Character through Arts	84.201	624.21	
Charter Schools	84.282	50.00	115,000
Title I - Grants to Local Education Agencies	84.010	27, 576, 577, & 30	13,806,332
Title IB - Reading First	84.357	98.00	1,498,436
Title IIA - Improving Teacher Quality - State Grants	84.367	569.00	2,557,334
Title IIIA - Limited English Proficiency	84.365	565.00	93,000
Title IVB - 21st Century Community Learning Centers	84.287	578.00	1,830,614
Title IIB - Math and Science Partnership	84.366	147.00	41,953
Title V - Innovation Education Program	84.298	570.00	88,525
Vocational Education - Basic Grants to States	84.048	429 & 430	447,617

(continued)

**THE BOARD OF PUBLIC EDUCATION FOR THE CITY OF SAVANNAH
AND THE COUNTY OF CHATHAM, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

Grant Title	CFDA Number	Grantor's Number	Grant Expenditures (1)
U.S. Department of Education (continued)			
Passed through			
Georgia Board of Regents - Armstrong Atlantic State University Partnership for Reform In Science and Mathematics	84.366	N/A	<u>31,450</u>
Total U.S. Department of Education			<u>31,464,485</u>
U.S. Department of Defense			
Direct Program			
Department of Army ROTC Program	12.000	N/A	326,304
Department of Navy ROTC Program	12.000	N/A	128,667
Department of Defense (Forestry products)	12.000	N/A	<u>14,694</u>
Total U.S. Department of Defense			<u>469,664</u>
U.S. Fish and Wildlife Services			
Passed through			
Chatham County, Georgia	15.000	N/A	<u>126,664</u>
Total U.S. Fish and Wildlife Services			<u>126,664</u>
U.S. Department of Health and Human Services			
Passed through			
Georgia Department of Technical and Adult Education Temporary Assistance to Needy Families	93.558	N/A	<u>49,244</u>
Total U.S. Department of Health and Human Services			<u>49,244</u>
Total Federal Expenditures			<u>\$ 42,295,058</u>

(1) - Expenditures are reported on the modified accrual basis of accounting.

(concluded)