



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

To the Chairperson and Members of the
Shelby County Board of Commissioners and
Mayor of Shelby County, 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the statements of budgetary comparison for the general fund, education fund, and grants fund, and the aggregate remaining fund information of Shelby County, Tennessee, (the "County") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 23, 2019. Our report includes a reference to other auditors who audited the financial statements of the Shelby County Health Care Corporation, Agricenter International, Inc., and Emergency Communications District of Shelby County, Tennessee, as described in our report on the 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.

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) 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 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 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 and therefore, material weaknesses and 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 did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

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 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 instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards*. A schedule of cash shortages and thefts has been filed with the State of Tennessee Division of County Audit. The schedule includes all cash shortages and theft, and any investigative audits being performed. These matters were detected by the County in the normal operation of their internal controls and internal audit functions.

The County's Responses to Findings

The County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs and/or corrective action plan. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Watkins Mikusall, PLLC Banks, Jolley, White & Co.

Memphis, Tennessee
December 23, 2019



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Chairperson and Members of the
Shelby County Board of Commissioners and
Mayor of Shelby County, Tennessee

Report on Compliance for Each Major Federal Program

We have audited Shelby County, Tennessee (the "County")'s 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 County's major federal programs for the year ended June 30, 2019. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The County's financial statements include the operations of the Shelby County Health Care Corporation and the Shelby County Board of Education (component units of the County), which received \$3,152,306 and \$218,313,128 in federal awards, respectively, which are not included in the schedule of expenditures of federal awards and state financial assistance for the year ended June 30, 2019. Our audit, described below, did not include the operations of the Shelby County Health Care Corporation because the entity engaged another auditor to perform an audit in accordance with the Uniform Guidance. The results of our audit for the Shelby County Board of Education are included in a separate report.

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 County'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 County'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 County's compliance.

Opinion on Each Major Federal Program

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, 2019.

Report on Internal Control Over Compliance

Management of the County 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 County'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 County'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Watkins Mikusall, PLLC Banks, Jolley, White & Co.

Memphis, Tennessee
December 23, 2019

SHELBY COUNTY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2019

Federal Grantor/Pass-through	Grantor/Program or Cluster Title	CFDA Number	Contract Number	Passed to Subrecipients	Total Federal Expenditures
Department of Agriculture					
TN Department of Health	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	Various	\$ -	\$ 5,193,396
<i>SNAP Cluster</i>					
TN Department of Health	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	31602-19038	-	52,234
<i>Food Distribution Cluster</i>					
TN Department of Health	Commodity Supplemental Food Program	10.565	Various	-	504,147
Total Department of Agriculture				-	5,749,777
Department of Housing and Urban Development					
<i>CDBG - Entitlement Grants Cluster</i>					
Direct Award	Community Development Block Grants	14.218	B18UC470002	141,073	1,206,254
Direct Award	Home Investment Partnership Program	14.239	M18UC47002	-	272,876
Direct Award	National Disaster Resilience Competition	14.272		-	2,197,226
Direct Award	Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	TNLHB06116	-	1,143,885
Total Department of Housing and Urban Development				141,073	4,820,241
Department of Justice					
Direct Award	Law Enforcement Assistance - Narcotics and Dangerous Drugs - Laboratory Analysis	16.001		-	771,621
TN Office of Violence Against Women	Crime Victim Assistance	16.575	Various	7,256	976,706
TN Office of Violence Against Women	Violence Against Women Formula Grants	16.588	37295	-	64,803
Direct Award	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	2014-WE-AX-0049	-	37,824

See independent auditor's report and accompanying notes to schedule.

SHELBY COUNTY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
(Continued)
For the Year Ended June 30, 2019

Federal Grantor/Pass-through	Grantor/Program or Cluster Title	CFDA Number	Contract Number	Passed to Subrecipients	Total Federal Expenditures
Direct Award	State Criminal Alien Assistance Program	16.606	CA195507	-	141,725
Direct Award	Edward Byrne Memorial Justice Assistance Grant Program	16.738	Various	814,399	1,429,544
Direct Award	Second Chance Act Reentry Initiative	16.812	Various	-	330,433
Direct Award	National Sexual Assault Kit Initiative	16.833		-	189,809
Total Department of Justice				821,655	3,942,465
Department of Labor					
<i>Employment Service Cluster</i>					
TN Department of Labor and Workforce Development	Employment Service / Wagner-Peyser Funded Activities	17.207	LWGMP161WP32517	-	39,106
<i>WIA Cluster</i>					
TN Department of Labor and Workforce Development	WIOA Adult Program	17.258	Various	-	2,815,404
TN Department of Labor and Workforce Development	WIOA Youth Activities	17.259	Various	-	1,604,326
TN Department of Labor and Workforce Development	WIOA Dislocated Worker Formula Grants	17.278	Various	-	2,014,430
<i>Total WIA Cluster</i>				-	6,434,160
Total Department of Labor				-	6,473,266
Department of Transportation					
<i>Highway Planning and Construction Cluster</i>					
MS Dept of Transportation	Highway Planning and Construction	20.205		-	425,797
TN Dept of Transportation	Highway Planning and Construction	20.205	Various	-	3,090,834
<i>Total Highway Planning and Construction Cluster</i>				-	3,516,631

See independent auditor's report and accompanying notes to schedule.

SHELBY COUNTY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
(Continued)
For the Year Ended June 30, 2019

Federal Grantor/Pass-through	Grantor/Program or Cluster Title	CFDA Number	Contract Number	Passed to Subrecipients	Total Federal Expenditures
<i>Highway Safety Cluster</i>					
TN Dept of Transportation	State and Community Highway Safety	20.600	Various	-	20,581
Direct Award	Alcohol Open Container Requirements	20.607	Various	-	200,148
Total Department of Transportation				-	3,737,360
Environmental Protection Agency					
Direct Award	Air Pollution Control Program Support	66.001	A004082-15	-	627,547
Direct Award	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034	Various	-	224,170
Total Environmental Protection Agency				-	851,717
Department of Health and Human Services					
TN Commission on Aging and Disability	Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041		5,000	5,000
TN Commission on Aging and Disability	Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043		62,854	62,854
<i>Aging Cluster</i>					
TN Commission on Aging and Disability	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044		516,432	675,006
TN Commission on Aging and Disability	Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045		1,376,441	1,710,640
TN Commission on Aging and Disability	Nutrition Services Incentive Program	93.053		211,602	211,602
<i>Total Aging Cluster</i>				2,104,475	2,597,248

See independent auditor's report and accompanying notes to schedule.

SHELBY COUNTY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
(Continued)
For the Year Ended June 30, 2019

Federal Grantor/Pass-through	Grantor/Program or Cluster Title	CFDA Number	Contract Number	Passed to Subrecipients	Total Federal Expenditures
TN Commission on Aging and Disability	National Family Caregiver Support, Title III, Part E	93.052		253,219	394,319
TN Department of Health	Medicare Enrollment Assistance Program	93.071	31602-19002	-	51,504
TN Department of Health	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	Various	-	851,604
TN Department of Health	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	GR-19-59223-00	-	1,539,792
Direct Award	Injury Prevention and Control Research and State and Community Based Programs	93.136		-	47,633
TN Department of Mental Health	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	52536	-	27,677
<i>Immunization Cluster</i>					
TN Department of Health	Immunization Cooperative Agreements	93.268	GG-19-60281-01	-	393,804
TN Department of Health	Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	Various	-	264,198
TN Department of Health	State Health Insurance Assistance Program	93.324		-	98,096
TN Department of Human Services	Child Support Enforcement	93.563	Various	-	1,397,044
TN Department of Human Services	Low-Income Home Energy Assistance Program	93.568	Various	-	11,465,264

See independent auditor's report and accompanying notes to schedule.

SHELBY COUNTY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
(Continued)
For the Year Ended June 30, 2019

Federal Grantor/Pass-through	Grantor/Program or Cluster Title	CFDA Number	Contract Number	Passed to Subrecipients	Total Federal Expenditures
<i>477 Cluster</i>					
TN Department of Human Services	Community Services Block Grant	93.569	Various	-	2,219,887
TN Department of Human Services	Child Care and Development Block Grant	93.575	Z19-90719	-	84,615
<i>Total 477 Cluster</i>				-	2,304,502
TN Department of Human Services	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	GG-19-58257-00	-	108,198
TN Department of Health	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	93.817	EG-19-59649-00	-	917,800
Direct Award	HIV Emergency Relief Project Grants	93.914	CA191064	4,497,414	5,555,476
TN Department of Health	HIV Care Formula Grants	93.917	Various	-	359,960
TN Department of Health	HIV Prevention Activities - Health Department Based	93.940	Various	1,723,989	3,103,172
TN Department of Health	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	Various	-	168,883
TN Department of Health	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946	GU-19-60937-00	-	7,000
TN Department of Health	Maternal and Child Health Services Block Grant to the States	93.994	Various	-	796,603
TN Department of Health	Assisted Outpatient Treatment	93.997	Various	-	643,409
Total Department of Health and Human Services				8,646,951	33,161,040
Office of National Drug Control Policy					
Direct Award	High Intensity Drug Trafficking Areas Program	95.001		19,268	223,122

See independent auditor's report and accompanying notes to schedule.

SHELBY COUNTY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
(Continued)
For the Year Ended June 30, 2019

Federal Grantor/Pass-through	Grantor/Program or Cluster Title	CFDA Number	Contract Number	Passed to Subrecipients	Total Federal Expenditures
Department of Homeland Security					
TN Emergency Management Agency	Emergency Management Performance Grants	97.042		-	177,032
Direct Award	Assistance to Firefighters Grant	97.044		-	171,819
TN Emergency Management Agency	Port Security Grant Program	97.056		-	21,849
<i>Homeland Security Cluster</i>					
TN Emergency Management Agency	Homeland Security Grant Program	97.067	Various	-	424,726
Total Department of Homeland Security				-	795,426
Total federal awards				\$ 9,628,947	\$ 59,754,414

See independent auditor’s report and accompanying notes to schedule.

SHELBY COUNTY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
(Continued)
For the Year Ended June 30, 2019

Grantor Agency	Program Name	Contract Number	Total Expenditures
<i>State Financial Assistance:</i>			
TN Commission on Aging & Disability	Aging Program	31602-19003	\$ 2,937,235
TN Department of Children's Services	Court Appointed Spec Advocates	CA-171078	9,000
TN Department of Corrections	Offender Re-Entry Program	32901-31258	85,863
TN Department of Environment and Conservation	Tire Recycling	CA1720561	590,573
TN Department of Health	Prenatal Presumptive Eligibility Expansion	GG-19-58318-01	78,000
TN Department of Health	Title IV-D Process Paper Grant		616,775
TN Department of Health	Fetal Infant Mortality Review	GG1958118	605,037
TN Department of Health	Home Visiting Services	GG-15-43704	571,162
TN Department of Health	TennCare Dental Prevention	GG-19-58576-00	744,367
TN Department of Health	TDH Laboratory & Bioterrorism	GG-18-57447-00	149,851
TN Department of Health	Tenndercare Outreach	GG-17-51803-00	886,005
TN Department of Health	Family Planning	GG-15-472210-00	399,292
TN Department of Health	HIV	GG-18-56922-00	137,696
TN Department of Health	HIV	GG-19-62290-00	117,826
TN Department of Health	Childhood Lead Paint Prevention	GG-19-57517	254,125
TN Department of Health	BCS Enrollments and Deferrals	GG-18-54862-00	6,220
TN Department of Health	Child Support Services	CA 1820853	608,570
TN Department of Health	Children's Special Services	GG-17-49528	1,444
TN Department of Health	Advocacy Services	CA-187843	111,120
TN Department of Health	Residential Drug Treatment	CA204499	540,106
TN Department of Housing and Urban Development	Household Hazardous Waste	CA174367	85,000
TN Department of Housing and Urban Development	Down Payment Assistance		142,261
TN Department of Housing and Urban Development	Resilience Grant		330,376
TN Department of Labor and Workforce Development	Direct Appropriation	LWGMF181ADULT18	24,939
TN Department of Labor and Workforce Development	Direct Appropriation		188,703
TN Department of Mental Health	Mentally Ill Inmate Services	CA194573	137,146
TN Department of Mental Health	Mental Health Court	CA1919656	80,000
TN Department of Transportation	Roadside Grant	Z19LIT079	223,185
TN Department of Transportation	State Aid Road and Bridge Maintenance		127,125
TN District of Finance & Administration	VOCA DAG Gang and Hispanic Victims	DAGVOC30VW	20,512
TN District of Finance & Administration	Victim Coordinator Grant	30158	76,084
Total state financial assistance			10,885,598
Total federal awards and state financial assistance			\$ 70,640,012

See independent auditor's report and accompanying notes to schedule.

SHELBY COUNTY, TENNESSEE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2019

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance (the “Schedule”) includes the federal and state grant activity of Shelby County, Tennessee (the “County”) under programs of the federal and state government for the year ended June 30, 2019 (the Shelby County Health Care Corporation and the Shelby County Board of Education, component units of the County, issue separate financial reports and are not included in the Schedule). The information in this Schedule 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). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 1) The Schedule is presented on the modified accrual basis of accounting, consistent with accounting for governmental type funds. Under this basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”), which is generally when the allowable program expenditures are incurred. Expenditures and transfers out are recorded when the related program liability is incurred, except for certain compensated absences. Such expenditures are recognized following the cost principles contained in the OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, or the Uniform Guidance, as applicable, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts reflected in the schedule represent adjustments or credits resulting from the normal course of business to amounts reported as expenditures in prior years.
- 2) Pass-through entity identifying numbers are presented where available.
- 3) The County has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 – RECONCILIATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE TO THE FINANCIAL STATEMENTS

The following is a reconciliation of expenditures per the schedule of expenditures of federal awards and state financial assistance to the revenues in the grant fund, per the County’s financial statements:

Totals per schedule of expenditures	\$ 70,640,012
Less: Grant revenues in non-grant funds	(1,286,066)
Add: Local grants not shown on this schedule	1,414,990
Add: Other revenues in grant fund	2,559,339
Total grant fund revenues	<u>\$ 73,328,275</u>

SHELBY COUNTY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on whether the financial statements of Shelby County, Tennessee, were prepared in accordance with accounting principles generally accepted in the United States of America.
2. One significant deficiency and no material weaknesses relating to the audit of the financial statements are reported in the *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*.
3. No instances of noncompliance material to the financial statements of Shelby County, Tennessee, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal award programs are reported.
5. The auditors' report on compliance for the major federal award programs for Shelby County, Tennessee expresses an unmodified opinion on all major federal programs.
6. There were no audit findings required to be reported in accordance with 2 CFR Section 200.516(a).
7. The programs tested as major programs included:
 - CFDA 10.557 – Special Supplemental Nutrition Assistance Program for Women, Infants, and Children Highway Planning and Construction Cluster
 - CFDA 20.205 – Highway Planning and Construction (Federal-Aid Highway Program)
 - Aging Cluster
 - CFDA 93.044 – Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers
 - CFDA 93.045 – Special Programs for the Aging – Title III, Part C – Nutrition Services
 - CFDA 93.053 – Nutrition Services Incentive Program
 - WIA Cluster
 - CFDA 17.258 – WIOA Adult Program
 - CFDA 17.259 – WIOA Youth Activities
 - CFDA 17.278 – WIOA Dislocated Worker Formula Grants
8. The threshold for distinguishing between Type A and B programs was \$1,792,632.
9. Shelby County, Tennessee qualifies as a low risk auditee.

SHELBY COUNTY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

Significant Deficiency

2019-001 Schedule of Expenditures of Federal Awards (SEFA) Not Accurately Reported

Criteria: Federal expenditures reported on the SEFA should include all federal programs (CFDA numbers) and the amount of federal expenditures (which can be different depending on the funding sources per the grant agreement) related to each of those programs as required by the Uniform Guidance.

Condition: Federal expenditures were over reported on the SEFA as amounts that were actually state expenditures were classified as federal expenditures. Some federal expenditures were missing proper CFDA number references.

Cause: Internal controls over the preparation and review process of the SEFA did not detect the SEFA misstatements.

Effect: The SEFA over reported federal expenditures by \$750,900 and under reported state financial assistance by the same amount. Improper major program determinations due to incorrect CFDA references.

Recommendation: We recommend management review their policies and procedures for SEFA preparation ensuring sufficient controls are implemented going forward over preparation of the SEFA. This includes ensuring the review of grant agreements for the proper source of funding prior to including the amounts on the SEFA.

Views of Responsible Officials: See corrective action plan.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

SHELBY COUNTY, TENNESSEE
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2019

FINDINGS – FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

**SHELBY COUNTY, TENNESSEE
MANAGEMENT'S CORRECTIVE ACTION PLAN**
For the Year Ended June 30, 2019

Shelby County, Tennessee respectfully submits the following corrective action plan for the year ended June 30, 2019.

Corrective Action Plan Prepared by: Audrey Tipton, Administrator of Finance and Administration

Name and address of independent public accounting firm:

**Watkins Uiberall, PLLC
1661 Aaron Brenner Drive, Suite 300
Memphis, TN 38120**

Audit period:

June 30, 2019

The findings from the June 30, 2019, schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

2019-001 Schedule of Expenditures of Federal Awards (SEFA) Not Accurately Reported

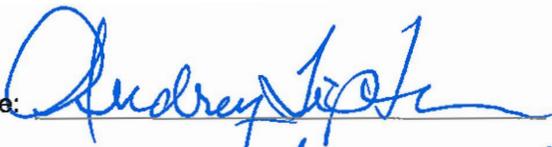
Person Responsible for Implementing the Corrective Action:

Audrey Tipton, Administrator of Finance and Administration

Anticipated Completion Date for Corrective Action: June 30, 2020

Planned Corrective Action:

Under the County's decentralized structure for the administration of grants, the organizational unit receiving the grants is responsible for timely reporting and providing accurate data (i.e. CFDA#, governmental sources) needed to prepare the SEFA. We received many GARFs passed the deadline and many were submitted incomplete, resulting in delays in preparing the SEFA and a more thorough review prior to releasing it to the auditors. We plan to fill the staffing shortage within the department, improve training with the organizational units, and perform a mid-year interim review of all grants prior to the fiscal year end.

Signature: 
Title: Finance Administrator