

Duval County Public Schools
1701 Prudential Drive
Jacksonville, Florida 32207

National Science Foundation Cooperative Agreement Number ESR-9727647

Financial Schedule

and

Independent Auditors' Reports

For the Period September 1, 1998 to June 30, 2001

SEP 27 2002

MCBRIDE, LOCK & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS
KANSAS CITY

Duval County Public Schools
1701 Prudential Drive
Jacksonville, Florida 32207

National Science Foundation Cooperative Agreement Number ESR-9727647

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Duval County Public Schools

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SECTION I

INTRODUCTION AND AUDIT RESULTS

National Science Foundation
Office of Inspector General
4201 Wilson Boulevard
Arlington, Virginia 22230

BACKGROUND

We audited the funds awarded by the National Science Foundation (NSF) to the Duval County Public Schools (DCPS) under Cooperative Agreement No. ESR-9727647, for the period September 1, 1998 through June 30, 2001. DCPS is a traditional countywide school district organized decades ago. Its current enrollment is 126,000 students, from kindergarten through grade 12. It employs thousands of teachers and support staff. As part of NSF's Urban Systemic Initiatives, DCPS was granted the award named the Jacksonville Urban Systemic Initiative (JUSI) award, to stimulate dramatic improvement in (a) the quality of grade K-12 science, and mathematics education and the use of technology to enhance mathematics and science instruction, (b) access to such instruction, and (c) student achievement. In accomplishing this objective, the JUSI contributes to the quality of the national Science, Mathematics, and Technology (SMT) workforce; the number and quality of students succeeding in SMT careers; and, over time, the general scientific literacy of the U.S. citizenry.

The award is granted for the period from September 1, 1998 through August 31, 2003. NSF intends to provide up to \$15,000,000 and DCPS agreed to provide cost sharing in the amount of \$9,480,490 to support the project for the entire award period. Under the agreement, NSF through March 31, 2001 has agreed to provide DCPS a total of \$7,300,000. From September 1, 1998 through June 30, 2001, DCPS has claimed costs aggregating \$6,600,250 of costs funded directly by NSF, and certified \$10,312,590 in cost sharing.

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of our audit were to determine whether:

- costs charged to the NSF award by DCPS are allowable, allocable, and reasonable, in accordance with the applicable Federal cost principles and NSF award terms and conditions; and
- DCPS' systems of internal controls are adequate to properly administer, account for, and monitor its NSF awards in compliance with NSF and Federal requirements.

Our audit was conducted in accordance with auditing standards generally accepted in the United States of America, the *Government Auditing Standards* (1994 Revision) issued by the Comptroller General of the United States, and the *NSF Audit Guide* (September 1996). Consequently, we planned and performed the audit to obtain reasonable assurance about whether the amounts claimed to NSF as presented in the Schedule of Award Costs (Schedule A), are free of material misstatement. Our audit also assessed the accounting principles used and significant estimates made by the DCPS and evaluated the overall financial schedule presentation.

To achieve our objectives, we examined, on a test basis, evidence supporting the amounts and disclosures in Schedule A. Based on an assessment of risk, we selected a nonstatistical sample of costs claimed under the award to test for compliance with Federal award requirements. Based upon this sampling method, questioned costs in this report may not represent total costs that may have been questioned had all expenditures been tested. In addition, we have made no attempt to project such costs to total costs claimed, based on the relationship of costs tested to total costs. However, we believe our audit provides a reasonable basis for our opinion.

SUMMARY OF AUDIT RESULTS

An audit was performed on the financial reports submitted to NSF as well as cost sharing provided by DCPS on the NSF award audited. These costs are shown in Schedule A. Our audit did not disclose any questioned cost, but found that DCPS did not comply with certain NSF and Federal requirements for cost sharing as described below.

<u>NSF Award Number</u>	<u>Award Budget</u>	<u>Claimed Costs</u>	<u>Questioned Costs</u>
ESR-9727647	<u>\$7,300,000</u>	<u>\$ 6,600,250</u>	<u>\$ -0-</u>

Questioned costs are costs for which there is documentation that the recorded costs were expended in violation of the law, regulations or specific conditions of the award, or those costs which require additional support by the Awardee or which require interpretation of allowability by the NSF – Division of Acquisition and Cost Support (DACS).

The audit found DCPS' systems of internal controls to be reasonably adequate to properly administer, account for, and monitor its NSF awards in compliance with NSF and Federal requirements, except for cost sharing. We were not able to verify the \$37 million of cost sharing presented by DCPS in the documentation provided to us to support the cost share it certified for \$10,312,590 under the NSF award on June 11, 2001. Therefore, we identified the \$9,480,490 required under the award agreement as cost sharing at risk for noncompliance with Federal regulations and award terms. We did not report any questioned cost for cost sharing because it is not required to be met until the end of the award on August 31, 2003. We found that DCPS did not comply with certain NSF and Federal requirements for cost sharing. DCPS' cost sharing amounts claimed (1) were not verifiable from its records, (2) included costs that were funded by other Federal grants, and (3) included costs for ongoing programs rather than for accomplishing the specific award objectives. This material noncompliance and weakness in internal control occurred because DCPS does not have written policies and procedures for accumulating and reporting cost sharing for the NSF award. Relevant staff did not receive guidance about the NSF's cost sharing requirements and consequently, did not develop and maintain appropriate records and documents to support the claimed costs.

We recommended that NSF's Division Directors of DACS and Division of Grants and Agreements (DGA) ensure that DCPS (1) revise the cost sharing certification submitted to NSF so that the cost reported will be verifiable from its records and supporting documentation and (2)

provide written policies and procedures that are sufficient to ensure compliance with applicable NSF and Federal requirements for cost sharing and ensure that they are properly implemented by performing specific followup procedures. We also recommended that NSF perform followup procedures to ensure that DCPS' written policies and procedures are adequate and properly implemented.

For a complete discussion of each finding, refer to the Independent Auditors' Report on Compliance with Laws and Regulations and Internal Controls in Section II.

FOLLOW-UP OF PRIOR AUDIT FINDINGS

There was no prior audit of NSF awards. DCPS' Fiscal Year 2000 Office of Management and Budget (OMB) Circular A-133 audit did not include this award as a major program. However, the OMB Circular A-133 audit disclosed two reportable conditions that, if not resolved, could impact on the DCPS NSF award. Both conditions were attributed to the new accounting software. The first pertained to the inability to obtain accurate trial balances and other reports from the new system necessary to prepare financial reports. The second pertained to the duplicate charging of personnel costs to two of the five major Federal programs.

Our audit found that the conditions were already resolved and did not affect DCPS' NSF award.

EXIT CONFERENCE

An exit conference was held on March 1, 2002 at the DCPS' office located at 1701 Prudential Drive, Jacksonville, Florida 32207. Findings and recommendations contained in this report were discussed with those attending.

For DCPS:

For McBride, Lock & Associates:

SECTION II

INDEPENDENT AUDITORS' REPORTS

McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL SCHEDULE

National Science Foundation
Office of Inspector General
4201 Wilson Boulevard
Arlington, Virginia 22230

We audited the costs claimed by Duval County Public Schools (DCPS) to the National Science Foundation (NSF) on the Federal Cash Transactions Report – Federal Share of Net Disbursements for the NSF award listed below. In addition, we have also audited the amount of cost sharing on the award. This Federal Cash Transactions Report, as presented in the Schedule of Award Costs (Schedule A) is the responsibility of DCPS' management. Our responsibility is to express an opinion on this schedule based on our audit.

<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
ESR-9727647	9/1/98 – 8/31/03	9/1/98 – 6/30/01

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards* (1994 Revision), issued by the Comptroller General of the United States, and the *NSF Audit Guide* (September 1996). Those standards and the *NSF Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe our audit provides a reasonable basis for our opinion.

The accompanying financial schedule was prepared to comply with the requirements of the *NSF Audit Guide* as described in Note 1 and is not intended to be a complete presentation of DCPS' financial position in conformity with generally accepted accounting principles.

In our opinion, the financial schedule referred to above presents fairly, in all material respects, the costs claimed by DCPS on the Federal Cash Transactions Report – Federal Share of Net Disbursements as presented in the Schedule of Award Costs, for the period September 1, 1998 to June 30, 2001 in conformity with the *NSF Audit Guide*, *NSF Grant Policy Manual*, the award agreement, and the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 1, 2002 on our consideration of the DCPS' internal control over financial reporting and on its compliance with applicable Federal laws and regulations and NSF award terms. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the NSF, the DCPS' management, the NSF's Office of Inspector General, the Office of Management and Budget, and the Congress of the United States, and is not intended to be, and should not be used by anyone other than these specified parties.

McBride, Lock & Associates
McBride, Lock & Associates

March 1, 2002

McBRIDE, LOCK & ASSOCIATES

INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE WITH LAWS AND REGULATIONS
AND INTERNAL CONTROLS

National Science Foundation
Office of Inspector General
4201 Wilson Boulevard
Arlington, Virginia 22230

We audited the Schedule of Award Costs, as presented in Schedule A which summarizes the financial reports submitted by the Duval County Public Schools (DCPS) to the National Science Foundation (NSF) for the award listed below, and have issued our report thereon dated March 1, 2002.

<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
ESR-9727647	9/1/98 – 8/31/03	9/1/98 – 6/30/01

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards* (1994 Revision), issued by the Comptroller General of the United States, and the *NSF Audit Guide* (September 1996). Those standards and the *NSF Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedule is free of material misstatement.

COMPLIANCE

Compliance with applicable laws and regulations and the provisions of the award applicable to DCPS is the responsibility of DCPS' management. As part of obtaining reasonable assurance about whether the financial schedule is free of material misstatement, we performed tests of DCPS' compliance with certain Federal laws and regulations and the provisions of the award. However, providing an opinion on overall compliance with such provisions was not an objective of our audit of the financial schedule. Accordingly, we do not express such an opinion.

The results of our tests of compliance disclosed the following instance of material noncompliance that is required to be reported under the *Government Auditing Standards* and the *NSF Audit Guide*.

Finding No. 1: DCPS' required cost sharing is at risk of noncompliance.

NSF Cooperative Agreement ESR-9727647 required DCPS to cost share \$9,480,490 for the entire award period. We were not able to verify any of the \$10,312,590 of cost sharing certified by DCPS under the NSF award to supporting documentation. Also, we were not able to verify any of the \$37,753,726 that DCPS presented as cost sharing supporting documentation at the time of the audit. Although the cost sharing certification DCPS submitted to NSF for \$10,312,590 on June 11, 2001, exceeded the Award's cost sharing requirement by \$832,100, compliance of DCPS with the requirement is still at risk. The cost sharing documentation provided by DCPS did not meet the applicable Office of Management and Budget's (OMB) criteria for acceptable contributions for cost sharing. Therefore, we identified the \$9,480,490 required under the award agreement as cost sharing at risk for noncompliance with Federal regulations and award terms. Cost sharing at risk is a situation where an awardee has not demonstrated that it has met its cost sharing obligation, but has time to do so because the award term has not ended.

Section .23 of OMB Circular A-110 requires that costs and contributions satisfying a cost sharing requirement must be verifiable from the recipient's records, must not include costs paid for by other Federal funds, and must be necessary for the proper and efficient accomplishment of project or program objectives. However, DCPS' accounting records which presented cost sharing for the NSF award totaling \$37,753,726:

- was not verifiable;
- included expenditures funded by other Federal grants; and
- included costs for ongoing programs rather than for accomplishing the specific award objectives.

Our review of the detailed breakdown of DCPS' incurred cost share disclosed the following:

- Some costs were based on budgets instead of actual costs, records did not distinguish between actual incurred costs and estimated costs, and the allocation methods used were not documented.
- \$13,969,815 of expenditures was funded from other Federal grants. In addition to this amount, we believe that the other expenditures included other Federally-funded expenditures. The breakdown of the cost sharing budget in DCPS' cooperative agreement allows two types of cost share, "In-Kind Non Federal" and "In-Kind Federal" cost share, DCPS' cost sharing certification data did not breakdown each certified "In-Kind" cost into these categories.
- A large part of the cost sharing categories involved ongoing programs rather than new initiatives related to the award program. The apparent underlying premise used for cost

share inclusion was that if math and science costs were not part of regular or ordinary math and science activities, they should be eligible as cost share. For example,

1. DCPS allocated for cost sharing 42 percent of the \$7.6 million summer school budget or \$3,000,000 based on the ratio of teachers in math and science to total summer school teachers. Yet, summer school has been held for many years by the school district.
2. DCPS also allocated for cost sharing, 50 percent or \$2.35 million of the Professional Development budget based on estimated extra training days for math and science teachers. Management could not provide information on the basis for the percentage used or the rationale for including these costs.

DCPS is at risk of material noncompliance with applicable Federal requirements for cost sharing because it failed to provide guidance for these requirements to its staff. DCPS did not develop written policies and procedures for accumulating and reporting cost sharing for the NSF Award as NSF's standards for financial management system prescribe. Consequently, DCPS staff responsible for cost sharing records did not know the cost sharing record and/or documentation requirements of the NSF award.

Recommendation No. 1:

We recommend that NSF's Division Directors of DACS and DGA ensure that DCPS revise the cost sharing certification that DCPS submitted on June 11, 2001. The amount certified should be verified by its records, supported by written allocation methods used and other Federally prescribed supporting source documents, based on reasonable estimates of actual costs incurred to accomplish the program objectives, and exclude costs borne by other Federal funds.

Our recommendation for developing written policies and procedures for grant financial administration is fully stated in the Internal Controls section below.

Awardee Response:

The District agrees with the recommendation to revise cost sharing certification submitted on June 11, 2001 and has enclosed a revised letter for cost sharing certification in the amount of \$9,697,994.49.

Audit Conclusion:

Awardee's comments are responsive to the recommendation.

We considered this instance of material noncompliance in forming our opinion on whether Schedule A is presented fairly in all material respects, in conformity with NSF policies and procedures, and determined that this report does not affect our report dated March 1, 2002 on that financial schedule.

INTERNAL CONTROLS

DCPS' management is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial schedules in accordance with accounting principles prescribed by NSF. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of Schedule A for the period September 1, 1998 through June 30, 2001, we obtained an understanding of DCPS' internal control over financial reporting. With respect to internal control, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation. We assessed the control risks and performed tests of controls to determine our auditing procedures for the purpose of expressing our opinion on the financial schedule and not to provide an opinion on DCPS' internal control over financial reporting. Accordingly, we do not express such an opinion.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect DCPS' ability to record, process, summarize, and report financial data in a manner that is consistent with the assertions of management in the financial schedule.

Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that misstatements, in amounts that would be material in relation to the financial schedules being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in internal control, misstatements due to error or fraud may nevertheless occur and not be detected.

We noted one matter involving DCPS' internal control over financial reporting and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. We believe that this reportable condition is a material weakness as it relates to cost sharing.

Finding No. 2: DCPS' accounting records for cost sharing are not adequate and cost sharing claimed does not comply with NSF cost sharing requirements.

Because DCPS did not have written policies and procedures for Federal grant financial administration, its staff responsible for providing data for cost sharing did not have a clear understanding of the Award cost sharing provisions. As a result, DCPS' cost share certified to NSF for the Award was not verifiable from DCPS' records and included costs that were not Federally acceptable for cost sharing. Amounts making up the total certified amount could not be reconciled with DCPS' computerized accounting system (SAP), the allocation methods were not documented, and records did not distinguish between actual incurred costs and estimated costs. The amount certified also included costs that were not incurred to achieve the objectives of the assistance agreement and costs that were borne by other Federal grants.

We compared the cost sharing certification costs breakdown to the SAP accounting records, and found the following reconciliation differences:

	Instructional Materials, FY 2000	Middle School Plan, FY 2001
Amount in DCPS' accounting System (SAP)	\$9,839,108	\$2,906,855
Percent allocated to Cost Sharing	11.87%	34.00%
Amount of Cost Sharing Based on SAP	\$1,167,902	\$988,331
Cost Sharing Included in Amount Certified to NSF	1,923,809	1,511,582
Difference Between Cost Sharing Based on SAP and Amount Included in Certification	\$ 755,907	\$ 523,251

The certified cost sharing also included an amount for \$3,241,370 for "Technology Funds Scott Futtrell" which was not in the accounting records. Amounts certified were based on budget estimates and consequently, were not traceable to the accounting records.

Further, methods used to allocate costs as cost share were not documented or supported by an analysis showing how the amount of cost sharing was derived. For some allocations, no explanation could be given for percentages used. Of the \$37,753,726 included on the cost sharing accounting records, \$24,242,631 (64%) was derived using various percentages. DCPS' Budget Services staff stated that percentages used for determining cost sharing were based on estimates of how much of the total category was math and science related. Budget Services did not have the documentation for these allocations and informed us that the responsible Department claiming the cost maintains the documents. However, the Division of Curriculum and Instructional Services, claimed the cost, but could not provide us with the relevant documentation.

We also found that cost center codes were not established in the accounting system for the most part, to specifically identify cost share expenditures. Accumulation of cost share amounts

relied primarily on off-system cost allocation methodologies. Consequently, there was no assurance that the same costs were not also used as cost sharing for other Federal grant programs.

NSF recipients are required under Section .21 of OMB Circular A-110 to have financial management systems that provide for written procedures for determining the reasonableness, allocability, and allowability of costs according to applicable Federal cost principles and the terms and conditions of the award. In addition, State grantees as well as its subgrantees and cost-type contractors must have, according to Part 602, Title 45 of the Code of Federal Regulations (NSF's codified grants management common rule for grants to State and local governments, under OMB Circular A-102), fiscal control and accounting procedures that must be sufficient to permit the tracing of funds to a level of expenditures that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes. Records must be maintained that adequately identify the source and application of funds provided for financially-assisted activities. Cost sharing requirements must be verifiable from the records which show how the value was derived and must be supported with adequate documentation.

Recommendation No. 2:

We recommend that NSF's Division Directors of DACS and DGA ensure that DCPS develop adequate written policies and procedures for grant financial administration for cost sharing and ensure that they are properly implemented by performing specific followup procedures. These policies and procedures should:

- thoroughly explain how to determine the reasonableness, allocability, and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the NSF award and
- ensure that DCPS' accounting records for cost sharing:
 - (a) permit the tracing of funds to a level of expenditures to ensure that funds have not been used in violation of the restrictions and prohibitions of applicable Federal statutes;
 - (b) are adequately supported with documentation bearing proper approvals and evidencing that the purpose of the expenditure was in accordance with the terms of the award;
 - (c) adequately identify the source and application of funds provided for financially-assisted activities; and
 - (d) show how the value of each claimed cost was derived.

Awardee Response:

Since the issuance of the draft audit report, DCPS has issued written procedures and guidelines for the administration of cost sharing. DCPS' financial accounting can be traced by a specifically assigned number except for expenditures covering multiple projects. The grant was assigned a fund number for financial accountability. Since the matching funds were to be used for enhancements only over all levels of math and science, their tracking follows the written procedures and guidelines. Cost sharing expenditure documentation will be retained in the grant office.

Audit Conclusion:

DCPS' comments are responsive to the recommendation.

We considered this internal control weakness in forming our opinion on whether Schedule A is presented fairly in all material respects, in conformity with NSF's policies and procedures, and determined that this report does not affect our report dated February 22, 2002 on that financial schedule.

This report is intended solely for the information and use of NSF, DCPS' management, NSF's Office of Inspector General, the Office of Management and Budget, and the Congress of the United States, and is not intended to be, and should not be used by anyone other than these specified parties.

McBride, Lock & Associates
McBride, Lock & Associates

March 1, 2002

SECTION III

FINANCIAL SCHEDULE

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Duval County Public Schools
Notes to the Financial Schedule
From September 1, 1998 – June 30, 2001

1. Summary of Significant Accounting Policies:

Accounting Basis

The accompanying financial schedule has been prepared in conformity with National Science Foundation (NSF) instructions. Schedule A has been prepared from the reports submitted to NSF. The basis of accounting utilized in preparation of these reports differs from generally accepted accounting principles. The following information summarizes these differences:

A. Equity

Under the terms of the award, all funds not expended according to the award agreement and budget at the end of the award period are to be returned to NSF. Therefore, the awardee does not maintain any equity in the award and any excess of cash received from NSF over final expenditures is due back to NSF.

B. Equipment

Equipment is charged to expense in the period during which it is purchased instead of being recognized as an asset and depreciated over its useful life. As a result, the expenses reflected in the statement of award costs include the cost of equipment purchased during the period rather than a provision for depreciation.

The equipment acquired is owned by Duval County Public Schools while used in the program for which it was purchased or in other future authorized programs. However, NSF has the reversionary interest in the equipment. Its disposition as well as the ownership of any proceeds therefrom, is subject to Federal regulations.

C. Inventory

Minor materials and supplies are charged to expense during the period of purchase. As a result, no inventory is recognized for these items in the financial schedules.

2. Income Taxes

Duval County Public Schools is a part of the government of the State of Florida and is exempt from income taxes under the Internal Revenue Code.

3. NSF Cost Sharing

As set forth in the cooperative agreement grant award, the approved cost sharing was as follows:

Cost
Sharing
\$9,480,490

4. Indirect Cost Rate:

- Type of rate authorized for award – predetermined fixed rate of 4.6%.
- Period of rates – September 1, 1998 to August 31, 2003.
- Indirect cost rate used to claim cost – based on total direct costs.

AWARDEE RESPONSE



Duval County Public Schools

July 25, 2002

~~Mr.:~~
McBride, Lock & Associates
Suite 406
Kansas City, MO 64105

MISSION

The Duval County Public School System is committed to providing high quality educational opportunities that will inspire all students to acquire and use the knowledge and skills needed to succeed in a culturally diverse and technologically sophisticated world.

— Adopted February 3, 1998

I would like to thank the McBride, Lock & Associates for the time and effort involved in preparing the District's draft report for the audit period.

Duval County Public Schools' response to the National Science Foundation (NSF) Cooperative Agreement Number ESR-9727647 Audit Report for the period September 1, 1998 to June 30, 2001 is attached. We also proposed the attached list of changes to the Audit Report itself, which was emailed to you on July 17, 2002.

Once again, I want to take this opportunity to let you know that the professional manner in which your staff conducted themselves is appreciated. We look forward to working with your staff in the future.

Sincerely,

Business Services

Enclosures:
Audit Response
Proposed Changes to Audit Report
Cost Sharing Certification
Procedures and Guidelines
Summary of Audit Period Matching Expenditures

cc:

Duval County Public Schools

**Response to Draft Report on Audit Findings
For the Period September 1, 1998 through June 30, 2001**

Compliance

The District agrees with the recommendation to revise cost sharing certification submitted on June 11, 2001 and has enclosed a revised letter for cost sharing certification.

Internal Control Structure

The District has written procedures and guidelines for the administration of cost sharing. The District's financial accounting can be traced by a specifically assigned number except for expenditures covering multiple projects. The grant was assigned a fund number for financial accountability. Since the matching funds were to be used for enhancements only over all levels of math and science, their tracking follows the written procedures and guidelines. Cost sharing expenditure documentation will be retained in the grant office.

HOW TO CONTACT
THE OFFICE OF INSPECTOR GENERAL

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