

# ***EXPLORNET***

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*FINANCIAL STATEMENTS*

*and*

*SINGLE AUDIT REPORT*

*Year ended June 30, 2002*

EXPLORNET  
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
ExplorNet

We have audited the accompanying statement of financial position of ExplorNet (a nonprofit organization) as of June 30, 2002, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of ExplorNet's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ExplorNet as of June 30, 2002, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2003, on our consideration of ExplorNet's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of ExplorNet taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



June 12, 2003

EXPLORNET  
STATEMENT OF FINANCIAL POSITION  
June 30, 2002

ASSETS

CURRENT ASSETS

Cash	\$	602,237
Accounts receivable		107,551
Grants receivable		532,399
Other receivables		4,072
Prepaid expenses		8,814

TOTAL CURRENT ASSETS 1,255,073

EQUIPMENT

421,227

OTHER ASSETS

Intangible assets		61
Deposits		500

TOTAL ASSETS \$ 1,676,861

LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$	101,656
Accrued vacation		72,285
Accrued liabilities		45,690
Deferred revenue		520,175

TOTAL CURRENT LIABILITIES 739,806

NET ASSETS

Unrestricted		228,068
Temporarily restricted		708,987

TOTAL NET ASSETS 937,055

TOTAL LIABILITIES AND NET ASSETS \$ 1,676,861

See accompanying notes to financial statements.

EXPLORNET  
STATEMENT OF ACTIVITIES  
For The Year Ended June 30, 2002

	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND OTHER SUPPORT</b>			
Government grants			
Federal grants	\$ -	\$ 973,640	\$ 973,640
State grants	-	490,173	490,173
Contributions			
Business	621	-	621
Noncash	51,304	-	51,304
Program income			
Computer recycling	68,050	68,143	136,193
Programming Essentials	-	29,200	29,200
Network Essentials	-	62,700	62,700
ExplorIT	-	60,630	60,630
Entech	-	260,181	260,181
Digital Storytelling	-	5,544	5,544
Discounts and refunds	-	(28,170)	(28,170)
Interest income	18,701	-	18,701
Miscellaneous income	1,851	3,621	5,472
Net assets released from restrictions due to satisfaction of program restrictions	3,024,748	(3,024,748)	-
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	<b>3,165,275</b>	<b>(1,099,086)</b>	<b>2,066,189</b>
<b>EXPENSES</b>			
Program services			
Workforce Development	1,463,232	-	1,463,232
Entech	681,599	-	681,599
Digital Storytelling	164,435	-	164,435
Mississippi Governor's Initiative	84,920	-	84,920
Total program services	2,394,186	-	2,394,186
Management and general	803,863	-	803,863
<b>TOTAL EXPENSES</b>	<b>3,198,049</b>	<b>-</b>	<b>3,198,049</b>
<b>CHANGE IN NET ASSETS</b>	<b>(32,774)</b>	<b>(1,099,086)</b>	<b>(1,131,860)</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>260,842</b>	<b>1,808,073</b>	<b>2,068,915</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 228,068</b>	<b>\$ 708,987</b>	<b>\$ 937,055</b>

See accompanying notes to financial statements.

EXPLORNET  
STATEMENT OF CASH FLOWS  
For The Year Ended June 30, 2002

CASH FLOWS FROM OPERATING ACTIVITIES	
Decrease in net assets	\$ (1,131,860)
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities:	
Depreciation and amortization	76,359
Donated equipment included in equipment	(38,104)
(Increase) decrease in:	
Accounts receivable	(59,476)
Grants receivable	(532,399)
Other receivables	15,224
Inventory	4,650
Prepaid expense	9,484
Deposits	(250)
Increase (decrease) in:	
Accounts payable	1,455
Accrued vacation	38,155
Accrued liabilities	44,206
Deferred revenue	498,285
NET CASH USED BY OPERATING ACTIVITIES	<u>(1,074,271)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(28,169)
NET CASH USED BY INVESTING ACTIVITIES	<u>(28,169)</u>
NET DECREASE IN CASH	(1,102,440)
CASH AT BEGINNING OF YEAR	1,704,677
CASH AT END OF YEAR	<u>\$ 602,237</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	
Noncash donation of equipment	<u>\$ 38,104</u>

See accompanying notes to financial statements.

EXPLORNET  
STATEMENT OF FUNCTIONAL EXPENSES  
For The Year Ended June 30, 2002

	Workforce Development	Entech	Digital Storytelling	Mississippi Governor's Initiative	Total Program Services	Management and General	Total Expenses 2002
Salaries	\$ 732,699	\$ 275,242	\$ 110,222	\$ 16,689	\$ 1,134,852	\$ 431,678	\$ 1,566,530
Payroll taxes and employee benefits	129,690	50,559	20,657	2,107	203,013	96,608	299,621
Books, dues and subscriptions	2,905	268	39	13	3,225	1,611	4,836
Business insurance	1,485	2,033	193	67	3,778	5,936	9,714
Conference and meeting expense	6,767	1,345	1,180	2	9,294	1,236	10,530
Depreciation and amortization	27,057	29,891	8,637	-	65,585	10,774	76,359
Educators on loan	100	166,805	-	-	166,905	-	166,905
Employee recruitment and development	2,205	787	144	50	3,186	1,515	4,701
Grants and sponsorships	99,230	-	-	-	99,230	-	99,230
Honoraria and awards	1,244	-	-	-	1,244	-	1,244
Licenses, permits and fees	386	485	31	9	911	90	1,001
Magazine design	2,699	28,617	-	-	31,316	-	31,316
Miscellaneous	5,790	1,350	293	4	7,437	722	8,159
Office supplies	7,770	3,811	1,353	107	13,041	3,320	16,361
Postage and shipping	9,960	2,673	228	657	13,518	(326)	13,192
Presentation expense	5,565	301	503	-	6,369	-	6,369
Printing and copying	20,322	12,649	333	28	33,332	353	33,685
Professional services	61,357	28,930	4,749	200	95,236	215,883	311,119
Rent - office	49,838	9,181	3,266	637	62,922	9,322	72,244
Rent - other	3,203	1,498	71	25	4,797	873	5,670
Repairs and maintenance	1,742	314	19	6	2,081	75	2,156
Supplies	26,502	3,873	2,488	81	32,944	13,282	46,226
Teacher development	4,661	6,070	-	-	10,731	-	10,731
Telephone	29,743	9,771	2,934	410	42,858	7,861	50,719
Travel and meals	42,391	20,476	4,875	1,799	69,541	3,031	72,572
Vehicle expenses	1,779	3,607	1,779	-	7,165	19	7,184
Web site and maintenance	-	-	-	-	-	-	-
Workshop costs	186,142	21,063	441	62,029	269,675	-	269,675
	<u>\$ 1,463,232</u>	<u>\$ 681,599</u>	<u>\$ 164,435</u>	<u>\$ 84,920</u>	<u>\$ 2,394,186</u>	<u>\$ 803,863</u>	<u>\$ 3,198,049</u>

See accompanying notes to financial statements.

EXPLORNET  
NOTES TO FINANCIAL STATEMENTS

NOTE A—NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

ExplorNet was incorporated in 1996 to empower people through technology in education, particularly in low-wealth and rural areas. The Organization uses a public-private partnership approach to encourage communities to coordinate resources from government, businesses and individuals for maximum effectiveness and minimum public expenditure. ExplorNet's programs include:

Workforce Development – This category combines a number of ExplorNet programs that bring technology into public school classrooms and help develop an Information Technology workforce beginning at the high school level at minimum cost to the State and its taxpayers.

*Computer Recycling (CPR)* – Coordinates programs to teach high-school students to build, upgrade and maintain computers for school systems using national certification-based curriculum and donations of used computers to schools.

*Network Essentials* – Coordinates programs to teach high school students the fundamentals of computer network design, construction and support using national certification-based curriculum.

*Programming Essentials* – Coordinates programs to teach high school students the fundamentals of computer programming.

*ExplorIT* – Camps provide positive technology experience for middle school students to develop career interest in computer technology, robotics, electronics and entrepreneurship.

ENTech - Delivers classroom technology integration strategies to teachers and administrators through regional teacher training centers in North Carolina and other appropriate delivery mechanisms.

Digital Storytelling – Designed for educators who desire to use multimedia tools to enhance core student competencies. It teaches educators how to equip students with writing, interviewing, organizational and critical thinking strategies to tell their stories through a visual medium.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

*Unrestricted net assets* – Net assets not subject to donor-imposed stipulations, or the donor imposed restrictions have expired.

*Temporarily restricted net assets* – Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization and/or the passage of time.



EXPLORNET  
NOTES TO FINANCIAL STATEMENTS

NOTE A—NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

*Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. There were no permanently restricted net assets at June 30, 2002.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Contribution Recognition

Contributions, including any unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when conditions on which they depend are substantially met. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions of donated noncash assets are recorded at their fair values in the period received.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Equipment and Depreciation

Equipment is stated at cost, if purchased, at the date of acquisition or fair market value, if donated, at the date of donation, less accumulated depreciation. Minor additions, renewals and repairs are expensed in the year incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from seven to ten years.

Intangible Assets

Intangible assets of organizational costs, trademarks, copyrights and warranties are stated at cost. Amortization is computed using the straight-line method over their lives of two to five years.

Income Taxes

The Organization is exempt from federal and state taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions.

EXPLORNET  
NOTES TO FINANCIAL STATEMENTS

NOTE A—NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Statement of Functional Expenses

The costs of providing various program and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards includes the federal grant activity of ExplorNet and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B—RECEIVABLES

Accounts receivable at June 30, 2002 consisted of the following:

Computer Recycling	\$ 26,001
Programming Essentials	6,750
Network Essentials	2,000
ExplorIT	12,820
ENTech	58,000
Digital Storytelling	1,980
	<u>1,980</u>
	<u>\$ 107,551</u>

Grants receivable at June 30, 2002 consisted of the following:

U.S. Department of Education	\$ 493,750
Mississippi Development Authority	38,649
	<u>38,649</u>
	<u>\$ 532,399</u>

NOTE C—EQUIPMENT

Equipment consists of the following at June 30, 2002:

Autos	\$ 47,625
Equipment and software	501,887
Furniture and fixtures	48,161
	<u>597,673</u>
Less accumulated depreciation	176,446
	<u>176,446</u>
	<u>\$ 421,227</u>

EXPLORNET  
NOTES TO FINANCIAL STATEMENTS

NOTE D—TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2002 are available for the following purposes:

Federal	\$ 302,827
North Carolina	309,671
Arkansas	78,082
North Dakota	18,407
	<hr/>
Total	\$ 708,987

NOTE E—GRANTS

ExplorNet was primarily funded through the following grants for the period July 1, 2001 to June 30, 2002:

<u>Funding Source</u>	<u>Contract Period</u>	<u>Total Contract</u>	<u>Cumulative Recognized Support</u>
US Department of Education - Fund for the Improvement of Education	7/1/99 – 10/31/01	\$ 2,000,000	\$ 2,000,000
US Department of Education - Fund for the Improvement of Education	7/1/00 – 6/30/03	693,750	693,750
North Dakota Vocational and Technical Education	07/01/01 – 06/30/03	168,300	168,300
Arkansas Department of Education Public School Fund Account	07/01/01 – ongoing	215,724	215,724
		<hr/>	<hr/>
		\$ 3,077,774	\$ 3,077,774

NOTE F—COMMITMENTS

Office rent expense for the year ended June 30, 2002 was \$72,244. The Organization is obligated under several operating leases for office space in multiple states. Future minimum rental payments under the leases are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2003	\$ 59,795
2004	72,129
2005	106,881
2006	110,087
2007 and thereafter	270,280
	<hr/>
	\$ 619,172

NOTE H—PENSION PLAN

The Organization has a defined contribution pension plan covering all eligible employees. Contributions are based on two percent of eligible salaries and approved by the Board of Directors. Plan contribution expense for 2002 was \$31,306.

EXPLORNET  
NOTES TO FINANCIAL STATEMENTS

NOTE G—CONCENTRATION OF CREDIT RISK

ExplorNet maintains its cash balances at one financial institution, which carried a total balance of \$ 602,237 as of June 30, 2002. The Federal Deposit Insurance Corporation (FDIC) insures an entity up to \$100,000; accordingly, the total amount of uninsured deposits amounted to approximately \$ 502,237 at June 30, 2002.

## SUPPLEMENTARY INFORMATION

EXPLORNET  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended June 30, 2002



Federal Grantor Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Education: Fund for the Improvement of Education	84.215R	\$ 279,890
	84.215K	<u>693,750</u>
Total expenditures of federal awards		<u><u>\$ 973,640</u></u>

See accompanying notes to financial statements.

## COMPLIANCE SECTION

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors  
ExplorNet

We have audited the financial statements of ExplorNet as of and for the year ended June 30, 2002, and have issued our report thereon dated June 12, 2003. We conducted our audit in accordance with 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.

Compliance

As part of obtaining reasonable assurance about whether ExplorNet's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of ExplorNet in a separate letter dated June 12, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered ExplorNet's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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 material weaknesses. 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 misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of ExplorNet in a separate letter dated June 12, 2003.

This report is intended solely for the information and use of the audit committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*James E. Woodruff, CPA, P.A.*

June 12, 2003



REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133

To the Board of Directors  
ExplorNet



Compliance

We have audited the compliance of ExplorNet 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. ExplorNet's major governmental 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 governmental programs is the responsibility of ExplorNet's management. Our responsibility is to express an opinion on ExplorNet'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 ExplorNet'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 ExplorNet's compliance with those requirements.

In our opinion, ExplorNet 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 an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 02-1.

Internal Control Over Compliance

The management of ExplorNet 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 ExplorNet'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 the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 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. We noted no matters involving the internal control over compliance and its operation that we considered to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*James E. Woodruff, CPA, P.A.*

June 12, 2003

EXPLORNET  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2002

United States Department of Education

Condition: Supporting documentation to substantiate the federal cash draw requests was not maintained.

Recommendation: ExplorNet should maintain documentation to support the reimbursement requested from the U.S. Department of Education's Fund for the Improvement of Education.

Current status: The grant does not specify the forms to be kept on file. ExplorNet is now keeping supporting documentation on file related to federal draw requests.

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EXPLORNET  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2002

SUMMARY OF AUDITOR'S RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of ExplorNet.
2. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditors' Report.
3. No instances of noncompliance material to the financial statements of ExplorNet were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award program for ExplorNet expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The program tested as major programs: Fund for the Improvement of Education – CFDA No. 84-215R and No. 84-215K.
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. ExplorNet did not qualify as a low-risk auditee.

FINDINGS—FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

		<u>Questioned Costs</u>
DEPARTMENT OF EDUCATION		
02-1	Fund for the Improvement of Education—CFDA No. 84.215K; Grant period—July 1, 2000 - June 30, 2003	\$ -

*Condition and Criteria:* The Single Audit was not completed and the Single Audit reporting package was not submitted within nine months after the end of the audit period.

*Effect:* The Single Audit reporting package, including the Data Collection Form, was not filed within nine months of the audit period as required by Circular A-133, Section 320(a).

*Cause:* Changes in key accounting personnel and accounting software.

*Auditor's Recommendation:* Procedures for timely financial reporting should be followed and management should exercise oversight to ensure timely reporting.

*Grantee's Response:* ExplorNet agrees with this finding. The Company expects to file subsequent reports on a timely basis as the result of software updates and replacement of key accounting personnel.

Total—Department of Education

\$ \_\_\_\_\_ -

