

KNOX COUNTY, TENNESSEE

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

For the Year Ended June 30, 2023



KNOX COUNTY, TENNESSEE

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

For the Year Ended June 30, 2023

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INDEPENDENT AUDITOR'S 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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, budgetary comparison statement of the general fund and the aggregate remaining fund information of Knox County, Tennessee (the "County") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 31, 2024. Our report includes a reference to other auditors who audited the financial statements of The Development Corporation of Knox County ("TDC") and the Knox Education Foundation ("KEF"), discretely presented component units reported in the financial statements of the County, as described in our report on 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.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2023-001, 2023-002, 2023-004, and 2023-005 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2023-003 and 2023-006.

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

Government Auditing Standards requires the auditor to perform limited procedures on the County's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs and the Corrective Action Plan. The County's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
January 31, 2024



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Knox County, Tennessee’s (the “County”) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the County’s major federal programs for the year ended June 30, 2023. 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.

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, 2023.

The County’s basic financial statements include the operations of The Development Corporation of Knox County (“TDC”) and the Knox Education Foundation (“KEF”), discretely presented component units reported in the financial statements of the County. Our audit, described below, did not include the operations of TDC or KEF because these entities engaged other auditors to perform their audits. Based upon the reports of the other auditors, TDC and KEF did not receive any federal awards for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County’s compliance with the compliance requirements referred to above.



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Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the County's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2023-007. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the noncompliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. The County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of Knox County, Tennessee as of and for the year ended June 30, 2023, and have issued our report thereon dated January 31, 2024, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by the Uniform Guidance and the Tennessee Comptroller of the Treasury and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the financial statements as a whole.

Pugh & Company, P.C.

Certified Public Accountants

Knoxville, Tennessee

January 31, 2024

KNOX COUNTY, TENNESSEE (PRIMARY GOVERNMENT)
KNOX COUNTY BOARD OF EDUCATION (DISCRETELY PRESENTED COMPONENT UNIT)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
Knox County, Tennessee (Primary Government):				
U.S. Department of Agriculture:				
Passed through Tennessee Department of Health:				
Special Supplemental Nutrition Program for Women, Infants, and Children:				
Women, Infants, and Children (WIC)	10.557	GG-22-72543-00	\$	1,889,093
Women, Infants, and Children (WIC) - Peer	10.557	GG-22-72543-00		<u>96,067</u>
Total U.S. Department of Agriculture				<u>1,985,160</u>
U.S. Department of Housing and Urban Development:				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grant	14.218	B-20-UC-47-0001	\$	39,956
Community Development Block Grant - Coronavirus	14.218	B-21-UC-47-0001		362,152
Community Development Block Grant	14.218	B-21-UC-47-0001		384,458
Community Development Block Grant	14.218	B-20-UW-47-0001		<u>276,755</u>
Total CDBG - Entitlement Grants Cluster				<u>1,063,321</u>
Passed through the Tennessee Dept. of Economic Development:				
Community Development Block Grant	14.228	EDISON 15232		<u>400,000</u>
HOME Investment Partnerships Programs	14.239	M-21-UC-47-0204		40,926
HOME Investment Partnerships Programs	14.239	M-21-UP-47-0204		<u>1,405</u>
Total HOME Investment Partnerships Programs				<u>42,331</u>
Total U.S. Department of Housing and Urban Development				<u>1,063,321</u>
U.S. Department of Justice:				
Edward Byrne Memorial Justice Assistance Grant Program:				
Edward Byrne Memorial Justice Assistance Grant	16.738	2020-DJ-BX-0229		41,862
Edward Byrne Memorial Justice Assistance Grant	16.738	2019-DJ-BX-0764		25,804
Edward Byrne Memorial Justice Assistance Grant	16.738	2018-DJ-BX-0710		<u>77,284</u>
Total Edward Byrne Memorial Justice Assistance Grant Program				<u>144,950</u>
Bureau of Justice Assistance Grant Program:				
State Criminal Alien Assistance Program	16.606			<u>4,439</u>
Total Bureau of Justice Assistance Grant Program				<u>4,439</u>
Federal Bureau of Investigation:				
Law Enforcement Assistance - FBI Field Police Training	16.302	N/A		5,721
Law Enforcement Assistance - FBI Field Police Training	16.302	N/A		<u>1,680</u>
Total Federal Bureau of Investigation				<u>7,401</u>
Office of Community Oriented Policing Services:				
Organized Crime Drug Enforcement Task Force	16.710	SI-SE-005-17		4,715
Organized Crime Drug Enforcement Task Force	16.710	SI-SE-005-17		21,440
Organized Crime Drug Enforcement Task Force	16.710	M-22-D74-O-000064		2,839
TBI Dangerous Drugs Task Force (funding from COPS program)	16.710	M-21-D74-O-000069		12,354
TBI Dangerous Drugs Task Force (funding from COPS program)	16.710	M-21-D74-O-000069		<u>74,179</u>
Total Office of Community Oriented Policing Services				<u>115,527</u>

The accompanying notes are an integral part of this schedule.

KNOX COUNTY, TENNESSEE (PRIMARY GOVERNMENT)
KNOX COUNTY BOARD OF EDUCATION (DISCRETELY PRESENTED COMPONENT UNIT)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
Knox County, Tennessee (Primary Government) (Continued):				
Passed Through Tennessee Office of Criminal Justice Programs:				
Crime Victim Assistance	16.575	2015-VA-GX-0053	\$	63,946
National Crime Victims Rights Week	16.582	15POVC-21-GK-00412-NONF		4,553
Indigent Defense Grant	16.836	15 PJDP-21-GG-02752-JIDX		132,243
Comprehensive Opioid Abuse Site	16.838	EDISON 72588		<u>72,938</u>
Total Passed Through Tennessee Office of Criminal Justice Programs				<u>273,680</u>
Criminal Division:				
Equitable Sharing Program	16.922	N/A		<u>63,517</u>
Total Criminal Division				<u>63,517</u>
Total U.S. Department of Justice				<u>609,514</u>
U.S. Department of Transportation:				
Federal Highway Administration:				
Passed through Tennessee Department of Transportation:				
Highway Planning and Construction - Traffic Signal Coordination Project	20.205	AGREEMENT: 140234 PIN 121587.00		894,962
Highway Planning and Construction - Traffic Signal Coordination Project	20.205	AGREEMENT: 190383 PIN 128833.00		<u>35,150</u>
Total Highway Planning and Construction				930,112
Hazardous Materials Emergency Planning	20.703	GG-02-18-21 FFATA		<u>12,305</u>
Total Federal Highway Administration				<u>942,417</u>
National Highway Traffic Safety Administration:				
Passed through Tennessee Department of Transportation:				
Alcohol Open Container Requirements	20.607	22-71189 (PT)		38,984
Alcohol Open Container Requirements	20.607	PT-21-056 / 42		<u>70,975</u>
Total National Highway Traffic Safety Administration				<u>109,959</u>
Total U.S. Department of Transportation				<u>1,052,376</u>
U.S. Treasury:				
COVID - Emergency Rental Assistance Program:				
Emergency Rental Assistance (ERA 2) Program	21.023			4,765,972
Emergency Rental Assistance (ERA 1) Program	21.023			<u>21,282,934</u>
Total Emergency Rental Assistance Program				<u>26,048,906</u>
COVID - Coronavirus State and Local Fiscal Recovery Funds:				
Knox County American Rescue Plan Act	21.027			1,276,805
ARPA - Engineering and Public Works Facility	21.027			(51,765)
ARPA - Knox County Parks and Recreation	21.027			152,919
ARPA - Knox County IT Software Maintenance & Licensing	21.027			250,000
ARPA - Justice System Software Upgrade	21.027			381,310
ARPA - Demolition of Rule High School	21.027			633,000
ARPA - ChildHelp Tennessee	21.027		\$ 253,581	253,581
ARPA - Metro Drug Gateway Facility	21.027		875,000	875,000
ARPA - Mend House Rehab	21.027		111,172	111,172
ARPA - Renew Clinic Rehab	21.027		79,900	79,900
ARPA - Jellinek Rehab	21.027		33,000	33,000

The accompanying notes are an integral part of this schedule.

KNOX COUNTY, TENNESSEE (PRIMARY GOVERNMENT)
KNOX COUNTY BOARD OF EDUCATION (DISCRETELY PRESENTED COMPONENT UNIT)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
Knox County, Tennessee (Primary Government) (Continued):				
ARPA - Zoo Knoxville	21.027		\$ 2,330,225	\$ 2,330,225
ARPA - Arts and Culture Alliance	21.027		626,420	626,420
ARPA - Vol Ministry Center Foyer	21.027		25,000	25,000
ARPA - Vol Ministry Center Mobile Hygiene	21.027		25,000	25,000
ARPA - Knox County Health Dept. Septic Repair Program	21.027			14,513
ARPA - CAC Senior Health	21.027		84,574	84,574
ARPA - Plumb Creek Restoration	21.027			30,235
ARPA - Mill Run Stream	21.027			950
ARPA - Mannis Lane Acquisition & Demo	21.027			321,954
ARPA - KUB Water-Sewer Utility project	21.027		1,726,160	1,726,160
ARPA - Bluegrass Lake	21.027			21,333
ARPA - Cedar Bluff/Dutchtown Road	21.027			1,500
ARPA - Boys and Girls Club	21.027		325,000	325,000
ARPA - CAC Mobile Meals Kitchen	21.027		472,540	472,540
ARPA - Canvas can do Miracles	21.027		8,629	8,628
ARPA - Centro Hispano	21.027		33,193	33,193
ARPA - Cokesbury Fig Tree	21.027		61,011	61,011
ARPA - East Tn Economic Development Corp	21.027		50,000	50,000
ARPA - Freedom Village of Hope	21.027		4,707	4,707
ARPA - Second Harvest	21.027		369	369
ARPA - Young Williams Animal Center	21.027		170,000	170,000
ARPA - YWCA Keys of Hope	21.027		18,023	18,023
ARPA - Free Medical Clinic of America	21.027		33,333	33,333
ARPA - Roof Asset Management Plan	21.027			195,134
Passed through the Tennessee Department of Environment and Conservation:				
ARPA - KUB Water-Sewer Utility project	21.027		470,000	470,000
Total Coronavirus State and Local Fiscal Recovery Funds			<u>7,816,837</u>	<u>11,044,724</u>
Total U.S. Treasury			<u>7,816,837</u>	<u>37,093,630</u>
National Endowment for the Humanities:				
Passed through Tennessee Secretary of State:				
Grants to States:				
LSTA - TN ST. Archives CARES Act Grant	45.310	LS-249989-OLS-21		10,000
LSTA - TN ST. Archives Equipment Grant	45.310	30501-01722-76		17,839
Total LSTA				<u>27,839</u>
Promotion of the Arts Grants to Organizations and Individuals				
Festival of Reading	45.024	AWARD 1853753-52-19		10,000
Total National Endowment for the Humanities				<u>37,839</u>

The accompanying notes are an integral part of this schedule.

KNOX COUNTY, TENNESSEE (PRIMARY GOVERNMENT)
KNOX COUNTY BOARD OF EDUCATION (DISCRETELY PRESENTED COMPONENT UNIT)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
Knox County, Tennessee (Primary Government) (Continued):				
Environmental Protection Agency:				
Office of Air and Radiation:				
Air Pollution Control Program Support:				
Air Pollution Control Program Support - Section 105	66.001	A-00408320	\$	136,550
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act Section 103	66.034	PM-96497608		<u>64,481</u>
Total Office of Air and Radiation				<u>201,031</u>
Office of Water:				
Passed through Tennessee Department of Agriculture:				
Nonpoint Source Implementation Grant	66.460	99467418		266
Nonpoint Source Implementation Grant	66.460	99467620		<u>52,860</u>
Total Office of Water				<u>53,126</u>
Total Environmental Protection Agency				<u>254,157</u>
U.S. Department of Energy:				
Passed Through Tennessee Emergency Management Agency:				
Environmental Monitoring/Cleanup, Cultural and Resource Management, Emergency Response Research, Outreach, Technical Analysis	81.214	DE-SC0019506		<u>15,951</u>
Total U.S. Department of Energy				<u>15,951</u>
U.S. Department of Health and Human Services:				
Passed through Tennessee Department of Health:				
Centers for Disease Control and Prevention:				
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	GG-20-62637-00		106,552
Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	93.426	GG-20-62524-02		97,127
Immunization Cooperative Agreements Grants Program:				
COVID- Immunizations and Vaccines for Children Program	93.268	GG-22-75891-00		616,540
Immunizations and Vaccines for Children Program	93.268	GG-22-75891-00		<u>157,112</u>
Total Immunization Cooperative Agreements Grants Program				<u>977,331</u>
Hospital Preparedness Program and Public Health Emergency Preparedness Aligned Cooperative Agreements:				
Public Health Emergency Preparedness (HPP)	93.074	GG-18-54852-02		444,846
Healthcare Preparedness Activities (HPP)	93.074	GG-18-54852-02		<u>70,100</u>
Total Hospital Preparedness Program and Public Health Emergency Preparedness Aligned Cooperative Agreement				<u>514,946</u>
National State Based Tobacco Control Programs	93.387	GG-20-65195-01		<u>59,203</u>
HIV Prevention Activities Program:				
HIV Prevention - STD Grant	93.940	GG-21-69355-00		37,934
HIV Prevention - STD Grant	93.940	NU62PS924520-05		<u>18,426</u>
Total HIV Prevention Activities Program				<u>56,360</u>

The accompanying notes are an integral part of this schedule.

KNOX COUNTY, TENNESSEE (PRIMARY GOVERNMENT)
KNOX COUNTY BOARD OF EDUCATION (DISCRETELY PRESENTED COMPONENT UNIT)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
Knox County, Tennessee (Primary Government) (Continued):				
U.S. Department of Health and Human Services (Continued):				
Passed through Tennessee Department of Health (Continued):				
Centers for Disease Control and Prevention (Continued):				
Public Health Emergency Preparedness (PHEP) and Emergency Response (ELC)	93.323	GG-23-77111-00		\$ 2,505,539
Public Health Emergency Preparedness (PHEP) and Emergency Response (ELC)	93.323	Z-23-265313-01		18,717
Total Public Health Emergency Preparedness (PHEP) and Emergency Response (ELC)				<u>2,524,256</u>
Injury Prevention and Control Research and State and Community Based Programs:				
High Impact Area	93.136	GG-22-72195-00		275,171
Injury Prevention and Control Research	93.136	GG-19-61955-00		36,154
Total Injury Prevention and Control Research Programs				<u>311,325</u>
Preventative Health and Health Services Block Grant	93.991	GG-21-65617-01		94,500
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs:				
Child Fatality Review Services	93.946	GG-19-61166-00		3,237
Passed through Association of State & Territorial Health Officials:				
Improving Social Determinants of Health - Getting Further Faster project	93.421	NU380T000290-03-01		19,963
Improving Social Determinants of Health - Getting Further Faster project	93.421	2022-012601		26,754
Improving Social Determinants of Health - Getting Further Faster project	93.421	2022-012601		145,998
Total Passed through Association of State and Territorial Health Officials				<u>192,715</u>
Total Centers for Disease Control and Prevention				<u>4,733,873</u>
Health Resources and Services Administration:				
Passed through Tennessee Department of Health:				
Evidence Based Home Visitation Services	93.870	GG-22-72590		651,834
HIV Care Formula Grant- Elastography	93.917	GG-22-74693-01		629,718
STD Prevention and Control Grants	93.977	GG-21-69355-00		183,393
Cancer Prevention Control Programs	93.898	GG-21-65621-00		131,404
Maternal and Child Health Services Block Grant - Community Health Access and Navigation in Tennessee (CHANT) Program	93.994	GG-22-70985-01		156,813
Total Health Resources and Services Administration Programs				<u>1,753,162</u>
Office of Population Affairs:				
Family Planning Services	93.217	GG-18-54442-01		530,987
Total Family Planning Services				<u>530,987</u>

The accompanying notes are an integral part of this schedule.

KNOX COUNTY, TENNESSEE (PRIMARY GOVERNMENT)
KNOX COUNTY BOARD OF EDUCATION (DISCRETELY PRESENTED COMPONENT UNIT)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
Knox County, Tennessee (Primary Government) (Continued):				
U.S. Department of Health and Human Services (Continued):				
Passed through Tennessee Department of Human Services:				
Office of Administration for Children and Families:				
Child Support Enforcement	93.563	CONTRACT NV00066219	\$	233,126
Child Support Enforcement	93.563	CONTRACT 57961		<u>300,677</u>
Total Child Support Enforcement				533,803
Child Care and Development Block Grant	93.575	CONTRACT 71543		<u>55,690</u>
Total Office of Administration for Children and Families				<u>589,493</u>
Total U. S. Department of Health and Human Services				<u>7,607,515</u>
U.S. Department of Homeland Security:				
Federal Emergency Management Agency:				
Passed through Tennessee Department of Military:				
COVID - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 4514 DR TN		22,500
Homeland Security Grant Program	97.067	EMW-2020-SS-00007-S01		317,897
Homeland Security Grant Program	97.067	EMW-2021-SS-00058-S01		<u>100,906</u>
Total Homeland Security Grant Program				<u>418,803</u>
Total U.S. Department of Homeland Security				<u>441,303</u>
Executive Office of the President:				
Passed through Laurel County, Kentucky:				
High Intensity Drug Trafficking Areas Program	95.001	G21AP0001A		41,148
High Intensity Drug Trafficking Areas Program	95.001	G22AP0001A		<u>34,664</u>
Total Executive Office of the President				<u>75,812</u>
Total Federal Awards-Knox County Primary Government			\$ 8,880,158	<u>51,072,585</u>
Knox County Board of Education (Component Unit):				
U.S. Department of Agriculture:				
Passed through Tennessee Department of Agriculture:				
Food and Nutrition Service:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	2023		4,550,969
National School Lunch Program (Included Snack Reimbursement)	10.555	2023		15,688,082
Supply Chain Assistance (SCA) Grant	10.555	2023		1,597,669
National School Lunch Program - Non-Cash Assistance - Commodities	10.555	2023		2,525,627
National School Lunch Program - State Contracted Warehouse Rebate	10.555	2023		133,570
Fresh Fruit and Vegetable Program	10.582	2022		<u>392,438</u>
Total Child Nutrition Cluster				24,888,355
Child & Adult Care Food Program	10.558	2022		130,264
COVID - Pandemic Admin Local Level Cost Grant (P-EBT)	10.649	2022		<u>5,950</u>
Total Food and Nutrition Service				<u>25,024,569</u>
Total U.S. Department of Agriculture				<u>25,024,569</u>

The accompanying notes are an integral part of this schedule.

KNOX COUNTY, TENNESSEE (PRIMARY GOVERNMENT)
KNOX COUNTY BOARD OF EDUCATION (DISCRETELY PRESENTED COMPONENT UNIT)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
Knox County Board of Education (Component Unit) (Continued):				
U.S. Department of Justice:				
Office of Community Oriented Policing Services:				
Patrick Leahy Bulletproof Vest Partnership	16.607			\$ 11,134
Public Safety Partnership and Community Policing Grants	16.710	C-21-0087		<u>244,142</u>
Total U.S. Department of Justice				<u>255,276</u>
National Science Foundation:				
Passed through the University of Tennessee:				
STEM Education	47.076	A21-0260-S001		<u>8,178</u>
Total National Science Foundation				<u>8,178</u>
National Endowment for the Arts:				
Promotion of the Arts Partnership Agreement:				
Arts 360	45.025	31625-14410		<u>4,378</u>
U.S. Department of Education:				
Office of Innovation and Improvement:				
Education Innovation and Research	84.411C	U-41-1C180052		<u>461,099</u>
Passed through Tennessee Department of Education:				
Office of Elementary and Secondary Education:				
Title I Grants to Local Education Agencies:				
Title I Grants to Local Education Agencies	84.010A	S010A200042		14,545,231
Title I Part D Grants to Local Education Agencies	84.010A	S010A200042		104,774
Title I Neglected	84.010A	S010A200042		357,088
Title I-C	84.010A	S011A210043		45,154
Turnaround Action Grant	84.010A	S010A200042		2,807
Turnaround Action Grant 3.0	84.010A	S010A210042		2,090
Additional Targeted Support and Improvement (ATSI)-22	84.010A	S010A210042		1,486
Total Title I Grants to Local Education Agencies				<u>15,058,630</u>
Education for Homeless Children and Youth Programs	84.196A	S196A210044		<u>13,222</u>
Experienced Professional in the Classroom	84.051D	33145-08519		<u>5,695</u>
COVID - Education Stabilization Fund:				
Tennessee ALL Corps	84.425D	S425D210047		2,333,035
Elementary & Secondary School Emergency Relief Fund	84.425D	S425D200047		41,824
Elementary & Secondary School Emergency Relief Fund 2.0	84.425D	S425D210047		6,055,643
Elementary & Secondary School Emergency Relief Fund 3.0	84.425D	S425D210047		26,608,577
Best for All Districts	84.425D	S425D210047		339,358
Innovative School Models	84.425U	S425U210047-21A		230,056
Additional Targeted Support and Improvement (ATSI)-21	84.425D	S010A210042		224,873
Turnaround Action Grant 2.0	84.425D	S0101A210042		274,903
ARP Homeless 1.0	84.425W	S425W210044		38,354
ARP Homeless 2.0	84.425W	S425W210044-21A		135,359
Literacy Training Teacher Stipend	84.425C	N/A		342,612
Total COVID - Education Stabilization Fund				<u>36,624,594</u>
Twenty-First Century Community Learning Centers:				
Twenty-First Century Community Learning Centers	84.287	N/A		408,198
Twenty-First Century Community Learning Centers	84.287	S87C210043		<u>308,834</u>
Total Twenty-First Century Community Learning Centers				<u>717,032</u>

The accompanying notes are an integral part of this schedule.

KNOX COUNTY, TENNESSEE (PRIMARY GOVERNMENT)
KNOX COUNTY BOARD OF EDUCATION (DISCRETELY PRESENTED COMPONENT UNIT)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
Knox County Board of Education (Component Unit) (Continued):				
U.S. Department of Education (Continued):				
Passed through Tennessee Department of Education (Continued):				
Office of Elementary and Secondary Education (Continued):				
English Language Acquisition State Grants Program:				
English Language Acquisition State Grants Title III	84.365A	S365A220042	\$	536,619
HQIM Literacy Implementation Networks	84.371C	S371C200013		<u>81,423</u>
Total English Language Acquisition State Grants Program				<u>618,042</u>
Supporting Effective Instruction State Grant:				
Quality State Grants - Title II - Part A	84.367A	S367A2000040		<u>1,890,473</u>
Student Support and Academic Enrichment Program:				
Title IV	84.424A	S424A200044		<u>1,085,546</u>
Total Office of Elementary and Secondary Education				<u>56,013,234</u>
Office of Special Education and Rehabilitative Services:				
Special Education Cluster (IDEA):				
Special Education - Grants to States (IDEA, Part B)	84.027A	H027A200052		12,242,293
Special Education - Grants to States (IDEA, Part B Preschool)	87.173A	H173A22095		441,574
Individuals with Disabilities Education Act - Partnership for Systemic Change (K-12)	84.027A	H27A200052		100,000
COVID - ARP IDEA Part B	84.027X	H027X210052		1,377,889
COVID - ARP IDEA Preschool	84.173X	H173X210095		<u>5,334</u>
Total Special Education Cluster (IDEA)				<u>14,167,090</u>
Office of Career, Technical, and Adult Education:				
Career and Technical Education - Basic Grants to States:				
Career and Technical Education - Carl Perkins	84.048A	V048A210042		<u>981,838</u>
Total Passed through Tennessee Department of Education				<u>71,162,162</u>
Passed through Tennessee Department of Human Services:				
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	H126A22063		<u>102,876</u>
Total U.S. Department of Education				<u>71,726,137</u>
U.S. Department of Health and Human Services:				
Public Health Emergency Response	93.354	NU90TP922180		<u>60,716</u>
Total Federal Awards--Knox County Board of Education Component Unit				<u>97,079,254</u>
Total Federal Awards - Knox County Primary Government and Board of Education Component Unit			\$ 8,880,158	\$ <u>148,151,839</u>

The accompanying notes are an integral part of this schedule.

KNOX COUNTY, TENNESSEE (PRIMARY GOVERNMENT)
KNOX COUNTY BOARD OF EDUCATION (DISCRETELY PRESENTED COMPONENT UNIT)
STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2023

Program Title	Identifying Number	State Expenditures
Knox County, Tennessee (Primary Government):		
Tennessee Department of Mental Health and Substance Abuse Services:		
Tennessee Certified Recovery Court Program	Edison 74956	\$ 302,499
Tennessee Certified Juvenile Recovery Court Program	Edison 74161	132,613
Tennessee Mental Health Substance Abuse Services	Edison 77755	<u>49,837</u>
Total Tennessee Department of Mental Health and Substance Abuse Services		<u>484,949</u>
Tennessee Department of Corrections:		
Tennessee Corrections Institute	31609-0007	<u>9,959</u>
Total Tennessee Department of Corrections		<u>9,959</u>
Tennessee Secretary of State:		
General Library Services	LS-249989-OLS-21	<u>632,235</u>
Total Tennessee Secretary of State		<u>632,235</u>
State of Tennessee Department of Finance and Administration, Office of Criminal Justice Programs:		
Mental Health Transport Grant (SHERIFF) FY23	2023 Local Gov DA Grant	<u>384,368</u>
Total State of Tennessee Department of Finance and Administration, Office of Criminal Justice Programs		<u>384,368</u>
Tennessee Commission on Children and Youth:		
Children Services - Youth Officer	EDISON 61478	<u>9,000</u>
Total Tennessee Commission on Children and Youth		<u>9,000</u>
Tennessee Department of Health:		
Project Diabetes	Z-23-258548	144,729
Tuberculosis Nursing	GG-22-75182-00	454,249
Maternal and Child Health Services Block Grant - Breast & Cervical Cancer	GG-23-75043-00	58,240
Sexually Transmitted Disease - Hepatitis C	GG-22-77109-00	17,500
Sexually Transmitted Disease - Hepatitis C	GG-23-75821-00	37,851

The accompanying notes are an integral part of this schedule.

KNOX COUNTY, TENNESSEE (PRIMARY GOVERNMENT)
KNOX COUNTY BOARD OF EDUCATION (DISCRETELY PRESENTED COMPONENT UNIT)
STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2023

Program Title	Identifying Number	State Expenditures
Knox County, Tennessee (Primary Government) (Continued):		
Tennessee Department of Health (Continued):		
Family Planning	GG-23-74639-00	\$ 108,756
Oral Prevention - Schools	GG-23-76475-00	204,455
Adolescent Pregnancy	GG-23-73543-00	55,573
Tobacco Prevention Advertising	GG-19-59571-00	19,677
Fetal Infant Mortality	GG-21-65620-01	148,968
Adult Emergency Dental Services	Z-23-263688-00	130,138
Baby & Me - Tobacco Prevention	GG-62507-06	94,934
Community Health Access and Navigation in Tennessee	GG-22-70985-01	<u>678,186</u>
Total Tennessee Department of Health		<u>2,153,256</u>
Tennessee Department of Human Services:		
Helen Ross McNabb InnerChange	56479-02	<u>183,392</u>
Total Tennessee Department of Human Services		<u>183,392</u>
Tennessee Department of Transportation:		
Keep Tennessee Beautiful Litter Enforcement Grant	N/A	5,000
Litter Grant	Z22LIT047	<u>171,410</u>
Total Tennessee Department of Transportation		<u>176,410</u>
Total State Financial Assistance - Knox County Primary Government		<u>\$ 4,033,569</u>

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

STATE FINANCIAL ASSISTANCE

For the Year Ended June 30, 2023

Program Title	Identifying Number	State Expenditures
Knox County Board of Education (Component Unit):		
Tennessee Department of Education:		
School Nutrition Program	2022-2023	\$ 253,107
Coordinated School Health	23-470000	162,267
Voluntary Pre-Kindergarten	23-470000	2,242,690
Safe Schools Act	23-470000	1,226,817
Middle School CTE Career Expansion	N/A	27,237
Middle School STEM Start-Up	N/A	39,464
Summer Learning Camps	22-470000	79,888
School Bus Seat Restraint	N/A	<u>5,670</u>
Total Tennessee Department of Education		<u>4,037,140</u>
Total State Financial Assistance - Knox County Board of Education (Component Unit)		<u>4,037,140</u>
Total State Financial Assistance		<u>\$ 8,070,709</u>

The accompanying notes are an integral part of this schedule.

KNOX COUNTY, TENNESSEE

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

For the Year Ended June 30, 2023

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal awards and of state financial assistance (the "Schedules") include the federal award and state grant activity of Knox County, Tennessee (the "County"), and its discretely presented component unit, Knox County Board of Education, (the "Board"), for the year ended June 30, 2023. The information in these Schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the Tennessee Comptroller of the Treasury. Because the Schedules present only a selected portion of the operations of Knox County, Tennessee, they are not intended to and do not present the financial position, changes in net position, or cash flows of Knox County, Tennessee.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 - LOANS OUTSTANDING

The County had the following loan funding balances outstanding at June 30, 2023. 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>AL Number</u>	<u>FY 2023 Loan Funding</u>	<u>Outstanding Balance</u>
Community Development Block Grant	14.218	\$ 0	\$ 204,269
HOME Investment Partnerships Programs	14.239	0	426,666

NOTE 4 - SUBRECIPIENTS

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

	<u>AL Number</u>	<u>Amounts Provided to Subrecipients</u>
Community Development Block Grant	14.218	\$ 1,063,321
Coronavirus State and Local Fiscal Recovery Funds	21.027	7,816,837
Total Subrecipient Awards		<u>\$ 8,880,158</u>

NOTE 5 - NON-CASH ASSISTANCE

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

NOTE 6 - INDIRECT COSTS

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

KNOX COUNTY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

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

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

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

yes no

Major federal programs for Knox County, Tennessee for the year ended June 30, 2023 are as follows:

<u>Program Name</u>	<u>CFDA#</u>
COVID - Emergency Rental Assistance Program	21.023
COVID - Coronavirus State and Local Fiscal Recovery Funds	21.027
Child Nutrition Cluster	10.553, 10.555, 10.582
Community Development Block Grant	14.218
COVID - Education Stabilization Fund	84.425D, 84.425U, 84.425W, 84.425C

Dollar threshold used to distinguish between Type A & Type B programs: \$3,000,000

Auditee qualified as low-risk auditee? yes no

KNOX COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended June 30, 2023

Section II - Financial Statement Findings

2023-001 Bank and Liability Account Reconciliations and Timeliness of Receipting

Criteria or Specific Requirement - Key internal control procedures over cash accounts should include performing accurate bank and related liability account reconciliations on a timely basis following the end of the month.

Condition - During our audit of the Trustee's bank accounts and related liability accounts, we became aware that several liability accounts were not properly reconciled. Some of the liability account reconciliations contained listings of transactions for the year but did not identify the reconciling items at year end. In addition, we noted reconciliation differences of approximately \$15,000 compared to the trial balance due to activity being posted after the reconciliations were performed. We also noted discrepancies that had been identified in prior years that were not resolved and still showing on the reconciliations. The bank account reconciliations were also not documented as being reviewed by someone other than the preparer.

In addition, during our testing of receipts, we noted that 5 out of 68 receipts tested were receipted by Knox County Finance more than 30 days after the initial transaction occurred.

Cause and Effect - The Trustee's office utilizes a manual reconciliation process that is time consuming and subject to errors. In addition, activity is posted by Knox County Finance for several months following year end which delays the ability of the Trustee's office to complete their reconciliations timely. Lastly, the Trustee's office is not able to correct errors identified during the reconciliation process and must wait on Knox County Finance to correct these errors. The effect is that several liability accounts were not timely or properly reconciled at year-end. In addition, personnel turnover in the Trustee's office at the beginning of the fiscal year resulted in the review of bank account reconciliations being performed by a different individual who was unaware of the need to document their review.

Recommendations - We recommend the Trustee's office and Knox County Finance determine a solution to timely receipt all transactions and timely correct issues identified during the reconciliation process in order to timely and accurately complete bank and related liability reconciliations for all accounts on a monthly basis. In addition, we recommend the Trustee explore the option of using software to automate or improve the reconciliation process. Lastly, we recommend that all bank reconciliations be documented as reviewed by someone other than the preparer.

Management's Response -

Finance Department - We concur with the audit recommendations. We have implemented changes to the receipting function which includes re-assigning certain duties to streamline the workflow. We have also implemented a time date logging system to account for all incoming receipts to ensure these transactions get posted timely.

Knox County Trustee - We concur with the audit recommendations. Bank reconciliations are being dated and signed by the Trustee Team member that reviews them. Bank Account reconciliations have been sped up due to semi-merging MUNIS entries and Bank entries using excel. Our accounting Team is checking the logging system put in place by Finance for receipt posting, which should shorten the timeline to reconcile Finance Liability accounts. An outside source for reconciling is being pursued, starting with Tyler, our current accounting software program company.

KNOX COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended June 30, 2023

Section II - Financial Statement Findings (Continued)

2023-002 Oversight of Governmental Law Library

Criteria or Specific Requirement - Internal controls should be established which provide appropriate supervision and management of County employees.

Condition - During the 2022 audit, Knox County management brought to our attention that a salaried employee in the governmental law library received compensation for time not worked. The issue was referred to the Tennessee Comptroller of the Treasury who released an investigative report on December 21, 2023.

Cause and Effect - The job responsibilities for this position are required to be performed on site in the governmental law library in the Knoxville City-County Building. In addition, the employee was only subject to oversight by a committee which is no longer in place. As a result of the lack of supervision, the employee ceased performing their job duties on site and was paid \$108,444 in unearned compensation from 2014 through 2023, as reported by the Tennessee Comptroller's office. An additional \$40,527 in compensation paid was considered questionable by the Comptroller's office.

Recommendation - We recommend that the County establish a supervisor or active committee to supervise this position. We also recommend that management evaluate all positions in the County for appropriate supervisory control.

Management's Response - We concur with the audit recommendations and have established a committee within County Commission to supervise the governmental law library.

KNOX COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended June 30, 2023

Section II - Financial Statement Findings (Continued)

2023-003 Capital Projects Budgeting

Criteria or Specific Requirement - Tennessee Code Annotated (T.C.A) 5-9-401 requires that all expenditures of county governments must be appropriated for such use by the County Commission.

Condition - The School Construction Capital Projects Fund contains one project, Trane Phase III Lighting Upgrade Project, that is reporting expenditures without a budgeted funding source. As a result, the Trane project reflects a negative project balance in the School Construction Capital Projects Fund.

Cause and Effect - The Trane Phase III project was properly approved by both County Commission and the Board of Education and is part of the existing Energy Conservation and Infrastructure Improvement contract that Trane contractually guarantees to be self-funded through utility cost savings. For all previous Trane energy efficient agreements, projects were financed through leasing arrangements because initial upgrade costs (cost of equipment, installation, and work) were incurred prior to any savings being realized (through future utility usage). In this instance, project expenditures were paid from existing resources within the School Construction Fund rather than through financing resulting in a negative project balance.

Recommendation - We recommend that a funding source be identified for the project (e.g. a financing arrangement such as leasing, general obligation bonds, etc.) The funding source would establish a project budget to eliminate the negative balance and to replenish School Construction Fund reserves. Utility savings over time would be used to fund associated future debt costs allowing the project to remain self-funded like other energy efficient initiatives in the past.

Management's Response - We concur with the recommendation. Since energy efficient initiatives have historically resulted in net savings, or at worst, have been cost neutral, the process for implementation previously differed somewhat from other capital initiatives. This same item was a finding in fiscal-year 2022. However, rather than issuing debt in fiscal-year 2023 to resolve this issue (which resulted in this finding effective for fiscal-year 2023), we elected to instead use uncommitted revenue within the fiscal-year 2024 operating budget, thereby resulting in interest cost avoidance otherwise incurred from issuing bonds. Thus, this negative project balance will be eliminated effective for the fiscal year 2024. It should also be noted that the school system reviews and reconciles all payments for energy upgrades on a monthly basis, which included this project, to verify savings. It is estimated that Trane energy efficient initiatives have saved the school system over \$50 million during the last 16 years, so this partnership has proven to be very beneficial from both an energy management and cost perspective.

KNOX COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended June 30, 2023

Section II - Financial Statement Findings (Continued)

2023-004 Bank Reconciliations in Clerk & Master's Office

Criteria or Specific Requirement - Key internal control procedures over cash accounts should include performing bank account reconciliations on a timely basis following the end of the month. In addition, Knox County Code of Ordinances 2-478 requires fee officers to remit to the County excess fees and commissions on a monthly basis.

Condition - During the year ended June 30, 2023, management informed us that bank reconciliations had not been performed timely for the bank accounts of the Clerk & Master's office which oversees the Chancery & Probate courts.

Cause and Effect - Personnel turnover in the Clerk & Master's office at the beginning of the fiscal year resulted in the bank accounts not being reconciled, and associated month end close procedures not being performed, from September 2022 through March 2023, when the Knox County Finance Department began assisting with the reconciliations. As a result, the Clerk & Master's office did not have current financial information available for the majority of the fiscal year and did not turn over any excess fees and commissions to Knox County Government during the year. Excess fees of \$361,464 were remitted to Knox County after June 30, 2023.

Recommendation - We recommend that the Clerk & Master's office establish policies and procedures to ensure bank account reconciliations are performed on a timely basis following the end of the month and excess fees and commissions are turned over on a monthly basis.

Management's Response - We concur with the recommendations and note that management proactively alerted the audit team and Knox County Government of the reporting challenges management encountered during the transition of leadership. Management has hired additional, qualified personnel, and established additional policies and procedures to ensure bank reconciliations are performed timely and excess funds paid in accordance with Tennessee law.

KNOX COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended June 30, 2023

Section II - Financial Statement Findings (Continued)

2023-005 Approval of Fraudulent Checks

Criteria or Specific Requirement - Key internal control procedures over positive pay bank arrangements should include a timely and accurate review of checks that were rejected by the bank. This review should thoroughly evaluate each rejected check for legitimacy before instructing the bank to honor the check.

Condition - During the audit, management informed us that approximately \$50,000 of fraudulent checks written by third parties were presented to the County's bank for payment. The checks were appropriately rejected by the bank since they were not included on the positive pay listing. However, a Finance department employee approved the checks.

Cause and Effect - A Finance department employee did not use appropriate care to thoroughly evaluate each rejected check for legitimacy before approving the positive pay list which instructs the bank to honor the checks. The result was approximately \$50,000 of fraudulent checks cleared Knox County's bank account. The County is in the process of attempting to recover the funds in coordination with local law enforcement.

Recommendation - We recommend that Knox County Finance emphasize to employees responsible for review of checks that were rejected by the bank to thoroughly evaluate each rejected check for legitimacy before instructing the bank to honor such checks.

Management's Response - We concur with the audit recommendations. The individual responsible for not complying with the policies and procedures that were in place has been replaced. The new employee has been thoroughly trained in the critical nature of resolving check exceptions from the bank, also their supervisor will act as a backup.

KNOX COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended June 30, 2023

Section II - Financial Statement Findings (Continued)

2023-006 Improper Use of Equipment

Criteria or Specific Requirement - In an audit performed under *Government Auditing Standards*, the auditor is required to communicate identified or suspected fraud.

Condition - During the audit, management of a Knox County School informed us that a school employee was caught on camera leaving the school with lawn equipment for personal use. In addition, the same employee purchased a piece of equipment for \$11,720 and stored this equipment at their residence where the equipment was allegedly stolen. A police report was filed with KPD for this stolen property.

Cause and Effect - A school employee did not follow requirements regarding the use and storage of school equipment. The result was the loss of school equipment of at least \$11,720.

Recommendation - Management should remain vigilant for employee misuse of school equipment and take appropriate action when misuse is identified or suspected.

Management's Response - We acknowledge the audit finding regarding the improper use of equipment and have taken the following actions to address this issue:

1. We have ongoing reviews and will continue to update our internal control procedures in an effort to ensure that all equipment is used in accordance with established guidelines and policies.
2. Staff members are trained on the proper use of equipment, including safety protocols and best practices. Furthermore, we are continually refining our training methods to include, but not limited to, software courses and in-person and/or virtual instruction.
3. A new asset tracking system has been implemented that not only supports the assigned location but also allows for onsite sampling and monitoring of assets.

We constantly strive to improve compliance with established guidelines, ensure the proper use of equipment, and promote a safe working environment for all staff members.

KNOX COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended June 30, 2023

Section III - Federal Award Findings

2023-007 Emergency Rental Assistance Payments Based on Fraudulent Applications Submitted to the Program

Program(s): Emergency Rental Assistance Program (AL# 21.023)

Criteria or Specific Requirement - Uniform Guidance requires that program expenditures be allowable based on program legislation, federal awarding agency regulations, and/or the terms and conditions of the award.

Condition and Context - During the course of our audit, program management made us aware that payments were issued from the Emergency Rental Assistance Program to internal personnel who created and approved fraudulent applications to the program. This situation was discovered by the Community Development Office through a review of end of period reports.

Cause and Effect - Internal personnel colluded together to create and approve fraudulent applications to the program. These payments were set up to be paid directly to the internal personnel themselves or those related to them.

Questioned Costs and Prevalence - An investigation is currently ongoing, but management believes that fraudulent disbursements to be approximately \$154,500. Management has not identified any additional fraudulent payments related to this issue.

Recommendations - We recommend that management establish a process to identify payments which contain known information of internal personnel to determine eligibility prior to issuing future payments.

Management's Response - We concur with the recommendations and have implemented a process to identify any payment requests connected to internal personnel and escalate these requests for director approval prior to payment being issued.



OFFICE OF COUNTY MAYOR GLENN JACOBS

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

KNOX COUNTY, TENNESSEE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2023

PY Finding	2022-001
Finding Title	Bank and Liability Account Reconciliations in the Trustee's Office
Status/ Current Year Finding Number	Partially Corrected. See current year finding #2023-001.
PY Finding	2022-002
Finding Title	Department Oversight
Status/ Current Year Finding Number	The prior year finding was presented while the Tennessee Comptroller was conducting their investigation into the matter. As a result, discovery carried forward into fiscal year 2023. See current year finding #2023-002.
PY Finding	2022-003
Finding Title	Capital Projects Budgeting
Status/ Current Year Finding Number	Partially Corrected. Management identified the funding resources for this specific project during the year ended June 30, 2023. The project deficit was eliminated in fiscal year 2024. See current year finding #2023-003.
PY Finding	2022-004
Finding Title	Emergency Rental Assistance Payments Based on Fraudulent Applications Submitted to the Program
Status/ Current Year Finding Number	Partially Corrected. The specific prior year finding was corrected. However, a new finding regarding fraudulent payments under this federal program occurred during fiscal year 2023. See current year finding #2023-006.



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

Finding 2023-001: Bank and Liability Account Reconciliations and Timeliness of Receipting

Person(s) Responsible for Implementing the Corrective Action:

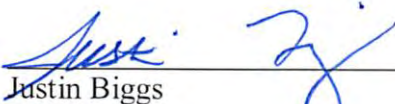
Justin Biggs, Knox County Trustee
Chris Caldwell, CFO/Co-Chief of Staff, Finance Department

Corrective Action Planned:

Additional procedures have been implemented regarding the account reconciliation process. Changes have been implemented to improve workflow in the receipting function.

Anticipated Completion Date of Corrective Action:

Management will implement the corrective actions during FY 2024.


Justin Biggs


Chris Caldwell



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

Finding 2023-002: Oversight of Governmental Law Library

Person Responsible for Implementing the Corrective Action:


Kim Frazier
Chair of Personnel Committee of the Knox County Commission

Corrective Action Planned:

A committee has been established to act as supervisor over this department and position. We will evaluate other positions for appropriate supervisory control.

Anticipated Completion Date of Corrective Action:

Management has implemented the corrective actions during FY 2023.



Kim Frazier



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

Finding 2023-003: Capital Projects Budgeting

Person(s) Responsible for Implementing the Corrective Action:

Chris Caldwell
CFO/Co-Chief of Staff, Finance Department


Ron McPherson
Chief Financial Officer, Knox County Schools

Corrective Action Planned:


Management has funded the project to address the negative balances in the School Construction Trane capital project.

Anticipated Completion Date of Corrective Action:

Management will implement the corrective actions during FY 2024.



Chris Caldwell



Ron McPherson

Chancery Court

J. Scott Griswold, Clerk & Master
Sixth Judicial District
Suite 125, City-County Building
400 Main Street
Knoxville, Tennessee 37902-2423
Phone: (865) 215-2555
Fax: (865) 215-2920

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

Finding 2023-004: Bank Reconciliations in Clerk & Master's Office

Person(s) Responsible for Implementing the Corrective Action:

J. Scott Griswold
Clerk and Master

Corrective Action Planned:

Management has established additional policies and procedures to ensure bank reconciliations are performed timely and excess fees are paid quarterly in accordance with Tennessee law.

Anticipated Completion Date of Corrective Action:

Management has implemented the corrective actions during FY 2024.

Sincerely,



J. Scott Griswold
Clerk and Master



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

Finding 2023-005: Approval of Fraudulent Checks

Person(s) Responsible for Implementing the Corrective Action:


Chris Caldwell, CFO/Co-Chief of Staff, Finance Department

Corrective Action Planned:

Management has trained a new individual to adhere to the policies and procedures in place regarding this job function.

Anticipated Completion Date of Corrective Action:

Management has implemented the corrective actions during FY 2024.



Chris Caldwell

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

Finding 2023-006: Improper Use of Equipment

Person(s) Responsible for Implementing the Corrective Action:

Ron McPherson
Chief Financial Officer, Knox County Schools

Corrective Action Planned:

Management acknowledges the audit finding regarding the improper use of equipment and has taken the following actions to address this issue:

1. We have ongoing reviews and will continue to update our internal control procedures to ensure that all equipment is used in accordance with established guidelines and policies.
2. Staff members are trained in the proper use of equipment, including safety protocols and best practices. Furthermore, we are refining our training methods to include, but not limited to, software courses and in-person and/or virtual instruction.
3. A new asset tracking system has been implemented that not only supports the assigned location but also allows for onsite sampling and monitoring of assets.

Management strives to improve compliance with established guidelines, ensures the proper use of equipment, and promotes a safe working environment for all staff members.

Anticipated Completion Date of Corrective Action:

Management has implemented the corrective actions during FY 2024.



Ron McPherson



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

Finding 2023-007: Emergency Rental Assistance Payments Based on Fraudulent Applications Submitted to the Program

Person(s) Responsible for Implementing the Corrective Action:

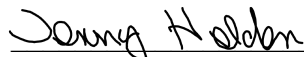
Jenny Holden
Senior Director, Grants and Community Development

Corrective Action Planned:

Management has implemented a process to identify any payment requests connected to internal personnel and escalate these requests for director approval prior to payment being issued.

Anticipated Completion Date of Corrective Action:

Management has implemented the corrective actions during FY 2024.



Jenny Holden