

State of South Carolina



Office of the State Auditor

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STATE AUDITOR

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133 AND ON THE SUPPLEMENTARY  
SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS**

April 21, 2003

The Honorable Mark Sanford, Governor  
and  
Members of the General Assembly  
Columbia, South Carolina

**Compliance**

We have audited the compliance of the State of South Carolina with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2002. The State of South Carolina's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the State of South Carolina's management. Our responsibility is to express an opinion on the State of South Carolina's compliance based on our audit.

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 State of South Carolina'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. Our audit does not provide a legal determination of the State of South Carolina's compliance with those requirements.

The Honorable Mark Sanford, Governor  
and  
Members of the General Assembly  
April 21, 2003

In our opinion, the State of South Carolina complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 02E24-1 through 02E24-6, 02F09-1, 02H03-1, 02H03-2, 02H73-1, 02H79-1, 02J04-1, 02J20-1, 02J20-02, 02L04-1 through 02L04-8, and 02P12-1.

#### Internal Control Over Compliance

The management of the State of South Carolina is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the State of South Carolina's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the State of South Carolina's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 02E24-1 through 02E24-6, 02F09-1, 02H03-1, 02H03-2, 02H73-1, 02H79-1, 02J04-1, 02J20-1, 02J20-02, 02L04-1 through 02L04-8, and 02P12-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 02E24-1 and 02L04-5 to be material weaknesses.

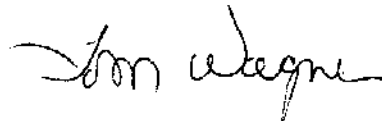
The Honorable Mark Sanford, Governor  
and  
Members of the General Assembly  
April 21, 2003

Schedules of Expenditures of Federal Awards

We have jointly audited with KPMG LLP the financial statements of the State of South Carolina as of and for the year ended June 30, 2002, and have issued our report thereon dated February 21, 2003. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedules of expenditures of federal awards are presented for purposes of additional analysis as required by OMB Circular A-133 and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The State's financial statements included the operations of the agencies and component units listed in Note 1 to the schedules of expenditures of federal awards. These agencies and component units expended \$1,393,286,261 in federal awards during the year ended June 30, 2002. Our audit, described above, did not include the agencies and component units listed in Note 1 because each of the entities engaged other auditors to perform an audit in accordance with the Single Audit Act Amendments of 1996.

This report is intended solely for the information of the Governor and Members of the General Assembly, the governing body and management of State agencies, the cognizant federal agency, federal awarding agencies, and pass-through entities and is not intended to be used and should not be used by anyone other than these specified parties.



Thomas L. Wagner, Jr., CPA  
State Auditor

STATE OF SOUTH CAROLINA  
Schedule of Expenditures of Federal Awards  
By Federal Grantor and CFDA Number  
For the Year Ended June 30, 2002

Federal Grantor/Program Title/Grant Title	Agency Number	CFDA Number	Grant/Contract Number	Expenditures
<b>NONCLUSTERED GRANTS, CONTINUED</b>				
<b>DEPARTMENT OF EDUCATION</b>				
<b>Goals 2000 - State and Local Education Systemic Improvement Grants</b>		<b>84.276</b>		
Title III - Goals 2000 Educate America Act State and Local Education Systemic Improvement	H63		S276A70040	0
Title III - Goals 2000 Educate America Act State and Local Education Systemic Improvement	H63		S276A980040	0
Title III - Goals 2000 Educate America Act State and Local Education Systemic Improvement	H63		S276A990040	402,575
<b>Program Total</b>				<b>4,954,865</b>
<b>Eisenhower Professional Development State Grants</b>		<b>84.281</b>		
Eisenhower Professional Development Higher Education Grants	H03		S281B000040	184,111
Eisenhower Professional Development Higher Education Grants	H03		S281B010040	107,920
Eisenhower Professional Development Higher Education Grants	H03		S281B980040	0
Eisenhower Professional Development Higher Education Grants	H03		S281B990040	120,328
Title II - Eisenhower Professional Development State Grants	H63		S281A000040	2,781,635
Title II - Eisenhower Professional Development State Grants	H63		S281A010040	825,172
Title II - Eisenhower Professional Development State Grants	H63		S281A990040	79,681
Eisenhower Standards and Assessment	H63		S281C010040	6,857
<b>Program Total</b>				<b>** 4,105,514</b>
<b>Charter Schools</b>		<b>84.282</b>		
South Carolina Public Charter Schools Grant Program	H63		S282A000047	443,374
South Carolina Public Charter Schools Grant Program	H63		S282A000047-01	39,466
South Carolina Public Charter Schools Grant Program	H63		S282A70007	2
South Carolina Public Charter Schools Grant Program	H63		S282A970007-98	21,000
South Carolina Public Charter Schools Grant Program	H63		S282A970007-99	78,022
<b>Program Total</b>				<b>581,864</b>
<b>Innovative Education Program Strategies</b>		<b>84.298</b>		
Title VI	H63		S298A000041A	2,899,481
Title VI	H63		S298A010041A	1,718,537
Title VI	H63		S298A980041	0
Title VI	H63		S298A990041	378,648
<b>Program Total</b>				<b>4,796,666</b>
<b>Even Start - Statewide Family Literacy Program</b>		<b>84.314</b>		
Even Start - Statewide Family Literacy: Initiative Grants	H63		S314B000030	53,582
<b>Program Total</b>				<b>53,582</b>
<b>Technology Literacy Challenge Fund Grants</b>		<b>84.318</b>		
Technology Literacy Challenge Fund	H63		S318X000040	4,994,730
Technology Literacy Challenge Fund State Grants	H63		S318X010040	3,828,822
Technology Literacy Challenge Fund State Grants	H63		S318X80040	0
Technology Literacy Challenge Fund	H63		S318X90040	229
<b>Program Total</b>				<b>8,623,781</b>
<b>Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities</b>		<b>84.326</b>		
Special Education - Technical Assistance (Deaf-Blind Centers)	H63		H326C990024-00	107,957
Special Education - Technical Assistance (Deaf-Blind Centers)	H63		H326C990024-01	42,829

**STATE OF SOUTH CAROLINA**  
**Schedule of Expenditures of Federal Awards**  
**By Federal Grantor and CFDA Number**  
**For the Year Ended June 30, 2002**

<b>Federal Grantor/Program Title/Grant Title</b>	<b>Agency Number</b>	<b>CFDA Number</b>	<b>Grant/Contract Number</b>	<b>Expenditures</b>
<b>NONCLUSTERED GRANTS, CONTINUED</b>				
<b>DEPARTMENT OF EDUCATION</b>				
<b>Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities</b>		<b>84.326</b>		
<b>Program Total</b>				<b>150,788</b>
<b>Advanced Placement Program</b>		<b>84.330</b>		
Georgia Department of Education	H63		37422001	23,263
Georgia Department of Education	H63		None	37,097
<b>Program Total</b>				<b>60,360</b>
<b>Grants to States for Incarcerated Youth Offenders</b>		<b>84.331</b>		
Post Secondary - Occupational Education	N04		V331A000044	109,799
Post Secondary - Occupational Education	N04		V331A990044	11,191
<b>Program Total</b>				<b>120,990</b>
<b>Comprehensive School Reform Demonstration</b>		<b>84.332</b>		
Comprehensive School Reform Demonstration Project	H63		S332A000040	1,195,066
Comprehensive School Reform Demonstration Project	H63		S332A980040	0
Comprehensive School Reform Demonstration Project	H63		S332A990040	878,973
<b>Program Total</b>				<b>2,074,039</b>
<b>Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)</b>		<b>84.334</b>		
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	H03		P334A990172	1,670,807
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	H03		P334A990658-00A	0
<b>Program Total</b>				<b>** 1,670,807</b>
<b>Teacher Quality Enhancement Grants</b>		<b>84.336</b>		
Teacher Quality Enhancement Grants for State and Partnerships	H63		P336A990003	1,192,190
<b>Program Total</b>				<b>1,192,190</b>
<b>Reading Excellence</b>		<b>84.338</b>		
Reading Excellence Act	H63		S338A010008	857,021
<b>Program Total</b>				<b>857,021</b>
<b>Class Size Reduction</b>		<b>84.340</b>		
Class Size Reduction	H63		S340A000042A	8,933,640
Class Size Reduction	H63		S340A010042A	7,227,699
<b>Program Total</b>				<b>16,161,339</b>
<b>Title I Accountability Grants</b>		<b>84.348</b>		
Title I - Accountability	H63		S348A000040	503,863
<b>Program Total</b>				<b>503,863</b>
<b>School Renovation Grants</b>		<b>84.352</b>		
School Renovation Idea	H63		S352A010041	4,815
<b>Program Total</b>				<b>4,815</b>
<b>Appalachian Regional Commission</b>		<b>84.923</b>		
Automated Manufacture Program Equipment - HAMILTON	H63		V923A000002	36,000
Surgical Technical Program Equipment for Spartanburg Technical College	H63		V923A000003	8,217

STATE OF SOUTH CAROLINA  
Schedule of Expenditures of Federal Awards  
By State Agency  
For the Year Ended June 30, 2002

State Agency/Grant Title	CFDA Number	Grant/Contract Number	Expenditures
<b>BUDGET AND CONTROL BOARD - DIVISION OF OPERATIONS (F07), CONTINUED</b>			
Exxon Hawkins Settlement	NONE	None	90,702
<b>Total Direct Assistance</b>			<b>2,593,505</b>
Publication - Energy Efficient Landscapes	10.664	SCFC99U22	0
<b>Total Passed Through State Agencies Included in Reporting Entity</b>			<b>0</b>
<b>Total Budget and Control Board - Division of Operations</b>			<b>2,593,505</b>
<b>BUDGET AND CONTROL BOARD - DIV. OF BUDGET AND ANALYSES (F09)</b>			
Modernization of Land Information System IX	11.400	NA860G0551	100,480
Modernization of Land Information System VIII	11.400	NA860G0551	206,226
South Carolina Integrated Infrastructure Planning, Model Plan	20.205	TCSP002-92B	91,372
Crash Outcome Data Evaluation System (CODES) II	20.600	DTNH 22-00-H-17012	72,128
Crash Outcome Data Evaluation System (CODES) I	20.600	DTNH 22-98-H-37086	0
State Water Pollution Control Revolving Fund	66.458	None	54,049,872
Drinking Water State Revolving Fund	66.468	None	3,436,106
<b>Total Direct Assistance</b>			<b>57,956,184</b>
Understanding and Eliminating Health Disparities	93.226	AHRQ#5 P01 HS10871-02	66,416
<b>Total Passed Through Entities Not Included in Reporting Entity</b>			<b>66,416</b>
Rural Community Hardship Assistance	NONE	HG984297-97-0	1,015,457
<b>Total Passed Through State Agencies Included in Reporting Entity</b>			<b>1,015,457</b>
<b>Total Budget and Control Board - Div. of Budget and Analyses</b>			<b>59,038,057</b>
<b>COMMISSION ON HIGHER EDUCATION (H03)</b>			
South Carolina Plan for Troops to Teachers Program	NONE	None	445,084
Veterans Education Assistance	64.124	V101(223B)P-3955	269,549
Veterans Education Assistance	64.124	V101(223B)P-4055	0
Performance Funding in South Carolina (PFSC)	84.116	P116B981034	72,446
Eisenhower Professional Development Higher Education Grants	84.281	S281B000040	184,111
Eisenhower Professional Development Higher Education Grants	84.281	S281B010040	107,920
Eisenhower Professional Development Higher Education Grants	84.281	S281B980040	0
Eisenhower Professional Development Higher Education Grants	84.281	S281B990040	120,328
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	84.334	P334A990172	1,670,807
<b>Total Direct Assistance</b>			<b>2,870,245</b>
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	84.334	P334A990658-00A	0
<b>Total Passed Through Entities Not Included in Reporting Entity</b>			<b>0</b>
DAODAS Brochure	16.727	CHE-EUDL-2	12,121
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP) Impact Coordinators (GIC)	17.235	B2114G	759
<b>Total Passed Through State Agencies Included in Reporting Entity</b>			<b>12,880</b>
<b>Total Commission on Higher Education</b>			<b>2,883,125</b>

**STATE OF SOUTH CAROLINA**  
 Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2002

Questioned  
Costs

**SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD - DIVISION OF  
 BUDGET AND ANALYSES (OFFICE OF STATE BUDGET) (F09)**  
**(CONTINUED)**

**02F09-1. Administrative Costs Allocated on a Percentage of  
 Personnel (Continued)**

We recommend that the Office of State Budget make the necessary adjustments in the amounts related to the overstatement in the above schedules and categories to future Statewide Cost Allocation Plans. We also recommend that the Office follow their established procedures and ensure that the plan is properly reviewed by a knowledgeable employee who is adequately trained in and familiar with the preparation of the Statewide Cost Allocation Plan. Further, we recommend the preparer and reviewer exercise due care when developing and finalizing the State's Plan.

Not  
 Determinable

See Agency's Corrective Action Plan at page 176.

**SOUTH CAROLINA COMMISSION ON HIGHER EDUCATION (H03)**

**02H03-1. Support of Salaries and Wages**

This is a reportable condition.

Gaining Early Awareness and Readiness for Undergraduate  
 Programs (GEAR-UP)

CFDA No.: 84.334

Grant No.: P334A990172

The Commission did not prepare periodic certifications for employees who worked solely on one federal program. Therefore, it did not have the necessary evidence and support for some salaries and wages. According to our review and discussions with management, the Commission was not aware of the requirement. The salaries of seven employees included in our tests of the payroll system were charged 100 percent to the Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP) during fiscal year 2002.

**STATE OF SOUTH CAROLINA**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2002

Questioned  
Costs

**SOUTH CAROLINA COMMISSION ON HIGHER EDUCATION (H03)**  
**(CONTINUED)**

**02H03-1. Support of Salaries and Wages (Continued)**

OMB Circular A-87, Section 11.h. (3) of Attachment B states the following:

Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

Subpart C, Section .300 (b) of OMB Circular No. A-133 requires that the auditee "maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

We recommend the Commission develop and implement procedures to ensure that it complies with OMB Circular A-87 requirements regarding the certification of employee duties.

None

See Agency's Corrective Action Plan at page 177.



**STATE OF SOUTH CAROLINA**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2002

Questioned  
Costs

**SOUTH CAROLINA COMMISSION ON HIGHER EDUCATION (H03)**  
**(CONTINUED)**

**02H03-2. Personal Services Expenditures**

This is a reportable condition.

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)  
CFDA No.: 84.334  
Grant No.: P334A990172

Seven employees out of nineteen included in our tests of the payroll system were charged 100 percent to the Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP) even though they did not work exclusively on the program. Based on our discussions with the employees, we determined that they worked between fifty and ninety percent on GEAR-UP. Using these percentages, we determined that the GEAR-UP program was charged approximately \$39,000 for salaries which were unrelated to the program.

Additionally, salaries and wages of employees charged to more than one program or other cost objective are not supported by appropriate time distribution records. The Commission charges payroll expenditures to grants based on a predetermined salary allocation. The allocation spreadsheets are developed by management based on 'agency need' and are periodically revised. Additionally, employees prepare timesheets which show the total time per day that an individual worked on federal programs and non-federal activities. The time sheets do not identify the amount of time spent working on a particular federal program. Further, there is no evidence that a review is performed to determine if employees actually worked on the specific programs at the allocation percentages assigned on the predetermined allocation spreadsheets.

OMB Circular A-87, Attachment A, Section E.1. states that direct costs are those that can be identified specifically with a particular final cost objective. Section E.2. states that typical direct costs chargeable to Federal awards include compensation of employees for the time devoted and identified specifically to the performance of those awards.

**STATE OF SOUTH CAROLINA**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2002

Questioned  
Costs

SOUTH CAROLINA COMMISSION ON HIGHER EDUCATION (H03)  
(CONTINUED)

**02H03-2. Personal Services Expenditures (Continued)**

Attachment A, Section C.1.a. states that to be allowable under Federal guidelines, costs must be necessary and reasonable for proper and efficient administration of Federal awards.

Additionally, Attachment B, Section 11.h. (4) of OMB Circular A-87 states the following:

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency.

According to Subsection (5), personnel activity reports or equivalent documentation must meet the following standards:

- (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
- (b) They must account for the total activity for which each employee is compensated,
- (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
- (d) They must be signed by the employee.
- (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided certain criteria are met.

**STATE OF SOUTH CAROLINA**  
 Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2002

Questioned  
Costs

**SOUTH CAROLINA COMMISSION ON HIGHER EDUCATION (H03)**  
**(CONTINUED)**

**02H03-2. Personal Services Expenditures (Continued)**

We recommend the Commission review its method of allocating personal services and related costs for all of its employees and establish policies and procedures to ensure payroll and employer contributions expenditures are properly supported and reflect actual time and effort of personnel working on grant programs. Procedures should include the requirement that the Commission periodically review the funding sources of all federally funded positions to ensure that the agency is in compliance with OMB Circular A-87 and other federal requirements relating to payroll expenditures and documentation.

\$38,709

See Agency's Corrective Action Plan at page 177.

**SOUTH CAROLINA STATE AGENCY OF VOCATIONAL REHABILITATION**  
**(H73)**

**02H73-1. Maintenance of Effort**

This is a reportable condition.

Rehabilitation Services - Vocational Rehabilitation Grants  
 to States

CFDA No.: 84.126

Grant Nos.: H126A010060

H126A020060

The State Agency has determined that it did not meet its Maintenance of Effort (MOE) requirement by \$107,397 for federal fiscal year 2001, and has projected that it may not meet the federal fiscal year 2002 requirement by \$99,229 because of reductions in state funding.

**STATE OF SOUTH CAROLINA**  
 Index of State Agencies Included in Schedules 1 and 2  
For the Year Ended June 30, 2002

<u>Agency Code</u>	<u>Agency Name</u>
B04	Judicial Department
D10	Governor's Office - State Law Enforcement Division
E20	Attorney General's Office
E21	Commission on Prosecution Coordination
E24	Adjutant General's Office
F05	Budget and Control Board - Division of Executive Director
F07	Budget and Control Board - Division of Operations
F09	Budget and Control Board - Division of Budget and Analyses
F11	Budget and Control Board - Division of Regional Development
<del>H03</del>	Commission on Higher Education
H06	Higher Education Tuition Grants Commission
H59	State Board for Technical and Comprehensive Education
H63	Department of Education
H71	Wil Lou Gray Opportunity School
H73	Vocational Rehabilitation
H75	School for the Deaf and the Blind
H79	Department of Archives and History
H87	State Library
H91	Arts Commission
H95	Museum Commission
J02	Department of Health and Human Services
J04	Department of Health and Environmental Control
J12	Department of Mental Health
J16	Department of Disabilities and Special Needs
J20	Department of Alcohol and Other Drug Abuse Services
L04	Department of Social Services
L12	John De La Howe School
L24	Commission for the Blind
L36	Human Affairs Commission
N04	Department of Corrections
N08	Department of Probation, Parole and Pardon Services
N12	Department of Juvenile Justice
P12	Forestry Commission
P16	Department of Agriculture
P24	Department of Natural Resources
P26	Sea Grant Consortium
P28	Department of Parks, Recreation, and Tourism
R04	Public Service Commission
R20	Department of Insurance
R36	Department of Labor, Licensing, and Regulation



John E. Smalls  
Interim Executive Director

April 15, 2003

Mr. Thomas L. Wagner, Jr., CPA  
State Auditor  
1401 Main Street, Suite 1200  
Columbia, South Carolina 29201

Re: Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2002

Dear Mr. Wagner:

This comes in response to findings from the recent audit of the Commission's Gaining Early Awareness and Readiness (Gear Up) Program. Our responses are in order of occurrence in your correspondence:

1. **Personal Services Expenditures**  
Number: 02H03-1  
Grant Name: Gaining Early Awareness and Readiness (Gear Up)  
Grant Number: P334A990172  
CFDA Number: 84.334

**Corrective Action:** We concur with the auditor's findings. To remedy the condition, the Commission is developing an automated work-tracking and reporting system that will allow expeditious recording of each employee's time and efforts. This system will permit the accurate and total recording of activity for which each employee is compensated on a monthly basis.

It is anticipated that the system be available for use in May, 2003. The Commission will work with its current employees and supervisors to recreate records for previous periods.

**Management's Comments:** We concur with the auditor's findings.

2. **Support of Salaries and Wages**  
Number: 02H03-2  
Grant Name: Gaining Early Awareness and Readiness (Gear Up)  
Grant Number: P334A990172  
CFDA Number: 84.334

**Corrective Action:** The implementation of the corrective action for Finding Number 02H03-1 will complete remediate this condition.

Management's Comments: We appreciate the amiable manner in your audit performed their work and conduct their review. Your team's assessment of the Commission operation of the Gear Up Program supports our efforts toward continuance improvement.

  
\_\_\_\_\_  
Jeff Richards  
Operations Manager