

**HARRIS COUNTY
DEPARTMENT OF EDUCATION**

SINGLE AUDIT REPORT

**For Fiscal Year Ended
August 31, 2015**

HARRIS COUNTY DEPARTMENT OF EDUCATION

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**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
Harris County Department of Education
Houston, Texas

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Harris County Department of Education (the “Department”), as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the Department’s basic financial statements, and have issued our report thereon dated January 11, 2016. However, we did not audit the Education Foundation of Harris County in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department’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 Department’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Department’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.

To the Board of Trustees
Harris County Department of Education
Houston, Texas

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department'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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Whitley Penn LLP

Houston, Texas
January 11, 2016

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY *OMB CIRCULAR A-133***

To the Board of Trustees
Harris County Department of Education
Houston, Texas

Report on Compliance for Each Major Federal Program

We have audited Harris County Department of Education's (the "Department") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Department's major federal programs for the year ended August 31, 2015. The Department's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Department'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department'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 Department's compliance.

To the Board of Trustees
Harris County Department of Education
Houston, Texas

Opinion on Each Major Federal Program

In our opinion, the Department 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 August 31, 2015.

Report on Internal Control Over Compliance

Management of the Department 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 Department'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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department'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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

To the Board of Trustees
Harris County Department of Education
Houston, Texas

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Department as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements. We issued our report thereon dated January 11, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements, which collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of 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 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.

Whitley Penn LLP

Houston, Texas
January 11, 2016

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HARRIS COUNTY DEPARTMENT OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2015

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance with major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section .510(a) 2-7 of OMB Circular A-133?	No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Numbers</u>
U.S. Department of Agriculture	
Child and Adult Care Food Program	10.558
U.S Department of Education	
Adult Education Basic Grants to States	84.002A
21 st Century Community Learning Centers	84.287C
1. Dollar Threshold Considered Between Type A and Type B Federal Programs	\$750,440
2. Auditee qualified as low-risk auditee?	Yes

HARRIS COUNTY DEPARTMENT OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2015

II. Financial Statement Findings

None Noted

III. Federal Awards Findings and Questioned Costs

None Noted

IV. Status of Prior Year Findings

There were no prior year findings.

HARRIS COUNTY DEPARTMENT OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2015

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass Through Grantor/Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures and Indirect Costs
U. S. Department of Agriculture			
Passed Through Texas Department of Agriculture:			
<i>Child and Adult Care Food Program</i>	10.558	TX-1010326	\$ 668,903
<i>Child and Adult Care Food Program</i>	10.558	TX-1010326	424,954
Total U. S. Department of Agriculture			<u>1,093,857</u>
National Aeronautics and Space Administration			
Direct:			
<i>URSA Earth & Space Science Trainer Program</i>	43.001	NNX12AC7AG	15,148
Total National Aeronautics and Space Administration			<u>15,148</u>
U. S. Department of Education			
Passed Through Houston-Galveston Area Council:			
<i>Adult Education Basic Grants to States - Regular</i>	84.002A	V002A160044	2,332,945
<i>Adult Education Basic Grants to States - English Literacy & Civics Education</i>	84.002A	2814ELC001	418,043
Total Passed Through Houston-Galveston Area Council			<u>2,750,988</u>
Passed Through Texas Workforce Commission:			
<i>Adult Education Basic Grants to States - Regular</i>	84.002A	2814ABE004	399,871
Total Passed Through Texas Workforce Commission			<u>399,871</u>
Passed Through Texas Education Agency:			
<i>21st Century Community Learning Centers</i>	84.287C	166950167110020	11,072
<i>21st Century Community Learning Centers</i>	84.287C	156950167110020	2,053,519
<i>21st Century Community Learning Centers</i>	84.287C	146950217110014	1,968,568
<i>21st Century Community Learning Centers</i>	84.287C	166950197110013	15,773
Total Passed Through Texas Education Agency			<u>4,048,932</u>
Passed Through The Ohio State University:			
<i>Transition to Teaching Program - National</i>	84.350C	U350C110001	176,373
Total Passed Through The Ohio State University			<u>176,373</u>
Passed Through Texas Department of Assistive and Rehabilitative Services:			
<i>Special Education - Grants to States (IDEA, Part B)</i>	84.027A	5382001544	109,080
<i>Special Education - Grants for Infants and Families with Disabilities</i>	84.181C	5382001544	706,462
Total Passed Through Texas Department of Assistive and Rehabilitative Services			<u>815,542</u>
Total U.S. Department of Education			<u>8,191,706</u>

HARRIS COUNTY DEPARTMENT OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
FOR THE YEAR ENDED AUGUST 31, 2015

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass Through Grantor/Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures and Indirect Costs
U.S. Department of Health and Human Services			
Passed Through Houston-Galveston Area Council			
<i>Temporary Assistance for Needy Families</i>	93.558	1602TXTANF	\$ 200,859
Total Passed Through Houston-Galveston Area Council			<u>200,859</u>
Passed Through Texas Workforce Commission:			
<i>Temporary Assistance for Needy Families</i>	93.558	133625017110464	31,957
Total Passed Through Texas Workforce Commission			<u>31,957</u>
Passed Through Gulf Coast Workforce Solutions Board:			
<i>Child Care Mandatory and Matching Funds of the Child Care and Development Fund</i>	93.596	2812CCMC24	84,049
<i>Child Care Mandatory and Matching Funds of the Child Care and Development Fund</i>	93.596	2813CCMC24	71,024
<i>Child Care Mandatory and Matching Funds of the Child Care and Development Fund</i>	93.596	2814CCMC24	433,939
<i>Child Care Mandatory and Matching Funds of the Child Care and Development Fund</i>	93.596	2815CCMC24	1,360,056
Total Passed Through Gulf Coast Workforce Solutions Board			<u>1,949,068</u>
Passed Through Texas Department of Assistive and Rehabilitative Services:			
<i>Medical Assistance Program</i>	93.778	5382001544	198,044
Total Passed Through Texas Department of Assistive and Rehabilitative Services			<u>198,044</u>
Direct:			
<i>Head Start</i>	93.600	06CH6998/16	4,778,768
<i>Head Start</i>	93.600	06CH6998/17	8,114,981
<i>Early Head Start/Child Care Partnership</i>	93.600	06HP0028/01	152,576
Total Direct CFDA Number 93.600			<u>13,046,325</u>
Passed Through Texas Education Agency:			
<i>Texas Council for Developmental Disabilities</i>	93.630	1475002-14S13	4,714
Total Passed Through Texas Education Agency			<u>4,714</u>
Total U.S. Department of Health and Human Services			<u>15,430,967</u>
Corporation for National and Community Service			
Passed Through OneStar Commission:			
<i>AmeriCorps</i>	94.006	14AC161014	282,972
Total Corporation for National and Community Service			<u>282,972</u>
Total Expenditures of Federal Awards			<u>\$ 25,014,650</u>

HARRIS COUNTY DEPARTMENT OF EDUCATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1 - Basis of Accounting

The Department accounts for all awards under federal programs in the General Fund and certain Special Revenue Funds in accordance with the Texas Education Agency’s *Financial Accountability System Resource Guide*. These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited to reimbursement. Pass-through entity identifying numbers are presented where available.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such funds are received, they are recorded as unearned revenues until earned. Generally unused balances are returned to the grantor at the close of specified project periods.

Note 2 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of the Department under programs of the federal government for the year ended August 31, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Department, it is not intended to and does not present the financial position, changes in net position or cash flows of the Department.

Note 3 - Reconciliation to Basic Financial Statements

The following is a reconciliation of expenditures of federal awards and federal revenues on Exhibit B-3 of the Department’s Comprehensive Annual Financial Report:

Total Expenditures of Federal Awards	\$	25,014,650
E Rate		13,355
Federal Program Revenues per Exhibit B-3	\$	<u>25,028,005</u>

HARRIS COUNTY DEPARTMENT OF EDUCATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)

Note 4 - State Financial Assistance for Early Childhood Intervention Services

In addition to the federal funds expended for early childhood intervention, the Department's state financial assistance related to early childhood intervention for the fiscal year ended August 31, 2015 is as follows:

<u>Project Number</u>	<u>Amount</u>
5382001544	\$ 167,834

Note 5 - General Fund Expenditures

Federal awards reported in the general fund are summarized as follows:

<u>Program or Source</u>	<u>Federal CFDA Number</u>	<u>Amount</u>
Indirect Costs:		
URSA Earth & Space Science Trainer Program	43.001	1,302
Adult Education Basic Grants to States - Regular	84.002A	135,330
Adult Education Basic Grants to States - English Literacy & Civics Education	84.350C	20,890
Special Education - Grants for Infants and Families	84.181C	177,703
21st Century Community Learning Centers	84.287C	40,106
Transition to Teaching Program - National	84.350C	9,122
Temporary Assistance for Needy Families	93.558	12,209
Head Start	93.600	1,106,298
AmeriCorps	94.006	<u>8,662</u>
Total		<u>\$ 1,511,622</u>

