

**HARRIS COUNTY
DEPARTMENT OF EDUCATION**

SINGLE AUDIT REPORT

**For Fiscal Year Ended
August 31, 2019**

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 business-type activities, 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, 2019, 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 8, 2020.

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.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive style with a large, stylized "P" for "Penn".

Houston, Texas
January 8, 2020

**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 THE *UNIFORM GUIDANCE***

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 *OMB 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, 2019. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 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 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, 2019.

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 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 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 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, the business-type activities, each major fund and the aggregate remaining fund information of the Department, as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements. We issued our report thereon dated January 10, 2019, 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 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

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

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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Whitley Penn LLP

Houston, Texas
January 8, 2020

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HARRIS COUNTY DEPARTMENT OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2019

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 2 CFR 200.516(a)?	No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Numbers</u>
U.S. Department of Health and Human Services	
Head Start and Early Head Start	93.600
U.S Department of Agriculture	
Child and Adult Care Food Program	10.558
1. Dollar Threshold Considered Between Type A and Type B Federal Programs	\$768,701
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, 2019

II. Financial Statement Findings

None Noted

III. Federal Awards Findings and Questioned Costs

None Noted

**HARRIS COUNTY DEPARTMENT OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2019**

(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	02463	\$ 357,422
<i>Child and Adult Care Food Program</i>	10.558	02463	462,386
<i>Child and Adult Care Food Program</i>	10.558	02463	37,390
Total Passed Through Texas Department of Agriculture			857,198
Total U. S. Department of Agriculture			857,198
U.S. Department of Defense			
Passed Through National Security Agency:			
<i>GenCyber Grant</i>	12.903	H98230-19-1-0065	23,669
Total Passed Through National Security Agency:			23,669
Total U.S. Department of Defense			23,669
U.S. Department of Justice			
Direct:			
<i>STOP School Violence Grant</i>	16.839	2018-YS-BX-153	77,703
Total U.S. Department of Justice			77,703
U. S. Department of Education			
Passed Through Houston-Galveston Area Council:			
<i>Adult Education Basic Grants to States - Regular</i>	84.002A	212-19	3,250,978
<i>Adult Education Basic Grants to States - Regular</i>	84.002A	212-20	480,583
<i>Adult Education Basic Grants to States - Regular</i>	84.002A	212-19	414,460
<i>Adult Education Basic Grants to States - English Literacy & Civics Education</i>	84.002A	212-20	94,912
Total Passed Through Houston-Galveston Area Council			4,240,933
Passed Through Texas Workforce Commission			
<i>AEL Distance Learning Capacity Building Initiative</i>	84.002A	2919AEL002	81,156
Total Passed Through Texas Workforce Commission			81,156
Passed Through The Ohio State University:			
<i>Transition to Teaching Program - National</i>	84.350C	U350C110001	11,500
Total Passed Through The Ohio State University			11,500
Passed Through Texas Education Agency:			
<i>21st Century Community Learning Centers</i>	84.287C	186950197110013	1,538,447
<i>21st Century Community Learning Centers</i>	84.287C	186950247110015	1,444,401
<i>21st Century Community Learning Centers</i>	84.287C	196950247110014	13,891
<i>21st Century Community Learning Centers</i>	84.287C	196950267110022	13,462
Total Passed Through Texas Education Agency			3,010,201
Total U.S. Department of Education			7,343,790

**HARRIS COUNTY DEPARTMENT OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2019**

(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 (TANF)- TANF Cluster</i>	93.558	212-19	\$ 3,802
Total Passed Through Houston-Galveston Area Council			<u>3,802</u>
Passed Through Gulf Coast Workforce Solutions Board:			
<i>Child Care Mandatory and Matching Funds of the Child Care and Development Fund - CCDF Cluster</i>	93.596	2817CCMC24	1,010,176
<i>Child Care Mandatory and Matching Funds of the Child Care and Development Fund- CCDF Cluster</i>	93.596	2818CCMC24	837,315
Total Passed Through Gulf Coast Workforce Solutions Board			<u>1,847,491</u>
Passed Through Texas Education Agency:			
<i>Texas Council for Developmental Disabilities</i>	93.630	1975002-19S9	7,500
Total Passed Through Texas Education Agency			<u>7,500</u>
Direct:			
<i>Head Start</i>	93.600	06CH7177/03	4,790,368
<i>Head Start</i>	93.600	06CH7177/04	8,256,608
<i>Early Head Start/Child Care Partnership</i>	93.600	06HP0028/02	300,788
<i>Early Head Start/Child Care Partnership</i>	93.600	06HP0028/03	2,012,446
Total Direct CFDA Number 93.600			<u>15,360,210</u>
Total U.S. Department of Health and Human Services			<u>17,219,003</u>
U.S. Department of Homeland Security			
Passed Through Texas Department of Public Safety			
<i>Disaster Grants - Public Assistance</i>	97.036	PA-06-TX-4332	\$ 101,989
Total Passed Through Texas Department of Public Safety			<u>101,989</u>
Total Expenditures of Federal Awards			<u>\$ 25,623,352</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 the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited to reimbursement. The Department has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance. 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, 2019. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. 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 - 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:		
Head Start & Early Head Start	93.600	\$ 1,446,098
Adult Education Basic Grants to States - Regular	84.002A	213,350
Adult Education Basic Grants to States - English Literacy & Civics Education	84.002A	26,706
AEL Distance Learning Capacity Building Initiative	84.002A	6,011
21st Century Community Learning Centers	84.287C	13,020
Temporary Assistance for Needy Families	93.558	217
GenCyber Grant	12.903	2,412
STOP School Violence	16.839	7,919
Disaster Grants - Public Assistance	97.036	101,989
Total		<u>\$ 1,817,722</u>

HARRIS COUNTY DEPARTMENT OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2019

Federal regulations, Title 2 U.S. Code of Federal Regulations Section 200.511 states, “The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings.” The summary schedule of prior audit findings must report the status of the following:

- All audit findings included in the prior audit’s schedule of findings and questioned costs and
- All audit findings reported in the prior audit’s summary schedule of prior audit findings except audit findings listed as corrected.

I. Prior Audit Findings

None Noted

HARRIS COUNTY DEPARTMENT OF EDUCATION
CORRECTIVE ACTION PLAN
For the Year Ended August 31, 2019

Federal regulations, Title 2 U.S. Code of Federal Regulations §200.511 states, “At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in §200.516 Audit findings, a corrective action plan to address each audit finding included in the current year auditor's reports.”

I. Corrective Action Plan

Not Applicable