ROSS ◆ LANE

& Company, LLC

Certified Public Accountants

and Consultants

To the Members of the Board
Cobb County Board of Education
Marietta, Georgia

In planning and performing our audit of the basic financial statements of the Cobb
County School District for the year ended June 30, 2009, we considered the District's
internal control structure to determine our auditing procedures for the purpose of
expressing an opinion on the basic financial statements and not to provide assurance
on the internal control structure.

However, during our audit we became aware of several matters that are opportunities
for strengthening internal controls and operating efficiency. The memorandum that
accompanies this letter summarizes our comments and suggestions regarding those
matters.

We will review the status of these comments during our next audit engagement. We
have already discussed these comments and suggestions with various District
personnel and have included their response.

We believe that the implementation of these recommendations will provide the
District with a stronger system of internal accounting control while also making its
operations more efficient. We will be happy to discuss the details of these
recommendations with you and assist in any way possible with their implementation.

In addition to the current year recommendations, we have included the status of our
prior year recommendations in the accompanying memo as well.

This report is intended solely for the information and use of the members of the
Board, management, and others within the organization and is not intended to be and
should not be used by anyone other than these specified parties.

We appreciate the opportunity to be of service to you and especially appreciate the
assistance provided by the personnel of the various departments.

Ross Lane & Company, PPC

Atlanta, Georgia
December 9, 2009

Prior Year Recommendations

Centralization of Accounting Systems

Condition:

The District utilizes several different accounting systems to carry out District accounting functions. The Local Schools Accounting System, Food and Nutrition Services Accounting System, Budget System, and the Payroll System are not fully integrated with the Financial Services Accounting System (AMS).

Recommendation:

We recommend that the District consider a plan to eventually centralize the various accounting systems in order to streamline the financial reporting process.

Initial Management Response:

We agree with the recommendation. The District is currently involved in the first phase of a two phase program to centralize the accounting systems and also to integrate the Human Resources system with the centralized accounting system. The first phase consists of upgrading the existing Financial Services Accounting System (AMS) to the most recent version available. The second phase will involve developing a Request for Proposal to purchase and implement modules for the other accounting systems and the Human Resource system. These modules will be required to interface seamlessly with the upgraded AMS system.

Management Update FY07:

The Board has now authorized the upgrade of the existing financial system and the District is in the early stages of the upgrade process. The upgraded system will be operational July 1, 2008 and the upgrade process will be complete June 30, 2009.

Management Update FY 08:

The District is planning to centralize the various accounting systems over the next five years. Completion is planned for the end of FY 2014.

Status:

Management has not yet implemented this recommendation. Therefore, we again recommend that the District centralize the various accounting systems in order to streamline the financial reporting process

Management Update FY 09:

The District continues planning the centralization of the various accounting systems over the next five years. The frameworks for upgrades to the Local School Accounting System and the Food and Nutrition Accounting System will begin in FY 2010. Completion of integration of all systems is planned for the end of FY 2014.

Accounting for Textbooks

Condition:

The textbook inventory system has been in use since 1992. It is a DOS system that is outdated and unable to track and segregate additions and disposals of textbooks, which produces inaccurate financial reporting data relating to total net book value. Textbooks should be properly valued and additions and disposals should be separately identified in order to obtain accurate net book value each year.

Recommendation:

We recommend the implementation of a new textbook inventory system that is capable of identifying and segregating additions and disposals so that net book value is accurately reported in financial data each year. This system should be set-up as a fixed asset system where textbooks can be individually tracked and monitored.

Initial Management Response:

We agree with the recommendation that a new textbook inventory system should be implemented to improve accurate reporting of the District's textbook inventory. We will continue documentation of our system needs in fiscal year 2007 and initial steps will be taken for procurement. We will evaluate expanding the media services system to include a textbook management component. Funding for a new system will be sought either through a supplemental appropriation in fiscal year 2007, through a budget request in fiscal year 2008, or through a funding request in SPLOST III.

Management Update FY07:

Management concurs with this recommendation and is currently in the process of evaluating textbook inventory software options. Textbook software requirements will include functions to separately identify additions and disposals.

Additionally, management will provide proper training for media specialists, who use the library media software system, so that media book additions and disposals are accurately recorded. Also, guidelines are being developed to improve accuracy of media inventory reporting by preventing textbooks and other non-library media materials from being cataloged in the library media software system.

Management Update FY08:

Although it was anticipated that the textbook inventory system would be converted during fiscal year 2008, funds were not available to support the system for grades K-12. However, funds were approved in the amount of $250,000 to be spent to purchase and implement a new textbook inventory system in high schools, grades 9-12. When the project was re-bid, specific only to high schools, the new proposal exceeded $460,000,

thereby preventing the inventory system from being purchased. Currently the project is being readjusted in hopes of finding a system that meets the needs of the recommendations of the committees while still falling under the constraints of the budget. The request for proposal will state that the segregation of additions and disposals is a requirement. Additionally, local school and district training on any purchased inventory system will be provided. ·

Additionally, efforts will be made to implement customized reports to separately identify library book additions and disposals

Status:

Per management, the current textbook inventory system has been converted to an updated system for high school and warehouse textbooks in fiscal year 2009. However, the updated system does not automatically segregate additions and disposals, which is needed to accurately compute depreciation and net book value each year. It is our understanding that customized reports can be created in the updated system to provide this information which we feel is needed to accurately identify and value textbook and library inventory. Therefore, we again recommend that a system be implemented for textbooks and library books that will separately identify additions and disposals.

Management Update FY 09:

At the time of the FY 2009 audit, the district was still operating under the old textbook inventory system for K-12. Implementation of Phase One of the new management system in high schools was complete, including extensive inventory counts and bar coding. However, district inventory data conversion to the new textbook program management system was not completed until early in FY 2010. Therefore, FY 2010 will be the first year of implementation to realize the full benefits of the new textbook management system in high schools. Management will be working throughout FY 2010 to customize and enhance the textbook system so that reports provide more accurate information and should include reports that separately identify additions and disposals as recommended.

Additionally, due to budget constraints in FY 2009, the Library Media Education (LME) department was unable to purchase customized reports from the software vendor. Therefore, implementation of reports that could separately identify additions and disposals was not possible.

The LME department is planning an upgrade to the latest version of Destiny Library Manager in FY 2010. If the new version of the software does not include this reporting capability, the LME department will request a quote from the vendor to create a custom report to separately identify additions and disposals.

Upgrade for Advantage Accounting System

Condition:

The District is currently operating their financial accounting software with an outdated version. Updated versions of this software are available that provide more reporting capabilities than the version currently used by the District. In addition, it is becoming increasingly difficult to get support for this outdated software version. The newer version allows for many more capabilities as it is web-based. In addition, the hardware currently utilized by the District is a mainframe and will need to be replaced eventually in order to run the newer software available.

Recommendation:

We recommend updating both the computer hardware and software to meet the growing technology reporting needs of the District. Ideally, the District could obtain a software system that would centralize all of the separate accounting systems currently used as noted in our prior year recommendation.

Initial Management Response:

We agree with the recommendation. The District is currently involved in the first phase of a two phase program to centralize the accounting systems and also to integrate the Human Resources system with the centralized accounting system. The first phase consists of upgrading the existing Financial Services Accounting System (CGI, formerly AMS) to the most recent version available. We anticipate that the purchase of the upgraded software will occur near the end of fiscal year 2007 and implementation will occur over the following two fiscal years. The second phase will involve developing a Request for Proposal to purchase and implement modules for the other accounting systems and the Human Resource system. These modules will be required to interface seamlessly with the upgraded AMS system. Funding for the second phase will be requested in SPLOST III.

Management Update FY07:

The Board has now authorized the upgrade of the existing financial system and the District is in the early stages of the upgrade process. The upgraded system will be operational July 1, 2008 and the upgrade process will be complete June 30, 2009.

Management Update FY 08:

The financial system upgrade go-live date is planned for July 1, 2009.
Status:

Management has implemented this recommendation and the new system was implemented as of July 1, 2009.

Physical Inventory Adjustments

Condition:

We noted during our audit that certain furniture and textbook inventory balances were not adjusted for physical inventory counts at June 30. The furniture warehouse inventory was adjusted for activity during the year but was not adjusted to the actual counts as of year end. Additionally, we noted that one school did not adjust textbook physical inventory counts to actual amounts counted by us during the physical inventory observation.

Recommendation:

We recommend that inventories be adjusted to physical count balances at June 30 each year.

Initial Management Response:

We agree with the recommendation that the furniture inventories be adjusted to physical count balances at June 30 each year. This process is not automated in the current Advantage Accounting System. However, we anticipate that the new upgraded accounting system will have this capability. The upgraded system will be implemented in fiscal year 2009.

We agree that the textbook inventory should reflect the physical inventory count. Management will implement this recommendation in FY08 by stressing the importance of this process to all those with textbook inventory responsibilities at the local schools.

Management Update FY08:

We agree that the textbook inventory should reflect the physical inventory count at each site. However, the current inventory system in place does not allow adjustment/edit rights to individual schools during the time of the audit. Such changes can only be made at the district level. Management will continue to stress the importance of: keeping accurate counts, making physical inventory changes during the allowed window for local schools, and furthermore, when notified by schools, making any necessary adjustments at the district level in a timely fashion by June 30. Management will look into the possibility of an audit trail to monitor when counts are adjusted at the district level during the course of the year.

Status:

It appears that this recommendation has been implemented for furniture warehouse inventory and textbook inventory as of fiscal year ended June 30, 2009.

Textbooks Receiving/Shipping Documentation

Condition:

During our audit testing, we noted that the District does not maintain adequate documentation for textbooks received at the warehouse and textbooks shipped from the warehouse to local schools. Partial shipments from the warehouse to local school are not recorded as shipped to the school until the full order is shipped; thus, creating inventory balance differences. This condition hinders the District's ability to track the location of textbooks at any given point in time. In addition, this could cause timing differences at fiscal year-end that result in a misstatement of textbook asset balances.

Recommendation:

We recommend that the District implement procedures to properly account for all shipments received by the warehouse and those from the warehouse to local schools. Shipping and receiving documents should be filed by date and school to account for this activity.

Management Response:

We agree with the recommendation that the District refine its procedures to properly account for all shipments received by and sent from the warehouse. The current system does not retain records of partial shipments. The system currently overwrites each partial shipment resulting in only the final shipment data and date being retained in the records. Due to these limitations in the current system, manual shipment records are created. However, inventory adjustments are made in the system with each shipment regardless of partial or full shipments so that corrected inventory data is recorded.

To comply with the recommendation, the Warehouse staff will retain all hard copies of received and shipped tickets which will be filed by date and school to account for all activities.

Status:

Management has implemented the above recommendation for the fiscal year ended June 30, 2009.

Title VI-B Flow-through OMB Semi-Annual Certifications

Condition:

While testing the Title VI-B payroll expenditures during the Single Audit, we noted that some semi-annual certifications requested for testing were dated after year-end. This indicated to us that either those certifications were not found on file and had to be re-created when requested or were not obtained semi-annually for those employees as required. The lack of adequate documentation on file could result in payroll expenditures that are not allowable or a violation of the recordkeeping requirement for federally-funded personnel.

Recommendation:

We recommend that the District ensure that federally-funded employees complete the semi-annual OMB certifications on a timely basis and that these forms are appropriately filed in the Special Student Services office. Consideration should also be given to appointing an individual at this office to oversee that employees listed on payroll records have completed the required semi-annual certifications and that the forms are on file in the Special Student Services office.

Management Response:

The Special Student Services office has refined its procedure for the distribution and collection of the OMB periodic certification forms. Newly created payroll and human resources reports will be used to verify the Federally-funded personnel for each reporting period and to confirm that signed forms are obtained in a timely manner from each person. This process will be coordinated by the budget supervisor and budget secretary in Special Student Services.

Status:

Management implemented this recommendation during the year ended June 30, 2009 and all Special Student Services employees tested during the single audit testing were found have required documentation on file at the Special Student Services office. Our testing indicated that the semi-annual certification forms were completed on a timely basis.

Valuation of Library Books

Condition:

During our audit procedures, we noted that certain library books were recorded on the District-wide financial statements with an incorrect cost value. Specifically, certain volume-set reference books were individually costed at total volume-set cost while other reference books had a zero cost. This incorrect valuation could result in a material misstatement of net assets on the District-wide financial statements at year-end.

Recommendation:

We recommend that the District implement procedures in the Media Services Department to review the accuracy of the library book values at local schools. In addition, the Department should ensure that newly purchased books are entered at the correct values in the Destiny Software system.

Initial Management Response:

The ongoing implementation of a centralized library automation system continues to result in enormous improvements in the accuracy of these records. While the central office Media Services Department cannot review all of these records, they will facilitate their review by the school library media specialists. Instructions and training will be provided at the upcoming Destiny Library Manager workshops and individual library media specialists will be assisted as needed as they review their records and resolve these issues.

Status:

While Management has implemented this recommendation, several items were noted to be recorded with an incorrect cost value during our audit testing for FYE 6/30/09. Therefore, we again recommend that the Media Services Department review the accuracy of the library book values at local schools.

Management Update FY 09:

The Library Media Education (LME) department has provided documentation and training to school library media specialists regarding identifying items with incorrect values. LME has encouraged media specialists to correct values of existing items and instructed them to monitor newly added items to ensure the values are imported correctly. The LME department has provided additional training in FY 2010 to help schools increase the accuracy of these records. Also, Destiny's district reporting capabilities will be used to monitor the schools' progress and LME will provide assistance to individual schools as needed.

Accuracy of Title II Consolidated Grant Application Budget

Condition:

While testing the Title II program during the Single Audit, we noted that some federally funded teachers did not teach at Title I schools. While the Title II handbook does not require that Title II federally funded employees teach at Title I schools, the Title II consolidated grant application budget specifically sets aside funding for Title I teachers. There is not a budget line item for teachers for non-Title I schools.

Recommendation:

We recommend that the Title II consolidated grant application budget reflect accurate information regarding the items that will be federally funded.

Management's Response:

The Title II consolidated grant application budget for FY 2010 will appropriately reflect that part of the grant will be expended on non-Title I schools.

Textbook Software for Elementary and Middle Schools

Condition:

During the year ended June 30, 2009, the District implemented new textbook software for the high school and warehouse that resulted in more accurate and complete records of textbook inventories. As such, there was a prior period adjustment to record warehouse inventory that was not counted in previous years. This new textbook software is not currently being used for the elementary and middle school textbooks.

Recommendation:

We recommend that the District implement the use of the new software for the District as a whole, including elementary and middle schools. We feel this would result in more accurate and complete records of the District's textbook inventories.

Management's Response:

When funds are available, management hopes to implement the new textbook management system to both middle and elementary schools as quickly as possible. The district has already realized many benefits of the new textbook management system in high schools.

The new system for high schools has reduced purchases by tracking and redistributing books between schools, according to current class enrollments. Additionally, management has observed improved accuracy in record keeping which has been a major objective.

The current process of maintaining two different textbook management systems for inventory purposes is challenging, especially since some textbooks are shared across grade levels. Having the district on one textbook management system would streamline the process and be more uniform across the district for reporting purposes. We will support and work toward this goal of implementation of new textbook software for all schools.