

BY THE COMPTROLLER GENERAL  
Report To The Chairman,  
Legislation And National Security Subcommittee,  
Committee On Government Operations  
House Of Representatives  
OF THE UNITED STATES

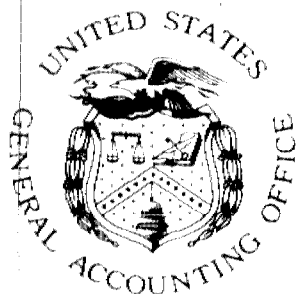
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**Assessment Of Audits Of Bilingual Education  
Grants In Texas By U.S. Department Of Education's  
Office Of Inspector General**

GAO assessed the quality of eight audits of bilingual education grants performed by the U.S. Department of Education's Office of Inspector General (OIG). The grants were awarded to six school districts and an education service center in Texas, and the Texas Education Agency.

GAO found the OIG auditors misinterpreted the Bilingual Education Act and Department of Education regulations, did not support their findings with adequate evidence, and did not follow required government audit standards. As a result, GAO concluded the auditors did not have a proper basis for recommending 10 project terminations and the return of \$5.9 million to the federal government. Education officials also did not agree with the OIG's recommendations, and these officials overruled the auditors and allowed the grantees to limit refunds to only about \$124,000.

An evaluation by Education's Inspector General confirmed that OIG auditors had experienced audit-quality problems. As a result, the Inspector General acted to improve audit quality. GAO recommends the Inspector General, in future evaluations of OIG regional offices, determine that legal issues are addressed early in the audits and that sufficient credible evidence has been gathered to support the findings in OIG reports.



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COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON D.C. 20548

B-214475

The Honorable Jack Brooks  
Chairman, Legislation and National  
Security Subcommittee  
Committee on Government Operations  
House of Representatives

Dear Mr. Chairman:

Your letter of May 11, 1983, asked us to assess the quality of eight audits of bilingual education grants performed by auditors from the U.S. Department of Education's Office of Inspector General (OIG). The grants, totaling \$13.5 million, were awarded to six school districts and an education service center in Texas and the Texas Education Agency to provide funds to help meet the educational needs of children with limited English proficiency (LEP). As a result of these audits, the OIG auditors had recommended the termination of 10 grant projects in 5 school districts and the education service center, and the return of \$5.9 million in grant funds to the federal government.

To answer your request, we reviewed how the eight audits were performed and the soundness of the auditors' findings, conclusions, and recommendations. We used generally accepted government auditing standards, which inspector general (IG) auditors are required to follow, to measure audit quality. These standards, issued by the Comptroller General, relate to the scope and quality of audit effort and the characteristics of professional and meaningful audit reports. Our review evaluated the audit work performed, but did not reaudit the grant projects.

We made no attempt to arrive at our own conclusions on the actual projects or whether grant terms were met. We did reach conclusions on the decisions by U.S. Department of Education (Education) audit resolution officials and the Education Office of General Counsel in applying the Bilingual Education Act and departmental regulations to the audit findings, but we made no attempt to arrive at our own conclusions regarding student participation figures used in resolving auditors' recommendations, including the assessment of liabilities. Appendix I gives the details of our objectives, scope, and methodology.

We found the auditors did not always have a proper basis either for their conclusions in the eight audits or their

recommendations in six audits for project terminations and the return of all grant funds to the government. Although the auditors reported similar problems and reached similar conclusions on projects at all eight grantees, they recommended terminations and refunds only for certain projects at six grantees. Our review showed that OIG auditors

- misinterpreted both the requirements of the Bilingual Education Act and departmental regulations, resulting in incorrect conclusions that the grantees had not complied with appropriate regulations and grant terms and that projects should be terminated and funds returned to the government,
- did not obtain legal advice on their interpretation of laws and regulations prior to issuing their reports,
- did not support, with sufficient and relevant evidence, their findings on the number of LEP participants in the projects and, as a result, they did not always have a reasonable basis for their judgments and conclusions, and
- inappropriately recommended cost disallowances for projects they did not audit.

These issues are discussed in detail beginning on page 4.

Following is information on the bilingual education program, the auditors' recommendations and Education resolution officials' decisions on them, details on our findings, the effects of the audits on the grantees, OIG actions to improve audit quality, and our conclusions and recommendations.

#### THE BILINGUAL EDUCATION PROGRAM

Title VII of the Elementary and Secondary Education Act of 1965 provides funds for the bilingual program. This law was amended in November 1978, by the Bilingual Education Act (Public Law 95-561). LEP children receive classroom instruction in both English and their native language in all courses or subjects and also study English and their native language. However, the students only receive enough instruction in their native language to allow them to achieve competence in English and to progress effectively through the educational system. Since at least 60 percent of the program participants must be LEP children, a maximum of 40 percent of the participants can be students whose language is English. Non-LEP participants are permitted in the program to prevent the segregation of children based on national origin and to broaden the understanding of children about other languages and cultural heritages.

Education awards Title VII grants to build the capacity of grantees to provide bilingual education regularly and sufficient in size, scope, and quality to make a significant improvement in

LEP children's education. The grant applicant must demonstrate that it will have the resources and commitment to continue the program when Title VII assistance is reduced or no longer available.

#### WHAT THE OIG AUDITORS RECOMMENDED

The eight OIG audits, which were done from December 1980 through March 1982, covered 17 grants for 1980-81 and some prior years totaling about \$13.5 million. The grants were awarded to six independent Texas school districts--Austin, Dallas, Edgewood, Harlingen Consolidated, Pharr-San Juan-Alamo, and San Antonio--as well as the Region One Education Service Center in Edinburg, Texas, and the Texas Education Agency. Each of the eight grantees was audited, individual audit reports were prepared, and the final reports were issued by OIG in March 1982.

The OIG auditors reported the grant projects had not provided effective bilingual education to the children in the program and had not complied with the Bilingual Education Act and appropriate regulations. The OIG auditors recommended the termination of 10 current projects in 5 school districts and the education service center, and the return to the government of about \$5.9 million. This amount consisted of about \$2.9 million related to the 1980-81 and prior school years and about \$3 million of proposed funding for the 1981-82 school year.

The auditors recommended the grantees return "all funds received" for 1980-81 and some prior years and "any funds received" for 1981-82, but they did not report, or determine through their audits, what funds the grantees had actually received.

Although the 1981-82 project year had not been audited and it was not determined what funds had been received, Education's IG considered the \$5.9 million total as a recommended disallowance, as shown in this excerpt from the IG's semiannual report to the Congress for the 6 months ending March 31, 1982:

"On the basis of these reviews, we concluded that the school districts generally violated the intent of both the Title VII Bilingual Education program and the grant awards. We recommended that the local districts refund \$5.9 million, that certain current projects be discontinued and that funding for future projects be withheld until it can be demonstrated that they meet the intent of the program."

Appendix II gives additional details concerning the various grants, the dollar amounts the auditors recommended should be returned to the federal government, and the amount of funds Education officials disallowed. The next section discusses how the program managers resolved the auditors' findings and recommendations.

MOST AUDITORS' RECOMMENDATIONS WERE  
NOT SUSTAINED BY EDUCATION OFFICIALS

OIG auditors question expenditures that appear to violate laws or regulations. However, the expenditures are "allowed" or "disallowed" by agency audit resolution officials who are not part of the OIG. When auditors' questioned costs are allowed by agency audit resolution officials, these are considered eligible costs by grantees and no further action is required. When audit resolution officials decide the costs questioned by the auditors were indeed improper, they are considered "disallowed costs" and, unless an appeal is successful, the grantee must return these funds to the government.

Education officials did not follow the auditors' recommendations to disallow the \$3 million in proposed funding for the 1981-82 project year because that year had not been reviewed by the OIG auditors. The officials informed grantees the government reserves the option of reviewing that year for compliance and, if any audit exceptions are sustained, to establish liabilities.

Of the remaining total of about \$2.9 million recommended for disallowance, Education officials disallowed only \$123,688. Officials assessed or negotiated liabilities for this amount with 5 grantees who failed to comply with the minimum requirement of 60 percent LEP student participation in the Title VII program. The officials based their resolution decisions on opinions by Education's Office of General Counsel which stated that when the extent of noncompliance with this requirement was small, the amount of funds to be recovered should be proportional to the extent to which the actual percentage of LEP students was below the 60 percent minimum.

The officials negotiated settlements with two grantees totaling \$9,908. The remaining \$113,780, involving three grantees, has been appealed to the Education Appeal Board. As of October 1, 1984, Board action was pending.

Appendix II provides additional details about the officials' resolution decisions on the auditors' recommendations.

DETAILS ON GAO'S FINDINGS

We found the auditors misinterpreted requirements, did not obtain legal advice, did not have sufficient evidence to support their findings on LEP participation, and inappropriately recommended disallowance for projects they did not audit.

Auditors misinterpreted  
requirements and regulations

The OIG auditors based their recommendations for project terminations and refunds of grant funds, to a considerable extent, on the contentions that the grantees did not

- accomplish the objectives or goals for student educational achievement stated in their applications,
- coordinate projects funded under different federal programs providing similar services, or inform the Title VII program office--The Office of Bilingual Education and Minority Languages Affairs--of all such projects, and
- continue projects, previously assisted with Title VII grants, with nonfederal funds.

The OIG auditors interpreted each area as constituting noncompliance with a grant requirement and, as a result, recommended project terminations and refunds. The legal opinions of Education's Office of General Counsel did not support OIG's interpretation of the grantees' noncompliance with the act and departmental regulations. We agree with Education's Office of General Counsel that the OIG auditors misinterpreted the act and departmental regulations.

#### Accomplishment of goals and objectives

On the first issue, the OIG auditors said that, because the grantees did not accomplish the educational achievement objectives or goals stated in their applications for grant funds, they were not complying with grant requirements. However, we agree with the position of Education's Office of General Counsel that attainment of a project's goals for student achievement gains does not constitute a grant condition. The stated goals are just that--goals rather than requirements--and they might not be achieved by the grantee. All that is required on the part of the grantee is a good faith effort in attempting to achieve the stated objectives. When the grantee has made a reasonable and good faith effort to accomplish these objectives, failure to actually attain them would not violate a grant condition. Under Education's regulations, such failure does not form a basis for grant termination.

Neither Education's general administrative regulations nor the act make achievement of a project's stated goals a grant condition or requirement. Indeed, it would seem unrealistic to expect a grantee to predict and then guarantee a precise level of improvement in a child's learning abilities. According to Education's Office of General Counsel, "A grantee does not and cannot guarantee that the stated objectives of its application will be achieved. A grantee's legal obligation is to make a reasonable and good faith effort to achieve the objectives stated in its application."

We found the OIG auditors focused only on the achievement of objectives and goals. Since the OIG auditors were not aware of the "good faith effort" requirements, they did not perform any work to establish whether grantees made a reasonable and good faith effort to accomplish program objectives. Since the OIG auditors did not

establish whether grantees made a good faith effort, OIG did not have a proper basis for claiming the grantees were not complying with grant terms.

Coordination of projects funded  
under different federal programs

Lack of coordination was another reason used by OIG to conclude the grants should be terminated and funds returned. OIG said grantees did not coordinate projects that are funded under different federal programs and provide similar services and did not inform the Title VII program office of all such projects.

A grantee's coordination of projects is not an unconditional requirement. Education's general administrative regulations state: "A grantee shall, to the extent possible, coordinate its project with other activities that are in the same geographic area served by the project and that serve similar purposes and target groups." This requirement's purpose is not coordination for its own sake, but to avoid duplication of services funded under other federal programs, to avoid services funded under one program counteracting the effects of services funded under other federal programs, and to increase the impact of services funded under other federal programs. Thus, to support a recommendation to recover funds or terminate grants for failure to coordinate, the auditors would have to establish that, as a result of the lack of coordination, one or more of these purposes were not achieved--something not established by the OIG auditors.

The auditors also reported that the grantees in their applications for Title VII assistance did not inform the Title VII program office about the existence of other federal programs providing similar services. According to the auditors, the grantees were required to disclose these programs in their applications for assistance, but this is incorrect. An applicant for Title VII funding is required to provide information on additional funding it receives from other federal programs only when it submits an application for Title VII funding to support the same project for which funding has been obtained, or is being sought, from another federal program.

Continuation of projects  
with nonfederal funds

On the third issue, OIG believed a grant requirement was that the grantees use nonfederal funds to continue projects previously assisted by Title VII grants. The OIG auditors reported that some projects were not being continued with nonfederal funds and used this alleged failure to conclude the grantees were not complying with a grant requirement.

In its comment on the OIG report, Education's Office of General Counsel points out the Bilingual Education Act requires an



applicant to demonstrate a commitment to continue a program of bilingual education with nonfederal funds when Title VII funds are reduced or no longer available. According to the Office of General Counsel, once this commitment is made and the grant application is approved, the grantee also must make a reasonable and good faith effort to fulfill that commitment.

When a grant application is made, the Title VII regulations have criteria for determining whether an applicant has shown sufficient commitment to continue a program of bilingual education. Generally, the applicant must demonstrate a past commitment to bilingual education and have plans for continuing the program with nonfederal resources. To terminate a grant because the grantee did not comply with this aspect of the commitment requirement, Education's Office of General Counsel believes it must be proved that at the time of application the grantee had no past commitment to bilingual education or it did not have plans for continuation.

According to the Office of General Counsel, to support the allegation that the grantee failed to make a reasonable and good faith effort to fulfill its commitment, auditors must present evidence showing not only that the applicant/grantee did not continue its bilingual education program when Title VII funds ran out but also that such failure was without good cause. Since the OIG auditors did not gather or present evidence that a grantee's failure to continue its project was without good cause, the Office of General Counsel did not think it had been shown that the commitment requirement was violated.

In light of the act, applicable regulations, and the legislative history of the 1978 requirements, we believe that the Education Office of General Counsel's interpretation of the commitment requirement is reasonable and that the Office decided properly there was not sufficient evidence to show the commitment requirement was violated.

#### Auditors did not obtain legal advice

In government auditing, compliance with laws and regulations is significant because government organizations, programs, activities, and functions are usually created by law and have more specific rules and regulations than private organizations do. Because of this, government audit standards state that auditors should consult with legal counsel when questions arise concerning the interpretation of these laws and regulations.

The OIG auditors told us they did not obtain legal advice before issuing their reports because they had no questions to ask the lawyers. The regional OIG supervisory auditor said he did not believe legal issues were involved in these audits. He and his staff reasoned that, because the grants were supposed to carry out the act's intent, failure to meet grant terms, in effect, violated this

intent. OIG headquarters officials told us they did not request legal advice because based on their program knowledge they were confident their regulatory interpretations were correct.

We believe in this situation it would have been appropriate and essential to seek legal advice because the bilingual education program had received almost no prior federal audit attention and the auditors had raised significant issues of compliance and congressional intent in their reports.

Findings were not always supported by evidence

Government audit standards require auditors to obtain enough credible evidence to have a reasonable basis for their judgments and conclusions. We found, however, that the auditors did not have the adequate support required by government audit standards for their findings on the number of LEP students participating in the projects. The OIG auditors claimed that some projects at 4 of the grantees reviewed did not have the minimum of 60 percent LEP student participation required by the act and, for this reason, recommended these grantees return funds to the government. A grantee that fails to maintain at least this percentage of LEP student participation in its projects does violate a grant condition. However, under departmental regulations, termination of the grant is warranted only when the grantee materially fails to comply with grant requirements.

The auditors reported they used the school districts' procedures for identifying LEP students to verify LEP status. To decide who qualifies as a LEP student, school districts use various procedures to meet Title VII requirements, including tests to determine a child's proficiency in speaking, understanding, reading, and writing English, and questionnaires sent to the child's home to find out if the child meets one of the Title VII preconditions for LEP status.

Although the auditors reported LEP participation for 13 projects, we found for 7 projects the auditors' working papers failed to document the school districts' procedures. For two other projects, working papers documented the procedures but did not contain individual test scores. For four projects working papers documented the districts' procedures and contained the test scores. However, for three of the four projects, the auditors did not always use the procedures to verify students' LEP status, miscalculated the number of total project participants, or inconsistently applied the districts' procedures to determine the students' LEP status.

We conclude that the evidence gathered by the auditors to support their conclusions about the percentage of LEP participation failed to meet government audit standards that required them to obtain enough credible evidence to have a reasonable basis for their judgments and conclusions.

Education officials responsible for resolving the auditors' findings and recommendations also had difficulty with the figures on LEP students developed by the OIG auditors. These officials did not rely on the auditors' reported LEP student totals, but made their own verification of the LEP status of project participants for the 1980-81 project year before reaching their decisions about whether the grantees should refund money to the federal government.

The following table shows the auditors' data and Education officials' decisions regarding the percent of participation by LEP students in projects in which the auditors contended there was less than the required 60 percent enrollment. Two types of projects--demonstration and basic--were involved. Both projects build the grantee's capacity to continue bilingual education programs when federal funding is reduced or no longer available. In addition, a demonstration project shows exemplary approaches to providing a bilingual education program and a basic project is a bilingual education program to assist LEP children in improving their English language skills. We did not verify the accuracy of the Education officials' decisions.

<u>School district and grant</u>	<u>Percent of LEP participation</u>	
	<u>OIG</u>	<u>Education officials</u>
Edgewood		
1980 demonstration project (Demo)	9%	41.4%
1980 Basic	58%	"at least 70%"
1979 Basic	58%	"over 70%"
Dallas		
1980 Demo	40%	44.5%
San Antonio		
1980 Demo	49%	58.3%
Region One		
1980 Demo	"about 50%"	"about 50%"

Using their own revised calculations of LEP student participation, Education officials assessed, on a prorated or negotiated basis, grantee liabilities totaling \$123,688. Of these liabilities, about \$7,400 came from a 1980 grant project in Austin, Texas, that OIG auditors said had 83 percent participation by LEP students, but Education found had about 53 percent participation.

Auditors inappropriately recommended disallowing costs for projects not audited

We believe the OIG auditors erred in recommending the disallowance of the \$3,004,528 proposed for the 1981-82 project year which they did not audit.

To establish noncompliance with the Bilingual Education Act and applicable regulations in the program's second year, that year would have to be audited, which was not done. We recognize auditors have a responsibility to point out to management that problems found in one year could continue into the program's second year. However, this is not reason enough to recommend that funds be disallowed. For such a recommendation to be proper, the auditors would need to establish that noncompliance actually happened. Such demonstration would have to be based on an actual audit. Furthermore, the OIG auditors did not establish that the grantees had incurred \$3,004,528 in costs that were paid from grant funds. Our review showed the grantees had not been advanced all of these funds at the time of the OIG audit. This amount, as the OIG reports show, was proposed funding.

The resolution officials also did not accept the auditors' recommendation to disallow costs totaling \$380,000 for a 1980 materials development project in Dallas that was not audited. The auditors reported the project was similar to a completed project awarded to the same grantee on which they found noncompliance but made no recommendations. According to the auditors, there was "no assurance" the grantee had "modified its . . . approach" to ensure compliance. Since the project had not been audited and there was no finding of noncompliance, we see no basis for the OIG recommendation that the grantee be held liable for funds received.

AUDITS' EFFECT ON THE GRANTEES

The grantees said their bilingual education programs were hurt by the audit reports. The grantees estimated they spent over \$200,000 for staff time, legal fees, and other expenses to supply additional information needed to fill the gaps in the data accumulated by OIG during the audit, and to defend their projects during the audit resolution process. According to school officials, all grantees were subjected to adverse publicity that often implied school districts had misused federal funds. One district ended its Title VII projects prematurely because its school board would not approve Title VII personnel contracts until the auditors' recommendations for refunds were resolved. Two school district officials said they stopped requesting assistance for new Title VII projects because of the unfair manner in which the federal audits were performed and reported. At a hearing in July 1982, before the House Subcommittee on Elementary, Secondary, and Vocational Education, school officials discussed the problems they were experiencing, stating that the audits had severely disrupted Title VII projects, had given a poor outlook to the future financial condition of their

school districts, and had adversely affected their education programs.<sup>1</sup>

#### OIG ACTIONS TO IMPROVE AUDIT QUALITY

Through their own evaluation, OIG officials decided OIG's Dallas regional office had experienced audit-quality problems, and they did act to improve future audit quality. In addition, OIG has made some staff changes in the Dallas office including a new regional IG for audit.

OIG headquarters officials told us about the following changes made to improve audit quality since these audits were performed. We did not verify the changes had taken place; but such changes, if implemented, should improve audit quality.

--OIG officials now ask for legal advice on all draft audit reports and try to identify legal issues early in an audit. They told us that since November 1982, copies of all audit drafts on bilingual education have been sent to Education's program attorney for bilingual education for review and comment. In addition, unlike past practice, copies of all audit drafts issued to the auditees are sent to the responsible OIG headquarters branch, the program office, and the Office of General Counsel for review and comment. We noted that in April 1983, an OIG memorandum to branch chiefs and regional IGs for audit emphasized the importance of obtaining legal opinions when questions arise concerning the interpretation of laws and regulations. It also states all staff members "should be made aware of the importance of identifying issues early in an audit which may require a legal opinion."

--OIG's headquarters office has performed comprehensive evaluations of some regional offices and intends to do such reviews regularly. Based on the evaluations, OIG issued staff memos to clarify policies and provide additional guidance to regional staff.

#### CONCLUSIONS

The eight audits did not conform to the required government audit standards, legal advice was not sought, and the auditors did not present sufficient evidence to show that the grantees violated the grant requirements. Furthermore, the OIG auditors did not always support their findings on LEP participation with sufficient evidence. As a result, we concluded the OIG auditors did not have a proper basis for recommending project terminations and the return of all grant funds received.

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<sup>1</sup>Hearing of the Subcommittee on Elementary, Secondary, and Vocational Education, House Committee on Education and Labor, on Oversight on Texas Bilingual Education Audits, July 29, 1982.

Although we question the way the audits were performed and the auditors' conclusions and recommendations, we did not attempt to reach any conclusions about the appropriateness of LEP participation figures used by program officials to resolve the auditors' recommendations. The issue of whether certain school districts should be required to return funds is under appeal and will be settled through the appeals process.

Since our review was limited to eight audits by one OIG regional office, we do not know whether these problems extend to other bilingual education audits, and other audits, performed in other OIG regional offices.

RECOMMENDATIONS

We recommend Education's IG determine whether the problems we found with the eight audits are present in other regions and, based on those determinations, take the necessary action to address those problems.

We also recommend Education's IG, in evaluations of OIG regional offices, determine that

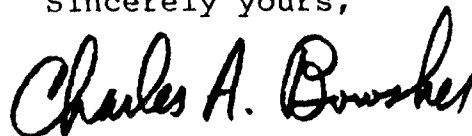
--legal issues are being addressed early in audits, as OIG policy now requires, and

--controls are in place to ensure that sufficient, competent, and relevant evidence has been gathered to support the findings in OIG reports.

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As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of the report. At that time, we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,



Comptroller General  
of the United States

OBJECTIVES, SCOPE, AND METHODOLOGY

We conducted this review at the request of the Chairman of the Legislation and National Security Subcommittee of the House Committee on Government Operations. The Chairman asked us to assess the quality of the eight audits performed by Education's OIG. The request stemmed from grantees' concerns over the quality of these audits.

Therefore, our review objective was to assess the quality of the audits by examining (1) how the audits were planned and conducted, (2) the soundness of the auditors' findings, conclusions, and recommendations, and (3) whether the work met generally accepted government auditing standards.

We also gathered information on how the audits were resolved, the impact of the audits on the grantees, and OIG policies and procedures to ensure audit quality.

We examined each of the eight audits using the Comptroller General's Standards for Audit of Governmental Organizations, Programs, Activities, and Functions as criteria for measuring audit quality. These standards must be followed by federal auditors for audits of federal organizations, programs, activities, functions, and funds received by contractors, nonprofit organizations, and state and local governments. The standards relate to the scope and quality of audit effort and to the characteristics of professional and meaningful audit reports.

Our review focused on the final audit reports issued in March 1982. We reviewed the auditors' working papers to determine the adequacy of evidence for reported findings and compliance with government auditing standards for evidence. Instances of noncompliance with the standards were then discussed with the auditors who performed the work. To reduce our chance of misunderstanding their explanations, we obtained their written comments or had them review and acknowledge that our records of interviews accurately reflected their comments.

To gain a thorough understanding of the audit-quality issues encountered, we also reviewed other documents relating to the planning, conduct, resolution, and impact of the audits. We also discussed various aspects of audit performance, resolution, impact, and quality with OIG regional and headquarters staff, Education's bilingual education and audit resolution officials and its program attorney for Title VII, and Texas school officials.

We wanted to determine if the auditors correctly interpreted and applied the program laws and regulations, so our Office of General Counsel researched the legal merits of OIG's findings of noncompliance stated in the Texas reports, the advice of Education's Office of General Counsel on the sufficiency of these findings, and resolution officials' methods for assessing liabilities for noncompliance in this case.

Our review was an assessment of the audit work performed, not a reaudit of the grant projects or an evaluation of what Education did to resolve these findings. We did not attempt to reach our own conclusions on the actual projects, on whether grant terms were met, or on LEP participation figures used by Education to resolve the audits, including the assessment of liabilities. Our findings are described in relation to all eight audits. Problems we identify are found in one or more of the audits, but each problem does not always apply to every audit.

This review was made in accordance with generally accepted government auditing standards. During the course of our work, we discussed the issues with responsible officials of Education and OIG and have considered their comments in preparing our report. However, we did not request official comments on a draft of this report.



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<u>School district and grant</u>	<u>Auditors' recommended disallowances</u>			<u>Amounts Education officials disallowed</u>
	<u>Funds awarded for 1980-81 project year</u>	<u>Funds proposed for 1981-82 project year</u>	<u>Total recommended disallowances</u>	
Austin 1980 demonstration project (Demo)	\$ 291,538	\$ 288,507	\$ 580,045	\$ 7,408
Dallas 1980 Demo	256,986	358,191	615,177	55,330
1980 Materials Development	380,000	938,038	1,318,038	0
1981 Basic	-	70,000	70,000	0
Edgewood 1980 Demo	200,265	200,265	400,530	50,841
1980 Basic	303,000	303,000	606,000	0
Pharr-San Juan-Alamo 1977 Basic	757,166 <sup>a</sup>	217,659	974,825	0
1979 Basic	233,254 <sup>a</sup>	114,341	347,595	0
Region One Education Service Center 1980 Demo	161,251	177,433	338,684	2,500
San Antonio 1980 Demo	<u>270,243</u>	<u>337,094</u>	<u>607,337</u>	<u>7,609</u>
Total:	<u>\$2,853,703</u>	<u>\$3,004,528</u>	<u>\$5,858,231</u>	<u>\$123,688</u>

<sup>a</sup>Amount includes funds awarded to Pharr-San Juan-Alamo school district in prior years.





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