

**CITY OF COLUMBIA, SOUTH CAROLINA**  
**Reports on Internal Control and Compliance**  
**Year Ended June 30, 2011**

**CITY OF COLUMBIA, SOUTH CAROLINA**  
**Columbia, South Carolina**

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**Report on Internal Control Over Financial Reporting and on Compliance and Other  
Matters Based on an Audit of Basic Financial Statements Performed in Accordance With  
Government Auditing Standards**

Honorable Mayor and City Council  
**City of Columbia, South Carolina**  
Columbia, South Carolina

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Columbia, South Carolina**, as of and for the year ended June 30, 2011, which collectively comprise the City of Columbia, South Carolina's basic financial statements and have issued our report thereon dated January 18, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Columbia, South Carolina's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Columbia, South Carolina's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Columbia, South Carolina's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City of Columbia, South Carolina's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City of Columbia, South Carolina's responses and, accordingly, we express no opinion on them.

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

*Webster Rogers LLP*

Columbia, South Carolina  
January 18, 2012

**Independent Auditors' Report on Compliance With Requirements That Could Have a  
Direct and Material Effect on Each Major Program and on Internal Control Over  
Compliance in Accordance With OMB Circular A-133**

Honorable Mayor and City Council  
**City of Columbia, South Carolina**  
Columbia, South Carolina

Compliance

We have audited the **City of Columbia, South Carolina's** compliance with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement*, that could have a direct and material effect on each of the City of Columbia, South Carolina's major federal programs for the year ended June 30, 2011. The City of Columbia, South Carolina's major federal programs are identified in the summary of auditors' 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 City of Columbia, South Carolina's management. Our responsibility is to express an opinion on the City of Columbia, 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 City of Columbia, 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 on the City of Columbia, South Carolina's compliance with those requirements.

In our opinion, the City of Columbia, South Carolina complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures also 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 2011-1 through 2011-4.

### Internal Control Over Compliance

Management of the City of Columbia, 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 City of Columbia, 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Columbia, South Carolina's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to indentify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item numbers 2011-1 through 2011-4. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Columbia, South Carolina as of and for the year ended June 30, 2011, and have issued our report thereon dated January 18, 2012, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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.

The City of Columbia, South Carolina's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City of Columbia, South Carolina's responses and, accordingly, we express no opinion on them.

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

*Wibaten Rogano LLP*

Columbia, South Carolina  
January 18, 2012

**CITY OF COLUMBIA, SOUTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

<b>Federal Grantor/Pass-Through Grantor's/Agency's or Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Agriculture</b>			
Pass through programs from:			
South Carolina Forestry Commission			
ARRA - Wildland Fire Management	10.688	09AARA37	<u>\$ 16,500</u>
<b>U.S. Department of Commerce</b>			
Direct			
Economic Adjustment Assistance	11.307		<u>1,906,841</u>
<b>U.S. Department of Housing and Urban Development</b>			
Direct			
Community Development Block Grants/Entitlement Grants	14.218		1,535,447
Home Investments Partnership Program	14.239		329,899
Housing Opportunities for Persons with AIDS	14.241		1,320,405
Empowerment Zone Program	14.244		2,868,263
ARRA - Homelessness Prevention and Rapid Re-Housing Program	14.257		<u>295,301</u>
Subtotal Direct Programs U.S. Department of Housing and Urban Development			6,349,315
Pass through programs from:			
South Carolina State Housing Authority			
Neighborhood Stabilization Program	14.256	08-NSP104	<u>960,671</u>
Total U.S. Department of Housing and Urban Development			<u>7,309,986</u>
<b>U.S. Department of Justice</b>			
Direct			
Public Safety Partnership and Community Policing Grants	16.710		18,387
ARRA - Public Safety Partnership and Community Policing Grants	16.710		<u>639,573</u>
Subtotal CFDA # 16.710			657,960
Edward Byrnes Memorial Justice Assistance Grant	16.738		258,212
ARRA - Edward Byrnes Memorial Justice Assistance Grant	16.804		<u>85,422</u>
Subtotal Direct Programs U.S. Department of Justice			1,001,594
Pass through programs from:			
South Carolina Department of Public Safety			
Paul Coverdell Forensic Sciences Improvement Grant	16.742	1NF08002	<u>18,379</u>
Total U. S. Department of Justice			<u>1,019,973</u>

(Continued)

**CITY OF COLUMBIA, SOUTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**  
(Continued)

<b>Federal Grantor/Pass-Through Grantor's/Agency's or Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Transportation</b>			
Pass through programs from:			
South Carolina Department of Transportation			
Highway Planning and Construction	20.205	HPP0758 (001)	\$ 1,266,717
State and Community Highway Safety	20.600	2H10012	24,393
State and Community Highway Safety	20.600	2H11012	105,546
Subtotal CFDA # 20.600			<u>129,939</u>
Total U.S. Department of Transportation			<u>1,396,656</u>
<b>U.S. Environmental Protection Agency</b>			
Direct			
ARRA - Brownsfields Assessment and Cleanup Cooperative Agreements	66.818		367,698
Pass through programs from:			
South Carolina Department of Health and Environmental Control			
ARRA - State Clean Diesel Grant Program	66.040	2d95421909-0	105,171
Total U.S. Environmental Protection Agency			<u>472,869</u>
<b>U.S. Department of Energy</b>			
Direct			
ARRA - Energy Efficient and Conservation Block Grant	81.128		<u>382,442</u>
<b>U.S. Department of Health and Human Services</b>			
Direct			
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946		<u>85,245</u>
<b>U.S. Department of Homeland Security</b>			
Direct			
Assistance to Firefighters Grant	97.044		77,211
Staffing for Adequate Fire and Emergency Response	97.083		<u>533,096</u>
Subtotal Direct Programs U.S. Department of Homeland Security			<u>610,307</u>

(Continued)

**CITY OF COLUMBIA, SOUTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**  
(Continued)

<b>Federal Grantor/Pass-Through Grantor's/Agency's or Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Homeland Security</b>			
Pass through programs from:			
South Carolina State Law Enforcement Division			
Homeland Security Grant Program	97.067	95HSP30	\$ 59,998
Homeland Security Grant Program	97.067	8SHOP06	16,298
Homeland Security Grant Program	97.067	10MMRS01	19,462
Homeland Security Grant Program	97.067	8MMRS01	57,145
Homeland Security Grant Program	97.067	6MMRS01	75
Homeland Security Grant Program	97.067	MMRS2007	<u>19,276</u>
Subtotal CFDA 97.067 and Pass Through Programs U.S. Department of Homeland Security			<u>172,254</u>
Total U.S. Department of Homeland Security			<u>782,561</u>
Total Expenditures of Federal Awards			<u><u>\$ 13,373,073</u></u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

**CITY OF COLUMBIA, SOUTH CAROLINA  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2011**

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**1. Basis of Presentation:**

The Schedule of Expenditures of Federal Awards has been prepared on the modified accrual basis of accounting. The information presented on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, 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. For purposes of the schedule, federal programs include all federal awards and procurement relationships entered into directly between the primary government, the City of Columbia, South Carolina, and the federal government and sub-grants from non-federal organizations made under federally sponsored agreements.

**2. EDA Grants:**

The City of Columbia maintains revolving loan funds pursuant to an Economic Development Administration Loan Grant of the U.S. Department of Commerce grant # 04-39-03312 and CFDA #11.307. The accounts for these loan funds are reported in the basic financial statements under the Redevelopment Program Fund. Outstanding loan balances at June 30, 2011, total \$2,175,078 which includes original federal funds of \$1,269,425 and \$905,653 of matching City funds.

**3. Subrecipient:**

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows:

<u>Federal Granting Agency</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Department of Housing and Urban Development	14.241	\$ 1,270,761
Department of Housing and Urban Development	14.244	2,765,740
Department of Housing and Urban Development	14.257	<u>293,306</u>
		<u>\$ 4,329,807</u>

**CITY OF COLUMBIA, SOUTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011**

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**I - Summary of Auditors' Results**

1. The auditors' report expresses an unqualified opinion on the financial statements of the City of Columbia, South Carolina.
2. No significant deficiencies relating to the audit of the financial statements is reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the City of Columbia, South Carolina, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. Four significant deficiencies in internal control over major federal award programs disclosed during the audit are reported in the Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133. None of these deficiencies is reported as a material weakness.
5. The auditors' report on compliance for the major federal award programs for the City of Columbia, South Carolina 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 programs tested as major programs included:
  - Community Development Block Grants/Entitlement Grants - CFDA Number 14.218
  - Housing Opportunities for Persons with AIDS – CFDA Number 14.241
  - Empowerment Zone Program – CFDA Number 14.244
  - Homeless Prevention and Rapid Re-Housing Program – ARRA CFDA Number 14.257
  - Public Safety Partnership and Community Policing Grants – ARRA CFDA Number 16.710
  - Staffing for Adequate Fire and Emergency Response - ARRA - CFDA Number 97.083
  - State Clean Diesel Grant Program - ARRA - CFDA Number 66.040
8. The threshold used for distinguishing between Type A and Type B programs was \$343,987.
9. The City of Columbia, South Carolina did not qualify as a low risk auditee.

**CITY OF COLUMBIA, SOUTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011**

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**II - Financial Statement Findings**

There were no findings related to the financial statements

**III – Findings and Questioned Costs – Major Federal Award Programs**

**2011-1 Subrecipient Monitoring**

**Housing Opportunities for Persons with AIDS CFDA 14.241  
Empowerment Zone Program CFDA 14.244**

**Condition:** There was limited documentation of the City performing any monitoring of its subrecipients.

**Criteria:** OMB Circular A-133, the Empowerment Zone Program and the Community Development Block Grant require that any grant subrecipients be monitored to ensure the use of federal awards is in accordance with applicable laws and requirements.

**Cause:** The City's internal control procedure requiring a review by someone knowledgeable of federal grant requirements was not followed, and as a result, the City employees failed to detect whether monitoring efforts were performed and documented.

**Questioned Costs:** There were no questioned costs related to this finding.

**Effect:** The City was not able to fully determine whether subrecipient use of the grant funds was in accordance with applicable laws and requirements in a timely manner.

**Recommendation:** The City should adequately document monitoring visits on subrecipients, and documentation of these visits and procedures performed should be retained in the subrecipient's grant file maintained by the City of Columbia.

**Management Response:** The Office of Community Development has been instructed that monitoring visits/ documentation must be maintained for all grants.

**2011-2 Allowable Costs**

**Community Development Block Grants/Entitlement Grants CFDA 14.218**

**Condition:** The City of Columbia's expenditures for public services under the CDBG program exceeded the amount allowed by the grant.

**Criteria:** The amount of expenditures for the public service category is limited by 24 CFR Part 570.201. Under 24 CFR Part 570.201, the amount of CDBG funds that can be used for public services cannot exceed fifteen percent of each entitlement grant, plus fifteen percent of program income, as defined in Section 570.500(a).

**Cause:** The City's internal control procedure requiring a review by someone knowledgeable of federal grant requirements was not followed resulting in the City failing to realize the amount of public service expenditures charged to the grant exceeded the cap and also failed to detect the carryover amount from prior years of public service expenditures allowed under the grant was not entered correctly on Form PR 26-CDBG Financial Summary Report.

**Questioned Costs:** \$42,778.

**CITY OF COLUMBIA, SOUTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011**

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**2011-2 Allowable Costs (Continued)**

**Effect:** Noncompliance with the Allowable Costs/Costs Principles compliance requirement.

**Recommendation:** The City should have someone knowledgeable of grant reporting and requirements review reports prior to submission to Federal agencies and also monitor the amount of expense charged to specific categories for compliance with federal regulations.

**Management Response:** The City has revised internal procedures for drawdown of federal funds for accuracy and tracking between the Office of Community Development and the Accounting Department. These procedures include, but are not limited to, establishing a formula for program income calculation, adjusting unliquidated obligations, and reviewing the history of the IDIS PR-26 report. While the Accounting Department of the City feels the issue is now correct they were not made aware of the issue early enough in the 2011 fiscal year to completely correct it for the year ended June 30, 2011.

**2011-3 Allowable Costs**

**Staffing for Adequate Fire and Emergency Response CFDA 97.083**

**Condition:** The City of Columbia charged overtime costs, and fringe benefits related to these overtime costs, that were not required to comply with the Fair Labor Standards Act to the grant.

**Criteria:** Overtime costs are only allowable under the grant if they are necessary to comply with the Fair Labor Standards Act. The grant only allows overtime costs that are paid as part of the base salary or the firefighter's regularly scheduled and contracted shift hours.

**Cause:** The City's internal control procedure requiring a review by someone knowledgeable of federal grant requirements was not followed resulting in the City failing to realize these specific overtime costs were not eligible grant expenditures.

**Questioned Costs:** \$12,600. Includes salary amounts and directly related payroll taxes and fringe benefits.

**Effect:** Noncompliance with the Allowable Costs/Costs Principles compliance requirement.

**Recommendation:** The City should have someone knowledgeable of grant reporting and requirements review expenditures for compliance prior to submission to Federal agencies for reimbursement.

**Management Response:** The Finance Department for the City has provided additional training for the timekeepers for the fire department. During this training, it was emphasized to the timekeepers that any overtime costs incurred by firemen whose salaries and fringe benefits are funded under the SAFER grant must be reviewed to ensure that only basic overtime and related fringe benefits required to comply with the Fair Labor Standards Act be charged to the grant. The grants accountant will randomly select payroll sheets during the year to check for compliance with grant requirements.

**2011-4 Special Reporting**

**Economic Adjustment Assistance CFDA 11.307**

**Condition:** The City of Columbia failed to submit the ED-209S report during the year ended June 30, 2011.

**Criteria:** The grant requires the submission of form ED-209S every six months.

**CITY OF COLUMBIA, SOUTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011**

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**2011-4 Special Reporting (Continued)**

**Cause:** Certain amounts entered in the report are cumulative. Incorrect amounts have been entered in prior years. Due to the design of the report, the City is not able to change prior amounts that have been previously entered. The Economic Development Agency has taken the report offline in order to attempt to correct the prior year amounts that were entered incorrectly. As a result of this, the City is not able to submit the report.

**Questioned Costs:** None

**Effect:** Noncompliance with the Special Reporting compliance requirement.

**Recommendation:** The City should have someone knowledgeable of grant reporting and requirements review the amounts entered on the report for accuracy prior to submission to Federal agencies.

**Management Response:** The City is working with EDA to correct the prior year amounts. Once these amounts are corrected, the City will have all future reports reviewed for accuracy prior to submission.

**CITY OF COLUMBIA, SOUTH CAROLINA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2011**

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**Community Development Block Grants/Entitlement Grant  
Empowerment Zone Program**

**Finding 2010-2 Subrecipient Monitoring**

**Condition:** The City of Columbia failed to maintain documentation of monitoring visits.

**Recommendation:** The auditor recommended the City adequately document monitoring visits on subrecipients, and documentation of these visits and procedures performed should be retained in the subrecipient's grant file maintained by the City. Management concurred with the recommendation and instructed the Office of Community Development that documentation of all monitoring visits be maintained.

**Current Status:** This is a repeat finding (Finding 2011-1) in 2011.

**Community Development Block Grants/Entitlement Grants**

**Finding 2010-3 Allowable Costs**

**Condition:** The City of Columbia's expenditures for public services under the CDBG program exceeded the amount allowed by the grant.

**Recommendation:** The auditor recommended the City have someone knowledgeable of grant reporting and requirements review reports prior to submission to Federal agencies and also monitor the amount of expense charged to specific categories for compliance with federal regulations.

**Current Status:** This is a repeat finding (Finding 2011-2) in 2011.