

OSBORN ELEMENTARY SCHOOL DISTRICT NO. 8

SINGLE AUDIT REPORTING PACKAGE

JUNE 30, 2017

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Issued separately

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**Independent Auditors' 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***

Governing Board
Osborn Elementary School District No. 8

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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Osborn Elementary School District No. 8 (District), as of and for the year ended June 30, 2017, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 29, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a 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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management and the Governing Board of the District in the Uniform System of Financial Records Compliance Questionnaire dated January 29, 2018.

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 provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Phoenix, Arizona
January 29, 2018

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Independent Auditors' 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

Governing Board
Osborn Elementary School District No. 8

Compliance for Each Major Federal Program

We have audited Osborn Elementary School District No. 8 (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 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). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of 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, 2017.

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 2017-101. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance finding identified in our audit is described in the accompanying corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-101, that we consider to be a material weakness.

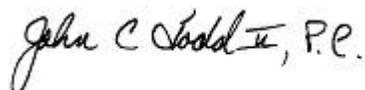
The District's response to the internal control over compliance finding identified in our audit is described in the accompanying corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

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 Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated January 29, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Phoenix, Arizona
January 29, 2018

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**OSBORN ELEMENTARY SCHOOL DISTRICT NO. 8
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>	<u>Total Expenditures</u>
<u>U.S. Department of Education</u>				
<u>Direct programs</u>				
Indian Education - Grants to Local Educational Agencies	84.060	S060A140238		\$ 32,536
Arts in Education	84.351	U351C140024		67,463
<u>Passed Through Arizona State Department of Education</u>				
Title I Grants to Local Educational Agencies	84.010	S010A160003		1,901,172
Special Education Cluster				
Special Education - Grants to States	84.027	H027A160007	559,800	
Special Education - Preschool Grants	84.173	H173A150003	<u>9,863</u>	569,663
Preschool Development Grants	84.419	S419A150009		426,689
Education for Homeless Children and Youth	84.196	S196A160003		37,428
Twenty-First Century Community Learning Centers	84.287	S287C150003		294,345
English Language Acquisition State Grants	84.365	S365A160003		86,981
Supporting Effective Instruction State Grants	84.367	S367A130049		225,102
<u>U.S. Department of Agriculture</u>				
<u>Passed Through Arizona State Department of Education</u>				
Child Nutrition Cluster				
Cash Assistance				
School Breakfast Program	10.553	N/A	347,680	
National School Lunch Program	10.555	N/A	1,402,779	
Summer Food Service Program for Children	10.559	N/A	20,033	
Non-Cash Assistance (Commodities)				
National School Lunch Program	10.555	N/A	<u>108,777</u>	1,879,269
<u>U.S. Department of Health and Human Services</u>				
<u>Passed Through Public Consulting Group, Inc.</u>				
Medical Assistance Program	93.778	N/A		33,865
<u>U.S. Department of Interior</u>				
<u>Passed Through Arizona State Department of Education</u>				
Indian Education - Assistance to Schools	15.130	A15PX01972		<u>17,769</u>
				<u>\$ 5,572,282</u>

See accompanying notes to schedule of expenditures of federal awards.

**OSBORN ELEMENTARY SCHOOL DISTRICT NO. 8
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2017**

NOTE 1 - ACCOUNTING PRINCIPLES

This Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting.

NOTE 2 - CLASSIFICATION OF FEDERAL AWARDS

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, as described in § 200.518 Major program determination paragraph (b)(1), or (b)(3), because total federal expenditures were less than \$25,000,000, Type A programs are all programs with expenditures equal to or greater than \$750,000 and Type B programs are all programs with expenditures less than \$750,000. Major programs were determined using a risk-based approach.

NOTE 3 – CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

Program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2017 Catalog of Federal Domestic Assistance.

**OSBORN ELEMENTARY SCHOOL DISTRICT NO. 8
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION 1 - SUMMARY OF AUDITORS' RESULTS
JUNE 30, 2017**

YES NO

Financial Statements

Type of auditors' report issued:	<u>Unmodified</u>
Significant deficiencies identified in internal controls over financial reporting?	___ <u>X</u> ___
Material weaknesses identified in internal control over financial reporting?	___ <u>X</u> ___
Noncompliance material to the financial statements noted?	___ <u>X</u> ___

Federal Awards

Significant deficiencies identified in internal controls over major programs?	___ <u>X</u> ___
Material weaknesses identified in internal control over major programs?	<u>X</u> ___
Type of auditors' report issued on compliance for major programs?	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations Part 200, § 200.516 Audit finding§ paragraph (a)?	<u>X</u> ___

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559	Child Nutrition Cluster
84.419	Preschool Development Grants

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>X</u> ___

**OSBORN ELEMENTARY SCHOOL DISTRICT NO. 8
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION 2 - FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*
JUNE 30, 2017**

None.

**OSBORN ELEMENTARY SCHOOL DISTRICT NO. 8
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION 3 - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
JUNE 30, 2017**

REFERENCE: 2017-101

CFDA NUMBER: 84.419 – PRESCHOOL DEVELOPMENT GRANTS

U.S. DEPARTMENT OF EDUCATION – 2017

PASSED THROUGH ARIZONA STATE DEPARTMENT OF EDUCATION

GRANT NUMBERS: S419A150009

QUESTIONED COSTS

\$9,200

CONDITION

For 3 of 20 participants tested for eligibility, the following errors were noted:

- For 1 participant, the age of the child could not be verified.
- For 1 participant, the income application was not properly completed and was not reviewed by someone knowledgeable of program requirements.
- For 1 participant, the income application was properly completed, but was not reviewed by someone knowledgeable of program requirements.

These variances resulted in an over payment (known questioned costs) of \$9,200. However, after projecting the errors over the remaining untested population of participants for the entire year, likely questioned costs totaled \$35,420.

CRITERIA

In accordance with the Catalog of Federal Domestic Assistance, Preschool Development Grant compliance requirements, children age 4 from families at or below 200 percent of the federal poverty line are eligible.

In accordance with the Arizona Department of Education Preschool Development Grant Guidance Manual FY 17, Student Recruitment, Enrollment and Eligibility, Age Requirements - children shall be 4 years of age before September 1st (and not yet enrolled in kindergarten) of the program year. Appropriate documentation should be obtained to determine if the child meets eligibility.

In accordance with the Arizona Department of Education Preschool Development Grant Guidance Manual FY 17, Student Recruitment, Enrollment and Eligibility, Financial Enrollment Requirements – child must meet all requirements listed (this includes children with an IEP): Family income must be at or below 200% of the Federal Poverty Level (FPL). (Poverty is defined as family income at or below 100%; low-income is defined as income at or below 200% of FPL.).

In accordance with the Uniform Guidance, Compliance Supplement, Part 6 – Internal Control, A-102 Common Rule, OMB Circular A-110 and 2 CFR section 200.303 require that non – Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

(continued)

**OSBORN ELEMENTARY SCHOOL DISTRICT NO. 8
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SECTION 3 - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
JUNE 30, 2017**

**REFERENCE: 2017-101 (CONT'D)
CFDA NUMBER: 84.419 – PRESCHOOL DEVELOPMENT GRANTS
U.S. DEPARTMENT OF EDUCATION – 2017
PASSED THROUGH ARIZONA STATE DEPARTMENT OF EDUCATION
GRANT NUMBERS: S419A150009**

EFFECT

Federal program requirements were not complied with. Eligibility of preschool students was not properly documented.

CAUSE

Unknown.

RECOMMENDATION AND BENEFIT

Participant eligibility documentation should be obtained and retained. Additionally, review of participant eligibility should be documented. This will help ensure that federal program requirements are complied with and that all participants are eligible.

(concluded)

**OSBORN ELEMENTARY SCHOOL DISTRICT NO. 8
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2017**

None.

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**OSBORN ELEMENTARY SCHOOL DISTRICT NO. 8
CORRECTIVE ACTION PLAN
JUNE 30, 2017**

REFERENCE: 2017-101

CFDA NUMBER: 84.419 – PRESCHOOL DEVELOPMENT GRANTS

U.S. DEPARTMENT OF EDUCATION – 2017

PASSED THROUGH ARIZONA STATE DEPARTMENT OF EDUCATION

GRANT NUMBERS: S419A150009

CLIENT RESPONSE AND CORRECTIVE ACTION PLAN

We concur with the condition.

1. Name of the contact person responsible for corrective action:

Virginia Shuss – Director of Student Services

2. Corrective action planned:

Both the preschool secretary and coordinator will receive training from the District Data Manager regarding the fulfillment of accurate and complete school records.

A system of cross checking the files will be established. A checklist of the necessary items will be placed in the files. The file will be crosschecked by the secretary to assure all pertinent information and documentation is completed.

Random audits throughout the year will be conducted to assure the files are in compliance.

3. Anticipated completion date:

March 1, 2018

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