

***Anderson County Board of Commissioners
Audit Committee
Meeting Agenda***

February 06, 2024
3:30 p.m. in Room 312

Committee Members: Josh Anderson, Chairman, Tyler Mayes, Michael Foster, Stephen Verran, Aaron Wells, Phil Yager and Gail Cook.

- I. Elect a Chairman, Vice-Chairman
- II. 2023 Fiscal Year Audit Finding 2023-001 and Corrective Action Plan
- III. New Business
- IV. Adjourn

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our audit, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their responses. Written responses for all findings are paraphrased and presented following each finding and recommendation. Management's corrective action plan, whether related to the financial statements or federal awards, is presented separately in the Management's Corrective Action Plan in the Single Audit Section of this report. Findings relating specifically to the audit of federal awards, if any, are separately presented under Part III, Findings and Questioned Costs for Federal Awards.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 2023-001

THE SCHOOL DEPARTMENT FAILED TO REQUEST REIMBURSEMENTS FOR GRANT EXPENDITURES ON A TIMELY BASIS RESULTING IN A DEFICIT IN UNASSIGNED FUND BALANCE AT JUNE 30, 2023

(Internal Control – Significant Deficiency Under *Government Auditing Standard*)

School department personnel failed to request reimbursements for grant expenditures related to state and federal programs on a timely basis. Receivables resulting from reimbursement requests for the period of June 2023, totaling \$357,753 in the General Purpose School Fund and \$273,041 in the School Federal Projects Fund, have been deferred. These receivables are not reflected as revenues in the fund financial statements since they were not received within the department's 60-day availability period after year end. These reimbursements were for expenditures made prior to June 30, 2023; however, the funds were not requested until September 6, 2023, and reimbursements were received in the General Purpose School Fund on September 27, 2023, and in the School Federal Projects Fund on September 19, 2023. Sound business practices dictate that requests for grant reimbursements be made on a current basis.

The failure to submit requests for reimbursements on a timely basis in the General Purpose School Fund limited its operating funds by relying on existing cash and fund balances to cover expenditures that the state or federal programs would otherwise reimburse. The failure to submit requests for reimbursements on a timely basis in the School Federal Projects Fund resulted in the fund having a deficit in unassigned fund balance of \$273,041 at June 30, 2023. As noted above, grant funds were requested and received subsequent to June 30, 2023, liquidating the deficit.

RECOMMENDATION

Requests for reimbursements from grant funds should be made on a timely basis.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

We concur with this finding and have developed a corrective action plan to address this issue.

OFFICES OF TRUSTEE, FINANCE DIRECTOR, AND DIRECTOR OF SCHOOLS

FINDING 2023-002

THE SCHOOL FEDERAL PROJECTS FUND HAD A CASH OVERDRAFT FOR THE MAJORITY OF THE YEAR AND THE TRUSTEE PAID CHECKS FROM THE SCHOOL FEDERAL PROJECTS FUND THAT EXCEEDED AVAILABLE FUNDS

(A. - Internal Control – Significant Deficiency Under *Government Auditing Standards*; B. – Noncompliance Under *Government Auditing Standards*)

We noted the following deficiencies related to the School Federal Projects Fund:

- A. The School Federal Projects Fund had a cash overdraft for 11 of 12 months during the fiscal year end by as much as of \$3,110,280. This cash overdraft resulted from the issuance of checks exceeding cash on deposit with the county trustee. Sound business practices dictate that disbursements be held within available funds.
- B. The trustee paid checks issued from the School Federal Projects Fund that exceeded the available cash on deposit. Section 8-11-104(5), *Tennessee Code Annotated*, prohibits the trustee from paying a check if sufficient funds are not available.

These deficiencies exist because the finance department issued checks exceeding cash on deposit with the trustee, and the trustee continued paying checks that exceeded available cash. The cash overdraft was liquidated as of June 30, 2023, with receipt of funds from the Tennessee Department of Education. It should be noted that the cash overdrafts persisted following the June 30, 2023, year end.

RECOMMENDATION

The finance department and school department personnel should monitor the cash balance and not issue checks exceeding cash on deposit with the county trustee. The county trustee should not pay checks that exceed available cash as required by state statute.

MANAGEMENT'S RESPONSE – TRUSTEE AND FINANCE DIRECTOR

Because the School Federal Projects Fund is funded with grant money, and those monies must be spent first and then reimbursed, we asked for direction on how to properly manage it. We all, Finance, Trustee, and School Department understood, we must finish June 30 in the positive, but did not realize we need to be in the positive at the end of every month. Moving forward they will add excess money in the fund, so the month can end in the positive even if all the reimbursements have not been received.

MANAGEMENT'S RESPONSE –DIRECTOR OF SCHOOLS

We concur with this finding and have developed a corrective action plan to address this issue.

PART III, FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings and questioned costs related to federal awards for the year ended June 30, 2023.

Anderson County, Tennessee
Management's Corrective Action Plan
For the Year Ended June 30, 2023

We reviewed the financial statement and federal award findings and recommendations with management to provide an opportunity for their response as required by the auditee requirements within Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Management's corrective action plans for all financial statement findings and federal award findings are presented in this section and have been indexed below. The corrective action plans were prepared by management and have been presented as they were submitted.

Finding Number	Title of Finding	Corrective Action Plan Page Number
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OFFICE OF DIRECTOR OF SCHOOLS

2023-001	The school department failed to request reimbursements for grant expenditures on a timely basis resulting in a deficit in unassigned fund balance at June 30, 2023.	314
2023-002	The School Federal Projects Fund had a cash overdraft for the majority of the year and the trustee paid checks from the School Federal Projects Fund that exceeded available funds.	315

OFFICES OF TRUSTEE AND FINANCE DIRECTOR

2023-002	The School Federal Projects Fund had a cash overdraft for the majority of the year and the trustee paid checks from the School Federal Projects Fund that exceeded available funds.	317
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ANDERSON COUNTY SCHOOL DISTRICT
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Julie Minton
Chief Financial Officer

Corrective Action Plan

FINDING: THE SCHOOL DEPARTMENT FAILED TO REQUEST REIMBURSEMENTS FOR GRANT EXPENDITURES ON A TIMELY BASIS RESULTING IN A DEFICIT IN UNASSIGNED FUND BALANCE AT JUNE 30, 2023

Response and Corrective Action Plan Prepared by:
Julie Minton, CFO of Anderson County Schools

Person Responsible for Implementing the Corrective Action:
Julie Minton, CFO of Anderson County Schools; Marcus Bullock, Assistant Director of Fiscal Services; Other Fiscal Services personnel as required

Anticipated Completion Date of Corrective Action:
Ongoing - beginning in October

Repeat Finding: NO

Planned Corrective Action:

In the past, it has not been necessary to file year-end Requests for Reimbursements before completing a Final Expenditure Report. Recently, however, procedures were updated and revised to require all funds expended for certain grants to be requested and received before submitting the Final Expenditure Report.

As Fiscal Services personnel were not aware of the updated procedures/requirements regarding the requests of funds expended prior to filing the Final Expenditure Reports, these were filed with receivables due to Anderson County Schools. When this was brought to the attention of Fiscal Services personnel, the Requests for Reimbursements were completed and received, and the Final Expenditure Report was resubmitted.

Unfortunately, the funds were received outside the allowable time frame of 60 days to be recognized for audit purposes.

To ensure future compliance, Anderson County Schools Fiscal Services personnel will implement the following procedures:

- File Requests for Reimbursement in a timely manner to ensure revenues are reflected within the 60-day availability period after year end.
- Diligently monitor cash balances in General Purpose Schools Fund (141) and School Federal Projects Fund (142).

FINDING: THE SCHOOL FEDERAL PROJECTS FUND HAD A CASH OVERDRAFT FOR THE MAJORITY OF THE YEAR AND THE TRUSTEE PAID CHECKS FROM THE SCHOOL FEDERAL PROJECTS FUNDS THAT EXCEEDED AVAILABLE FUNDS

Response and Corrective Action Plan Prepared by:
Julie Minton, CFO of Anderson County Schools

Person Responsible for Implementing the Corrective Action:
Julie Minton, CFO of Anderson County Schools; Marcus Bullock, Assistant Director of Fiscal Services; Other Fiscal Services personnel as required

Anticipated Completion Date of Corrective Action:
Ongoing - beginning in November 2023 (due to transfer of funds requiring commission approval)

Repeat Finding: NO

Planned Corrective Action:

Anderson County Schools recognizes the importance of sufficient cash balances for the School Federal Projects Fund (142). To ensure future compliance with section 8-11-104(5), *Tennessee Code Annotated*, Anderson County Schools will implement the following procedures:

- Request a permanent transfer of funds from General Purpose Schools Fund (141) to School Federal Projects Fund (142), which will increase the cash balance available for the School Federal Projects Fund (142).
- Require departments of Anderson County Schools to submit all School Federal Projects (142) payables to the Anderson County Schools Fiscal Services to confirm a sufficient cash balance is available prior to processing the payment of fund expenditures.

Signature: D. Z. Park

Signature: Julie Minton

Signature: Marcus Minton



ANDERSON COUNTY GOVERNMENT

ROBERT J. HOLBROOK
FINANCE DIRECTOR

Corrective Action Plan

FINDING 2023-002

THE SCHOOL FEDERAL PROJECTS FUND HAD A CASH OVERDRAFT FOR THE MAJORITY OF THE YEAR AND THE TRUSTEE PAID CHECKS FROM THE SCHOOL FEDERAL PROJECTS FUND THAT EXCEEDED AVAILABLE FUNDS

Response and Corrective Action Plan Prepared by:

Robert J. Holbrook, Finance Director
Regina Copeland, Trustee

Person Responsible for Implementing the Corrective Action:

Robert J. Holbrook, Finance Director; Regina Copeland, Trustee; Other Finance and Trustee personnel as required

Anticipated Completion Date of Corrective Action:

November 21, after Commission meeting.

Repeat Finding:

No

Planned Corrective Action:

The Finance Department and Trustee will monitor the Fund 142 cash balance daily and ensure that no checks will be released unless there is sufficient cash in Fund 142. The Finance Department and Trustee will communicate any issues with Fiscal Services Department at Anderson County Schools.

Robert J. Holbrook
Director of Finance

Regina Copeland
Trustee