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AUG - 4 2004

Dr. Mike Moses
General Superintendent
Dallas Independent School District
3700 Ross Avenue
Dallas, Texas 75204-5491

Dear Dr. Moses:

This **Final Audit Report** (ED-OIG/A06-D0023) presents the results of our audit of the Dallas Independent School District's (DISD) administration of the Bilingual Education – Systemwide Improvement Grant for the period September 1, 1999, through August 31, 2003.¹ Our objectives were to determine whether DISD: (1) delivered the services and products specified in the approved grant application, and (2) properly accounted for and used bilingual grant funds in accordance with the Elementary and Secondary Education Act of 1965, as amended by the Improving America's Schools Act of 1994 (IASA); Education Department General Administrative Regulations (EDGAR); grant terms; and the cost principles in Office of Management and Budget (OMB) Circular A-87.

We provided a draft of this report to DISD. In its response to our draft report, DISD officials did not agree with our finding and only concurred with a portion of Recommendation 2. DISD officials provided additional support, not previously provided during the audit, and we reduced the amount of unallowable costs to \$1,353,875 and unsupported costs to \$434,978. We have summarized DISD's comments after the Subsequent Events section in this report. A copy of DISD's response is included as Attachment B to this report.

BACKGROUND

Title VII, Part A, Subpart 1, Section 7115, of the IASA, as amended, authorizes the Bilingual Education – Systemwide Improvement Grant (grant).² The grant enables Local Education Agencies (LEAs), in collaboration with a non-profit organization, to offer bilingual education to enhance the academic achievements of bilingual students for up to five years. LEAs interested in the grant are required to compete by submitting an application to the Department.

¹ DISD did not receive the fifth year of funding when the grant was discontinued on September 25, 2003. The discontinuation is discussed in more detail in the Subsequent Events section of this report.

² The No Child Left Behind Act of 2001 (NCLB) was implemented during our audit period; however, NCLB was not applicable to this grant.

DISD submitted a grant application to the Department for a project titled “Building Capacity for a Better Future.” This project addressed the linguistic and academic needs of DISD’s large Limited English Proficient (LEP) student population and their families. The grant’s intent was to: (1) improve LEP students’ process thinking skills, language acquisition, and capacity to learn academic content by primarily providing training to participating teachers called “pilot teachers,” as well as interested parents; and (2) develop technical assistance centers called “model classrooms” in schools throughout the school district. By the end of the fifth year of the grant, pilot teachers and model classrooms would be located throughout the district and, once Federal grant funding ended, these grant services would remain available to LEP students with little cost to DISD.

The application identified the National Children’s Educational Reform Foundation, Inc. (NCERF) as a provider of contractual services and educational supplies. Specifically, NCERF was identified as the contractor tasked to train the pilot teachers and parents, and develop the model classrooms in conjunction with DISD. Additionally, the teaching strategies and training materials to be used under the grant were developed by NCERF.

The Office of English Language Acquisition, Language Enhancement, and Academic Achievement for Limited English Proficient Students (OELA) awarded DISD a five-year Bilingual Education – Systemwide Improvement Grant (T291R990026) to implement the “Building Capacity for a Better Future” project. The grant period was from September 1, 1999, through August 31, 2004, for a total grant amount of \$2,616,158. The award amounts, by budget period, were—

9/1/99—8/31/00	\$ 522,066
9/1/00—8/31/01	\$ 523,523
9/1/01—8/31/02	\$ 523,523
9/1/02—8/31/03	\$ 523,523
9/1/03—8/31/04	<u>\$ 523,523</u>
Total	\$2,616,158

The grant was awarded to DISD on August 31, 1999, and DISD had the fiduciary responsibility for the administration of the grant. According to the grant application, NCERF would receive \$300,000 annually for providing contractual services and educational supplies to DISD. Disagreements between DISD and NCERF regarding this amount delayed the start of the grant for almost one year. From August 18, 2000, through July 22, 2003, DISD received \$2,004,362 of \$2,092,635, which was the awarded amount for the first four years of the grant. DISD paid \$1,245,825 of the \$2,004,362 to NCERF during this period.

AUDIT RESULTS

DISD materially failed to deliver the services and products specified in the approved grant application and did not properly account for and use bilingual grant funds in accordance with

applicable regulations, grant terms, and cost principles. Specifically, DISD demonstrated weak management controls and delivered only 18.17 percent of the approved grant services and products for the four-year grant period, September 1, 1999, through August 31, 2003. We recommend that the Department recover \$1,788,853, which consists of \$970,557 for non-performance of grant services, \$383,318 for unallowable costs, and \$434,978 for unsupported costs, due to DISD's material failure to deliver grant services and products.

Grant Services and Products Were Not Delivered

DISD was awarded a five-year grant, which was scheduled to start September 1, 1999. In the approved February 1999 Grant Application, DISD identified the grant services and products that would be delivered annually as:

- 60 pilot teachers trained;
- 100 parents trained;
- Five model classrooms developed; and
- All DISD's sub-districts³ would have pilot teachers and model classrooms by the end of the five-year grant.

EDGAR, *Sec. 75.700*, provides that—

A grantee shall comply with applicable statutes, regulations, and approved applications, and shall use Federal funds in accordance with those statutes, regulations, and applications.

Further, 34 C.F.R. § 80.40(a) states, "Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. . . . to assure compliance with applicable Federal requirement and that performance goals are being achieved."

DISD did not deliver the grant services and products that were identified in the approved grant application. Initial disagreements between DISD and NCERF resulted in no grant services or approved products being provided for the first year of the grant. When the disagreements were finally resolved, with the aid of OELA officials, NCERF modified its May 2000 and December 2000 contracts with DISD, reducing the number of pilot teachers trained for the first two years of the grant from 120 pilot teachers (60 teachers per year) to 30 pilot teachers for the two-year period. Even with the modification, only 20 pilot teachers were trained during the first two years. The third and fourth year of the grant required 60 teachers to be trained each year, per the approved grant application. However, only 8 and 21⁴ new pilot teachers were trained for the third and fourth years, respectively. In total, only 49 pilot teachers were trained in four years instead of the 150 teachers required by the grant and contract modifications.

³ At the time the grant application was written, DISD had nine sub-districts; however, DISD has since restructured to eight sub-districts.

⁴ Each teacher was counted only once; teachers that repeated the training sessions were not included in the count of pilot teachers trained in the third and fourth years.

During the first four years of the grant, at least 400 parents should have been trained. However, no parents were trained the first year, and for years two through four, only one four-day training session was conducted for parents whose children were being taught by a pilot teacher. We found that 46 parents who had a child in a pilot teacher classroom attended all four days of the training in 2000, 34 parents in 2001, and 30 parents in 2002. In total, only 110 parents were trained instead of the 400 parents that were proposed in the grant application.

Five model classrooms should have been established each year of the grant, for a total of 20 model classrooms in the four-year period reviewed. Grant funds were awarded to provide training materials and educational supplies to develop model classrooms or technical assistance centers in schools throughout the school district for pilot teachers, school administrators, parents, and children. However, DISD officials were unable to demonstrate that any of the model classrooms had been established.

Finally, the grant application stated that pilot teachers and model classrooms would be located in all sub-districts with LEP students. Because all eight sub-districts have LEP students, pilot teachers and model classrooms should have been located in all eight sub-districts. However, grant services and products were only delivered to one sub-district, and were never delivered to the other seven sub-districts.

Even though no training occurred during the first year of the grant, DISD received grant funds for that year as if services and products were delivered. In total, DISD received over \$2 million in the four-year grant period to deliver the grant services and products summarized in the table below. We used a weighted average calculation that gives equal weight to each grant service and product. We calculated that the Department received only 18.17 percent of the grant services and products identified in the application as shown in the following table.

Grant Services/ Products	Modified Services/ Products	Services/ Products Delivered	Percentage of Services/ Products Delivered
Teachers Trained	150	49	32.67
Parents Trained	400	110	27.50
Model Classrooms	20	0	0.00
Sub-districts with Teachers/Classrooms	8	1	12.50
Weighted Average of Grant Deliverables Met			18.17%

Unallowable and Unsupported Expenditures

DISD also did not properly account for the grant funds in accordance with all applicable regulations, grant terms, and cost principles. OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments, Attachment A, Paragraph C.1* (1997) provides that—

To be allowable under Federal awards, costs must . . . Be necessary and reasonable for proper and efficient performance and administration of Federal awards . . . Be allocable to Federal awards . . . Be adequately documented.

Also, OMB Circular A-87, Attachment B, Paragraph 11.h (3) (1997) provides that—

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

DISD charged the grant for \$383,318 in unallowable costs. The unallowable amount included payments to NCERF of \$213,501 for contractual services and \$135,723 for educational supplies that exceeded the annual amounts authorized by the grant application. These two amounts also included payments in the first year of the grant when no grant services or approved products were provided. The unallowable costs also included payments of \$5,471 for payroll expenses for the first year of the grant when no services were provided, and \$10,957 to NCERF for math backpacks and day care services that were not authorized by the bilingual grant. Additionally, \$17,666 was paid for stipends to parents who did not have a child in the bilingual program or who attended the math institute that was not authorized by the grant, and to teachers who were not pilot teachers in the bilingual program.

Additionally, DISD charged the grant for \$434,978 in unsupported costs. The unsupported amount consists of \$6,729 in operating costs, \$135,073 in unidentified grant charges for which DISD was unable to provide adequate documentation or receipts, and \$293,176 in payroll costs for the three employees that worked solely on the grant over the four-year grant period. DISD did not require the three employees to attest in written certifications that they worked solely on the bilingual grant. DISD obtained an exemption from requiring the certifications for several other Federal grants, but not for this bilingual grant.

Details of the non-delivery, unallowable, and unsupported costs are discussed in Attachment A.

RECOMMENDATIONS

We recommend that the Director of OELA, in accordance with the provisions set forth in 34 C.F.R. § 80.43(a) instruct DISD to—

1. Refund to the Department unallowable costs of \$970,557 due to DISD's material failure to deliver grant services and products; and
2. Refund to the Department unallowable costs of \$383,318, and \$434,978 in unsupported costs, or provide sufficient documentation to support that amount.

If any of the costs questioned in Recommendation #2 are allowed, the amount allowed should be reduced by 81.83 percent due to non-delivery of grant services, and the same amount should be added to the costs questioned in Recommendation #1.

SUBSEQUENT EVENTS

On September 25, 2003, OELA issued a letter to DISD discontinuing the grant's final year of funding of \$523,523 because of DISD's "Failure to Achieve Substantial Progress." OELA cited 34 C.F.R. § 75.253(a)(2)(i) that states a grantee, in order to be eligible for a continuation award, must, among other things, have "[m]ade substantial progress toward meeting the objectives in its approved application." OELA issued its first letter on September 17, 2003, to DISD expressing concerns over our preliminary audit results. OELA determined that DISD's response, dated September 23, 2003, "substantiated the accuracy of the OIG's information with respect to the project's performance in meeting the teacher and parent training objectives" and "provided no additional information with regard to model classroom development or other information that might help clarify whether the project has achieved substantial progress or any reason for its failure to do so." OELA concluded, based on our preliminary audit results and DISD's September 23, 2003 letter, that the grant "is not eligible for, and will not receive, a continuation award for its final budget period."

DISD'S RESPONSE

DISD did not concur with our finding and only concurred with a portion of Recommendation 2. DISD stated in its response, "[w]e base our disagreement on errors of fact and/or interpretation made in the report that affect the conclusions drawn, and also on documentation discovered since the auditors concluded their fieldwork." DISD stated, "[w]hen all relevant facts are assessed, they point to these conclusions: (1) the district can support the overwhelming majority of the expenditures; (2) all the expenditures were spent in furtherance of the programs outlined in the grant; and (3) all of the expenditures were appropriate under the terms of the grant as modified."

DISD further stated that the analysis of the overall delivery of grant services and products is seriously flawed because it overlooks changes in the grant program that were approved by the Office of Bilingual Education and Minority Languages Affairs (OBEMLA)⁵ and ignores the importance OBEMLA placed on DISD's use of services and products provided by NCERF. Specifically, OBEMLA:

- Required DISD to maintain NCERF at the center of the grant program;
- Approved several aspects of the May 15, 2000, contract between NCERF and DISD;
- Approved initial invoices submitted by NCERF which DISD had questioned; and,
- Accepted the May 15, 2000, contract between NCERF and DISD as a modification of the grant. The contract included an increase in the amount paid to NCERF from \$190,000 to \$300,000.

DISD also disputed, "that only 17.67 percent of grant services and products were delivered in accordance with the grant application." DISD contends that it delivered a higher percentage of grant deliverables. DISD states that teachers trained should be viewed as "units trained, not new teachers trained each year," and "parent training should be viewed as units trained not individual parents;" therefore, during the grant period 147 teachers and 341 parents were trained. DISD also stated, "twelve classrooms were actually implemented" and contends that the report double counts the model classroom deliverable when it asserts that all DISD sub-districts would have model classrooms by the end of the five-year grant. Further, DISD stated the report entirely omitted the 227 students that attended the five-day camp held in three of the four years of the grant.

DISD stated that \$370,470 of unallowable costs consists of \$223,670.76 paid to NCERF in 1999-2000 for planning and preparation activities and educational supplies were clearly incurred with the knowledge and approval of OBEMLA and should not be questioned. Unallowable costs of \$146,798.80 (in the report this amount is \$131,024.19) for services and supplies above the contracted amount included payments to NCERF in 2000-2001 and 2001-2002 to provide additional training days and technical support intended to foster a deeper understanding of the training approach needed for successful implementation of the grant. The remaining unallowable costs included stipends for parents and childcare expenses for low-income parents that could not participate in parent activities if childcare were not provided.

Lastly, DISD stated that \$293,176 in payroll costs, of the \$511,253 in unsupported costs, was appropriate, justified, and requested that questioned cost not be subject to recovery. DISD agreed that the required semi-annual certifications were not obtained and corrective action has been taken to ensure program managers do not repeat this mistake. DISD concurred that the \$1,912 in other expenses was not supported. Additional support, not previously provided to the auditors, was provided for \$215,227 of the \$216,165 in unidentified expenses.

⁵ OBEMLA is currently the Office of English Language Acquisition, Language Enhancement, and Academic Achievement for Limited English Proficient Students (OELA).

OIG'S RESPONSE

We reviewed DISD's response and while we have not changed our finding, we did accept additional supporting documentation resulting in modifications to our recommendations.

We disagree with DISD that our analysis of the overall delivery of grant services and products was seriously flawed. In its grant application submitted to the Department, DISD identified specific grant services and products that it would deliver each year with the aid of its contractor, NCERF, if funded by the Department. In its application, DISD proposed to the Department that in return for over \$500,000 in Federal funds each year, it would deliver:

- 60 pilot teachers trained (decreased to 30 teachers total for the first two years only);
- 100 parents trained;
- five model classrooms developed; and
- expansion of these services throughout DISD so that at the end of the five-year grant, all eight sub-districts would have pilot teachers and model classrooms.

Since DISD received grant funding for four years, DISD should have delivered four years of these grant services and products, which did not occur.

The Department awarded the bilingual grant to DISD on August 31, 1999, based on a competitive process that included reviewing and evaluating not only the grant objectives, but also the contractor's credentials and qualifications and how it was best qualified to fulfill the grant objectives. After the grant was awarded, DISD requested to remove NCERF from the grant and proposed to fulfill the grant objectives in house. OELA denied this request because it could not legally permit DISD to substitute with a significantly different project, since the grant was awarded largely on NCERF's qualifications and credentials. In a letter dated March 30, 2000, OELA notified DISD of its decision stating, "to protect the integrity of that process, [we] must ensure that applications selected for funding carry out the project that were reviewed in that competition."

In that same letter (issued seven months after the grant should have been implemented), OELA requested DISD and NCERF "to make one final effort to determine whether they can agree upon an appropriate means to implement this project" or the "Department will have no choice but to take the necessary steps to end the funding of this grant." DISD and NCERF, both choosing to receive grant funding, reached an agreement in the May 15, 2000, contract. OELA approved the contract on June 22, 2000. DISD contends that the May 2000 contract increased the amount paid to NCERF from \$190,000 to \$300,000. However, that statement is not accurate. The initial grant application called for NCERF to receive \$300,000 yearly (\$195,000 in contractual services, \$10,000 for an independent evaluator, and \$95,000 for educational supplies). The May 2000 contract was amended again in December 2000 and called for NCERF to receive a total of \$300,000 per year (\$205,000 for contractual services and \$95,000 for educational supplies). What did change in the modification to the initial grant application was that the first two years of the grant were collapsed into one year and the number of pilot teachers trained in the collapsed

year was decreased to 30, instead of the original 120 teachers. Even with this modification, only 20 pilot teachers were trained during the collapsed first two years.

DISD, as the grantee, had the fiduciary responsibility to ensure that Federal funds were used for the purposes for which they were awarded and that all payments to NCERF complied with applicable statutes, regulations, and the approved grant application. This responsibility included ensuring NCERF delivered the grant services and products identified in the application each year.

During our review, we did not question the decision to collapse the first two years and to reduce the pilot teachers trained from 120 to 30 because of the initial disagreements that occurred between DISD and NCERF. However, once DISD and NCERF signed a contract and started implementation of the grant, the agreed-upon grant services and products should have been delivered. We realize that sometimes projects are slow to start and grant services and products delivered might be reduced during the first year of implementation, but improve the next year. If improvement on the products and services delivered had occurred in the second and subsequent years, we would have taken that into account and given DISD credit. However, we saw no such improvement. Instead, we found that DISD and NCERF received Federal funds each year, but trained fewer teachers and parents than were required and developed no model classrooms.

In its response, DISD disputed that only 17.67 percent of grant services and products were delivered and stated that 147 pilot teachers and 341 parents were trained, and 12 model classrooms were developed. DISD also stated that the report entirely omitted the 227 students that attended the five-day camp held in three of the four years of the grant. We concluded after reviewing all additional documentation including training sign-in sheets and supplemental pay forms provided by DISD, that DISD and NCERF trained an additional three pilot teachers for a total of 49 pilot teachers trained in four years of the grant. DISD did not provide any additional documentation to support its statements that 341 parents were trained and 12 model classrooms were developed. Although DISD claimed that 12 classrooms were actually implemented, DISD was unable to produce even one classroom when the auditors requested to visit one. Additionally, DISD contractually limited NCERF's services to a total of four schools, all in the same sub-district, which was not approved by OELA officials. This limitation prevented the expansion of the bilingual grant services throughout DISD, as proposed in the approved grant application.

Further, the report did not omit the 227 students that attended the five-day camp held in three of the four years. We allowed the expenses associated with the five-day camp, but we did not count these camps as teacher or parent training sessions. These camps were not shown on the grant application as deliverables nor as teacher and parent training activities. These camps were designed to benefit the LEP students. Although teachers and parents participated in these camps, they needed to have been trained before attending. In the grant application, DISD stated, "A Think-campreneur will be provided to LEP students each summer. The camp will engage students in a variety of brain-based thinking and learning activities to improve their thinking skills; develop math, language and other content skills; and develop workforce readiness

skills The Think-campreneur will thus provide additional opportunities for ‘model classroom’ teachers and Parent Coaches to use the mediated learning and think-coaching strategies that they developed during Think-coach and Think-parents are powerful training. . . .”

We disagree that teachers trained should be viewed as “units trained, not new teachers trained each year,” and “parent training should be viewed as units trained not individual parents.” In the grant application, DISD stated the intent of the grant is to improve the linguistic and academic needs of LEP students. To accomplish this, DISD proposed that NCERF would train teachers of LEP students, as well as parents of LEP students, so that the parents could help the LEP students at home. DISD also proposed development of model classrooms to provide technical assistance to these teachers and students. Finally, DISD proposed that the training would be expanded to teachers and the parents of the students in other sub-districts, resulting in all DISD sub-districts having pilot teachers and model classrooms by the end of the grant for the use of future LEP students. To ensure the grant was successful, DISD needed to (1) train different teachers and different parents each year, (2) establish model classrooms throughout all sub-districts, and (3) disseminate the grant services through all sub-districts. The Department did not award this grant to train the same teachers and parents each year; to only have the grant services available in four schools in one sub-district, and to not have any model classrooms developed. The Department awarded the grant to be used as specified in the grant application, which did not occur.

We also disagree with DISD that the \$223,671 of the \$370,470 in unallowable costs paid to NCERF in 1999-2000 for planning and preparation activities and educational supplies should not be questioned. In its grant application, DISD stated that 60 pilot teachers and 100 parents would be trained and five model classrooms would be developed by the end of the first year. There was no mention in the grant application that DISD needed a year for planning and preparation activities. If DISD and NCERF needed a year of discussions and preparation, then DISD was premature in submitting a grant application to the Department. Because of the competitive process and limited funding, not all applicants are awarded a grant. By applying for a grant they were not ready to implement, DISD and NCERF potentially prevented another applicant from receiving this grant funding. In addition, DISD, as the fiduciary agent, paid \$118,200 in invoices at the end of the grant year and was well aware that these grant services were not provided by NCERF. Also, since no training was provided and no model classrooms were established that first year, educational supplies of \$100,000 and additional payroll costs of \$5,471 were not needed and, therefore, were unallowable.

We reviewed all additional supporting documentation provided by DISD for the \$146,798 (in the report this amount is \$131,024) in unallowable costs for services and supplies above the contracted amount, including payments to NCERF to provide additional training days and technical support. DISD was unable to support that additional training was provided. Even if the additional training days had been supported, we disagree with DISD that an additional \$81,801 should be paid to NCERF since it failed to provide the training and technical support to all agreed-upon teachers and parents and still received the full amount allotted by the grant. We also disagree that \$35,723 in additional educational supplies was necessary for the grant since \$100,000 in supplies were purchased the first year of the grant, and no training was conducted. Those supplies should have been used in the subsequent years when some training did occur and the grant not double billed for supplies that were already purchased. For the remaining \$13,500

that exceeded the contracted amount, DISD did not provide any additional supporting documentation.

We reviewed additional support for the \$15,775 in parent stipends and childcare expenses. Originally, we considered \$4,817 of the \$15,775, to be unallowable day care service expenses because DISD could not justify that the day care services were provided for grant activities. In its response, DISD provided additional documentation (purchase orders) to support that day care expenses were paid; however, DISD did not have sign-in sheets or time sheets to support the amount paid. Therefore, we now consider the \$4,817 as unsupported costs. DISD did not provide any additional support for the remaining \$10,957. Stipends and daycare expenses related to a math institute were not allowed because the math institute was not a part of the bilingual grant.

DISD concurred that the \$1,912 in other expenses was not supported.

We disagree with DISD that the \$293,176 in payroll of the \$511,253 in unsupported costs was appropriate, justified, and that the questioned cost should not be subject to recovery. We acknowledge that the failure to obtain the required semi-annual certifications appeared to be from a misunderstanding regarding an Ed-Flex statewide administrative waiver and DISD said it has taken corrective action to ensure its program managers will not repeat this mistake. However, these certifications are mandatory and we are still questioning all \$293,176.

Finally, we reviewed all additional supporting documentation provided by DISD for the unidentified grant costs. DISD claimed that it provided additional support for \$215,227 of the \$216,165 unidentified grant costs shown in the draft report. However, we determined only \$63,426 of the grant costs to be adequately supported by the new documentation. We determined \$17,666 of the \$215,227 to be unallowable because the new support documentation disclosed that the amount was for stipends paid to parents who attended the math institute or who did not have a child in the program, and teachers who were not pilot teachers. Stipends related to the math institute were not allowed because the math institute was not part of the bilingual grant. DISD did not provide any additional support for the remaining amount of \$135,073.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our audit objectives were to determine whether DISD (1) delivered the services and products specified in the approved grant application, and (2) properly accounted for and used the Bilingual Education - Systemwide Improvement Grant funds in accordance with the:

- ESEA of 1965, as amended by the IASA of 1994;
- 34 C.F.R. Parts 75 and 80;
- Bilingual Education - Systemwide Improvement Grant terms; and
- Cost principles in OMB Circular A-87.

To accomplish our objectives, we—

- Reviewed applicable Federal law and regulations;
- Reviewed the State of Texas' Audit Report for the year ended August 31, 2002;
- Reviewed DISD's Bilingual Education - Systemwide Improvement Grant Application and Budget Narratives;
- Reviewed Bilingual Education - Systemwide Improvement Grant Performance Reports for the 2000/01 year, the 2001/02 year, and the 2002/03 year;
- Reviewed the May 2000 contract and the December 2000 contract amendments between DISD and NCERF;
- Reviewed DISD's payroll records, accounting transactions, and invoices and other documentation supporting: (1) all expenditures charged to and (2) all services and products delivered by the grant from September 1, 1999, through August 31, 2003;
- Reviewed NCERF's payroll records, accounting transactions, and invoices and other documentation maintained by NCERF: (1) to justify the contractual services fees paid to NCERF by the grant, and (2) to support all services and products delivered by NCERF from September 1, 1999, through August 31, 2003; and
- Interviewed NCERF's President and CEO and various DISD officials.

To achieve our audit objectives, we relied primarily on written documentation from DISD and NCERF to support grant expenditures and deliverables. DISD officials provided computer-processed data only to support grant stipends paid to teachers and parents. We verified the completeness of this data by comparing source records to computer-processed data, and verified the authenticity by comparing computer-processed data to source documents. However, after performing these limited data reliability tests, we noted several discrepancies that cast doubt on the data's validity. We concluded that the data was not sufficiently reliable to be used in meeting the audit's objectives. However, when this computer-processed data is viewed in context with other available evidence, we believe the opinions, conclusions, and recommendations relating to grant stipends paid to teachers and parents in this report are valid.

Our review covered September 1, 1999, through August 31, 2003, which are the four completed years of the five-year grant period. We conducted our fieldwork at DISD's Administration Building, Dallas, Texas from August 4, 2003, through August 15, 2003; and at NCERF's office in Danbury, Connecticut from September 9, 2003, through September 17, 2003. We discussed the preliminary results of our audit with DISD officials on August 15, 2003. An exit conference was held with DISD officials on January 21, 2004.

Our audit was performed in accordance with generally accepted government auditing standards appropriate to the scope of audit described above.

STATEMENT ON MANAGEMENT CONTROLS

As part of our audit, we reviewed all costs charged to the grant, and performance data relating to grant deliverables for the four-year grant period. Therefore, it was not considered necessary to assess DISD's management controls over the bilingual grant. However, our review disclosed weak management controls, which adversely affected DISD's ability to administer the bilingual grant, and resulted in significant non-compliance with Federal regulations, grant terms, and cost principles. Those weaknesses and their effects are discussed in the AUDIT RESULTS section of this report.

ADMINISTRATIVE MATTERS

Statements that managerial practices need improvements, as well as other conclusions and recommendations in this report represent the opinions of the Office of the Inspector General. Determinations of corrective action to be taken will be made by the appropriate Department of Education officials.

If you have any additional comments or information that you believe may have a bearing on the resolution of this audit, you should send them directly to the following U.S. Department of Education official, who will consider them before taking final Departmental action on this audit:

Jack Martin
Chief Financial Operating Officer
Office of the Chief Financial Officer
U.S. Department of Education
400 Maryland Avenue, S.W., Room 4E313
Washington, DC 20202

Maria Hernandez Ferrier
Deputy Under Secretary and Director of the Office of English Language
Acquisition, Language Enhancement, and Academic Achievement for
Limited English Proficient Students
U.S. Department of Education
400 Maryland Avenue, S.W., Room PCP-10087
Washington, DC 20202

It is the policy of the U.S. Department of Education to expedite the resolution of audits by initiating timely action on the findings and recommendations contained therein. Therefore, receipt of your comments within 30 days would be greatly appreciated.

In accordance with the Freedom of Information Act (5 U.S.C. § 552), reports issued by the Office of Inspector General are available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

If you have any questions or wish to discuss the contents of this report, please contact me, at 214-880-3031. Please refer to the control number in all correspondence related to this report.

Sincerely,

/Signed/
Sherri L. Demmel
Regional Inspector General
for Audit

Attachment A - Schedule of Questioned Costs
Attachment B - DISD's Response

**BILINGUAL EDUCATION – SYSTEMWIDE
IMPROVEMENT GRANT
SCHEDULE OF QUESTIONED COSTS
SEPTEMBER 1, 1999, THROUGH AUGUST 31, 2003**

<u>Category</u>	<u>Non- Performance of Grant Costs</u>	<u>Unallowable Costs</u>	<u>Unsupported Costs</u>
Non-Performance of Grant	\$970,557 ¹		
Contractual Services		\$213,501 ²	
Educational Supplies		\$135,723 ³	
Payroll		\$ 5,471 ⁴	\$293,176 ⁴
Other Operating		\$ 10,957 ⁵	\$ 6,729 ⁵
Unidentified Grant Costs		\$ 17,666 ⁶	\$135,073 ⁶
Total	\$970,557	\$383,318	\$434,978

Non-Performance of Grant:

1 -- \$970,557 -- We calculated the unduplicated questioned costs for the non-delivery of grant deliverables as follows:

○ Grant Drawdowns from Sept 1, 1999 – Aug 31, 2003	\$2,004,361.54
○ Total Unallowable	(\$ 383,318.00)
○ Total Unsupportable	(\$ 434,978.00)
○ Total	\$1,186,065.54
○ 81.83% for Non-Delivery of Grant	x 81.83%
○ Total Unduplicated Costs	<u>\$ 970,557</u>

If any of the costs questioned in Recommendation #2 are allowed, the amount allowed should be reduced by 81.83% due to non-delivery of grant services, and the same amount should be added to the costs questioned in Recommendation #1.

Contractual Services:

2 -- \$213,501

1999/2000 -- \$118,200 -- Questioned full amount for the year because contractual services were not performed by NCERF during the year.

2000/2001 -- \$81,801 -- Questioned amount above the contracted amount of \$205,000.

2001/2002 -- \$13,500 -- Questioned amount above the contracted amount of \$205,000.

2002/2003 -- \$0 -- No questioned costs for this year.

According to *OMB Circular A-87, Attachment A, Paragraph C, Subparagraph 1.j.* (1997), to be allowable, costs must be adequately documented. Also, *OMB Circular A-87, Attachment A, Paragraph C, Subparagraph 1.d.* (1997) states the grant must “[c]onform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.”

According to the signed contracts between NCERF and DISD, NCERF would be paid \$205,000 for consultant services for each year of the grant. However, there are instances in which NCERF was paid more than the contracted amount.

Educational Supplies:

3 -- \$135,723

1999/2000 -- \$100,000 -- Questioned full amount for the year because no grant services were performed that required the purchase of educational supplies during the year.

2000/2001 -- \$35,723 -- Questioned full amount above the contracted amount of \$95,000; also questioned costs not allowed by grant.

2001/2002 -- \$0 -- No questioned costs for this year.

2002/2003 -- \$0 -- No questioned costs for this year.

According to the signed contracts between NCERF and DISD, NCERF would be paid \$95,000 for supplies for each year of the grant. There are instances in which NCERF was paid more than the contracted amount and the grant funds were used to pay for supplies for a math program that was not authorized by this grant.

Payroll:

4 -- \$ 5,471 -- Unallowable

\$293,176 -- Unsupportable

1999/2000 -- \$5,471 -- Questioned full amount for the year because no grant services or products were delivered during the year.

2000/2001 -- \$126,443 -- DISD failed to obtain the required semi-annual certifications for full-time employees of the grant.

2001/2002 -- \$110,006 -- DISD failed to obtain the required semi-annual certifications for full-time employees of the grant.

2002/2003 -- \$56,727 -- DISD failed to obtain the required semi-annual certifications for full-time employees of the grant.

According to *OMB Circular A-87, Attachment B, Paragraph 11.h(3)* (1997), “Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries [including fringe benefits] and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official” DISD did not obtain the certifications; therefore, we questioned the full amount of payroll for the first year as unallowable costs and for the last three years as unsupportable.

Other Operating:

5 -- \$10,957 -- Unallowable Costs

\$ 6,729 -- Unsupportable Costs

1999/2000 -- \$0 -- No questioned costs for this year.

2000/2001 -- \$7,631 -- Expenses not allowed by the grant including stipends paid to parents and catering services for math training; and questioned costs of \$6,729. (\$4,817 in day care services that was unsupportable because DISD failed to obtain the necessary documentation, and \$1,912 that DISD agreed in its response was unsupported).

2001/2002 -- \$1,800 -- Questioned full amount because expense not allowed by grant.

2002/2003 -- \$1,526 -- Questioned full amount because expense not allowed by grant.

DISD failed to obtain the necessary receipts to support the costs paid for by the grant. DISD also used grant funds to pay for costs not allowed by the grant (i.e., daycare services and math backpacks).

Unidentified Grant Charges:

6 -- \$135,073 -- Unsupported Costs

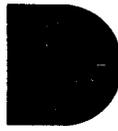
\$ 17,666 -- Unallowable Costs

We originally reported the unidentified grant charges as \$216,165. In DISD’s response to the audit, DISD provided additional information to support some of the costs we were unable to previously identify. After review, we adjusted the report to state that DISD provided support for \$63,426, \$135,073 is unsupported, and the remaining amount of \$17,666 is unallowable.

Summary: The total unduplicated questioned costs are calculated as follows:

Non-Performance of Grant Deliverables (Recommendation #1):	\$ 970,557
Unallowable Costs (Recommendation #2):	\$ 383,318
Unsupportable Costs (Recommendation #2):	\$ 434,978

Total Unduplicated Questioned Costs **\$1,788,853**



Dallas Independent School District

May 18, 2004

Ms. Sherrie L. Demmel
Regional Inspector General for Audit
U.S. Department of Education
Office of the Inspector General
1999 Bryan Street, Suite 2630
Dallas, TX 75201-6817

RE: Control Number ED-OIG/A06-D0023

Dear Ms. Demmel:

The Dallas Independent School District ("the district") submits this response to the draft audit report concerning administration of the Bilingual Education Systemwide Improvement Grant. We have thoroughly reviewed the many allegations contained in the draft report including the issues regarding documentation and procedures. While we do not agree with all of these points, where appropriate we are taking steps to address these issues. Overall, however, we respectfully and strongly disagree with the fundamental conclusions reached in the draft.

We base our disagreement on errors of fact and/or interpretation made in the report that affect the conclusions drawn, and also on documentation discovered since the auditors concluded their fieldwork. In support of our response, the district has attached a number of exhibits and other documents more specifically described in the response. When all relevant facts are assessed, they point to these conclusions: (1) the district can support the overwhelming majority of the expenditures; (2) all the expenditures were spent in furtherance of the programs outlined in the grant; and (3) all of the expenditures were appropriate under the terms of the grant as modified.

We submit that the analysis of the overall delivery of grant services and products is seriously flawed because it overlooks changes in the grant program that were approved by the Office of Bilingual Education and Minority Languages Affairs ("OBEMLA"). It also ignores the importance OBEMLA placed on the district's use of services and products provided by the National Children's Education Reform Foundation ("NCERF"). Review of the initial steps in the implementation of the grant demonstrates the erroneous premises on which the audit's conclusions are based.

The first year of the grant as awarded was September 1, 1999 through August 31, 2000. However, as OBEMLA was aware, implementation of the grant was delayed because of the district's efforts to arrive at a contract with NCERF. OBEMLA officials were deeply and directly involved in that process and in fact directed its outcome. Four important things happened during that process which were critical to subsequent administration of the grant.

First, OBEMLA required the district to maintain NCERF at the center of the grant program. For example, in a letter received May 2, 2000, Arthur M. Love, Acting Director, OBEMLA, instructed Dr. Rosita Apodaca, Deputy Superintendent, Teaching and Learning Division, as follows: "...this grant cannot be implemented, consistent with the scope and purpose of the approved application, without using the programmatic approach, materials and services of NCERF." (See Exhibit 1 attached to this response). The Deputy Director of OBEMLA instructed the district to reach an agreement with NCERF on a scope of services and warned that if progress toward an agreement were not made, "[t]he department will have no choice but to take the necessary steps to end the funding of this grant." The Deputy also noted that "[t]he department will have final authority to approve any modification to this project that the parties agree upon." Acting pursuant to these

directives from OBEMLA and desirous of providing critically important assistance to the students to be served, the district did enter an agreement with NCERF effective May 15, 2000.

Second, OBEMLA specifically approved several aspects of the May 15, 2000, contract between NCERF and the district that the audit now ignores. The contract required the district to pay NCERF \$100,000 by May 15th and make additional payments of \$30,000 each on June 30th, July 31st, and August 31st. In a letter dated June 22, 2000, from John Ovard, Midwest Cluster Coordinator for OBEMLA, and James H. Lockhart, Education Specialist, OBEMLA, addressed to Dr. James Hughey, Acting Deputy Superintendent, OBEMLA stated that "the advance payment provisions set out in the May 15, 2000, contract between DISD and the Foundation are not prohibited by the applicable Department regulations." (See Exhibit 2 attached to this response).

Third, OBEMLA specifically approved initial invoices submitted by NCERF which the district had questioned: "invoices shared by the Foundation with OBEMLA appear to be proper and demonstrate planning and other activities carried out by the Foundation consistent with its efforts to achieve a working relationship with DISD pursuant to joint implementation of this grant." (*June 22, 2000 letter, exhibit 2*) Thus, OBEMLA gave the district the green light to proceed despite whatever reservations the district might have had. In reliance on this green light, the district issued a check to the Foundation in the amount of \$168,399.91 for two invoices.

Fourth, and most important, OBEMLA accepted the May 15, 2000, contract between NCERF and the district as a modification of the grant. The June OBEMLA letter approves of the modifications to the approved application for this grant that are set out in the May 15, 2000, contract between DISD and the Foundation. "Those modifications fall within the scope and purpose of the approved application for this grant." (*June 22, 2000 letter, exhibit 2*) In other words, OBEMLA accepted that the goods and services to be provided in the first year of the grant and in succeeding years would be measured against the terms of the contract, which OBEMLA recognized as differing from the original grant application.

The contract between NCERF and the district was amended effective December 8, 2000, to increase the amount to be paid to NCERF from \$190,000 per year to \$300,000 per year. Thus, the evaluation of the grant administration for the second, third, and fourth years must be measured against the requirements of the amended contract rather than the grant application alone.

There were two recommendations in the report. We will address the three elements of the recommendations separately: Failure to deliver grant services, unallowable costs, and unsupported costs:

Recommendation. Refund to the Department unallowable costs of \$924,268 due to DISD's material failure to deliver grant services and products. **NON-CONCUR.**

The Dallas Independent School District disputes that only 17.67 percent of grant services and products were delivered in accordance with the grant application. The basis of our disagreement is that the report does not adequately represent the critical role of NCERF in the delivery of these services, does not correctly recognize the services actually delivered, and fails to include approved services and products delivered in the first year of the grant (1999-2000).

- In a letter received May 2, 2000 (Exhibit 1), Arthur M. Love, Acting Director, Office of Bilingual Education and Minority Languages Affairs (OBEMLA), instructed Dr. Rosita Apodaca, DISD Deputy Superintendent for Teaching and Learning as follows: "The educational program, techniques, materials, and services of NCERF are a critical part of the application DISD submitted for the Title VII funds and represented a central basis for the OBEMLA's selection of DISD's application for funding." He added: "...*this grant cannot be implemented, consistent with the scope and purpose of the approved application, without using the programmatic approach, materials and services of*

NCERF.” Mr. Love directed the district to reach an agreement with NCERF by May 15, 2000, or relinquish the grant. According to the draft audit report, the district received \$2,004,362 of the awarded amount. Of this total, \$1,245,825, or 62.2 percent, was paid to NCERF in accordance with the provisions of the OBEMLA directed and approved contract. In light of USDE’s insistence that only by using NCERF could the terms of the grant be satisfied, the threshold of any analysis of failure to deliver goods and services must be at least that 62.2 percent – not 17.67 percent. The payments to NCERF were made in good faith and covered goods and services within the terms of the contract, and thus the grant.

- This grant was pursued and implemented under Title VII of the Improving America’s Schools Act of 1994. Section 7115 states, in part, that the purpose of implementing districtwide bilingual instructional educational programs is to improve, reform, and upgrade relevant programs and operations. The report seems to view the implementation of this systemic reform and improvement as an assembly line process with a rigidly predictable schedule of delivery for products and services. Nothing could be further from the truth. Implementing far-reaching systemic reforms through new and untried programs means that while overall progress and ultimate success is expected, it is also expected that there will be bumps in the road, set-backs experienced, and redirections necessitated by ongoing project and data reviews or changed circumstances. All of these occurred during the implementation of the Bilingual Systemwide Improvement Grant.

The report asserts that only 17.67 percent of grant services and products were delivered. In actual fact, a much higher percentage was delivered. We have provided in the appendix the actual deliverables, which are summarized below.

- ❖ Teachers trained. These should be viewed as units trained, not new teachers trained each year. The USDE, in providing guidance for professional development, directs that such training is to be “sustained, intensive, and classroom-focused, and not one-day or short-term workshops.” This sustained, intensive training is exactly what was accomplished during this project. The following summarizes teachers trained:

<u>Year</u>	<u>Expected</u>	<u>Delivered</u>
2000-2001	30 Teachers	50 Teachers
2001-2002	60 Teachers	54 Teachers
2002-2003	60 Teachers	43 Teachers

- ❖ Parents trained. Similar to teachers trained, parent training should be viewed as units trained not individual parents. Had the project required that parents receive an “introduction” or “orientation,” a one-time session would have been appropriate. Since the goal of the project was to enlist the parents as partners in the academic success of their children, sustained and intensive training was not only appropriate, but required.

<u>Year</u>	<u>Expected</u>	<u>Delivered</u>
2000-2001	100 Parents	148 Parents

2001-2002	100 Parents	106 Parents
2002-2003	100 Parents	87 Parents

- ❖ Model classrooms. Subsequent to audit fieldwork, DISD staff visited with participating campuses and staff members. We were able to ascertain through these interviews that twelve classrooms were actually implemented as summarized below.

<u>Year</u>	<u>Expected</u>	<u>Delivered</u>
2000-2001	5	7
2001-2002	5	7
2002-2003	5	12

- ❖ Other services and products. The report asserts that all DISD sub-districts would have model classrooms by the end of the five-year grant. This approach is seriously flawed as it, in essence, double counts the model classroom deliverable in the analysis. Further, the report entirely omitted the Think Campreneur student camps held each year of the grant. DISD provided five days of camp each summer to 82 students in 2000-2001, 90 students in 2001-2002, and 55 students in 2002-2003. This important service was not considered.
- In counting teachers and parents trained and model classrooms, the report encumbers the first year of the grant with an expectation of full delivery of services. This is a serious factual error. The actions of DISD were in compliance with the legislation and taken with clear direction and oversight of OBEMLA.
 - ❖ Title VII of the Improving America's Schools Act of 1994, Section 7115(b)(3) specifically provides that grants may be used exclusively during the first twelve months for activities preparatory to the delivery of services. Ample documentation of these planning activities was provided during fieldwork to substantiate that the planning took place.
 - ❖ Implementation of the grant was delayed after the award because of the District's efforts to arrive at a satisfactory contract with NCERF that reflected what the new administration believed to be a more appropriate role for the NCERF. The District's efforts in that regard were impeded by the attitude of officials in the OBEMLA. For example, in a letter dated March 30, 2000 (see Exhibit 3), to Dr. Apodaca, Bouy Te, Deputy Director of OBEMLA, wrote: "the Foundation, because of the extent of its involvement and the critical role described for it in the application submitted by DISD, cannot be removed as a participant in this project without altering its basic scope and purpose." The Deputy Director directed the district and the Foundation to reach an agreement on a scope of services and warned that if progress toward an agreement were not made, "[t]he department will have no choice but to take the necessary steps to end the funding of this grant." The Deputy also noted that "[t]he department will have final authority to approve any modification to this project that the parties agree upon." On April 11, 2000 (referenced in exhibit 1), OBEMLA proposed that the district and

NCERF reach an agreement whereby the district would spend \$190,000 of its yearly grant award of \$522,000, to purchase goods and services from NCERF. In a letter received May 2, 2000 (see exhibit 1), Arthur M. Love, Acting Director, OBEMLA, instructed Dr. Apodaca as follows: "The educational program, techniques, materials, and services of the Foundation are a critical part of the application DISD submitted for the Title VII funds and represented a central basis for the OBEMLA's selection of DISD's application for funding." He added: "...this grant cannot be implemented, consistent with the scope and purpose of the approved application, without using the programmatic approach, materials and services of the Foundation." Mr. Love directed the district to reach an agreement with NCERF by May 15th or relinquish the grant. Acting pursuant to these directives from OBEMLA and desirous of providing critically important assistance to the students to be served, the district did enter an agreement with NCERF, effective May 15, 2000. That agreement required the district to pay NCERF \$100,000 by May 15th and make additional payments of \$30,000 each on June 30th, July 31st, and August 31st. NCERF submitted invoices to the district, some of which the district questioned. The district also questioned the requirement of advance payment. In response to the district's questions, OBEMLA responded with a letter dated June 22, 2000, (see exhibit 2), from John Ovard, Midwest Cluster Coordinator for OBEMLA, and James H. Lockhart, Education Specialist, OBEMLA, which was addressed to Dr. James Hughey, Acting Deputy Superintendent. In that letter OBEMLA announced three important conclusions:

"First, "OBEMLA approves the modifications to the approved application for this grant that are set out in the May 15, 2000, contract between DISD and the Foundation. Those modifications fall within the scope and purpose of the approved application for this grant..."

Second, "the advance payment provisions set out in the May 15, 2000, contract between DISD and the Foundation are not prohibited by the applicable Department regulations."

Third, (relating to the questioned invoices), "invoices shared by the Foundation with OBEMLA appear to be proper and demonstrate *planning and other activities* carried out by the Foundation consistent with its efforts to achieve a working relationship with DISD pursuant to joint implementation of this grant."

Thus, OBEMLA accepted that the goods and services to be provided in the first year of the grant and in succeeding years would be measured against the terms of the contract with NCERF, which OBEMLA recognized as differing from the original grant application. OBEMLA gave the district approval to proceed despite whatever reservations the district might have had, and in reliance on this approval, the district issued a check to NCERF in the amount of \$168,399.91 for two invoices for planning and other activities. Hence, the draft report not giving the district credit for the admittedly truncated initial year and recommending reclaim of funds used to pay NCERF in the first year of the grant that were made virtually at the direction, and certainly with the approval, of OBEMLA, is surprising and contrary to the record.

Recommendation. Refund to the Department unallowable costs of \$370,470. **Non-Concur.**

Unallowable costs consisted of: \$223,670.76 in costs incurred in the first year of the grant, \$146,798.80 for services and supplies above the contracted amount, and \$15,774.61 for unallowed other expense.

- The report characterizes as unallowable the following costs incurred in 1999-2000: contractual services of \$118,199.91 paid to NCERF, educational supplies of \$100,000, and payroll of \$5,470.85. As noted in preceding paragraphs, these payments to NCERF for planning and preparation activities and educational supplies were clearly incurred with the knowledge and approval of OBEMLA. The sums should not be questioned or subject to reclaim.
- Services and supplies above the contracted amount as cited in the report included payments to NCERF in 2000-2001 for contracted services of \$81,801 and educational supplies of \$35,723.19 and in 2001-2002 for contracted services of \$13,500. The contracted services provided additional training days and technical support intended to foster a deeper understanding of the new approach. As stated in the original application, training for the program will "...focus on leadership, team-building, collaborative skills, brain-based learning, the how-to's of becoming a Think-coach, workforce readiness skills, and the process of facilitating more effective thinking and learning on the part of LEP children and youth. It will also train teachers in how to create integrated curricula, how to create interactive and adaptive learning environments (model classrooms) and how to work collaboratively with other teachers." Successful implementation of this list of pedagogy and processes was dependent on procuring additional training. The educational materials supported this additional effort. Neither the grant provisions nor OMB Circular A-87 prohibit procuring goods and services that further the purposes of the grant. Complete supporting documentation of properly executed contracts and all invoices were provided during fieldwork, but were apparently discounted or overlooked.
- The other expenses cited by the report as not allowable included stipends for parents and childcare expenses. As explained during fieldwork, the parents of children served by the program are low income, and could not participate in parent activities if childcare were not provided. The grant paid stipends to some parents that provided childcare and for snacks and supplies for the children. We reference Section A, Point 10c of the Grant Application. "Additional training stipends for administrators, teachers and parents related to Think Campreneur, parent outreach and other project activities." In addition, Childcare expense is allowable under OMB Circular A-87, when parents are participating in activities that accomplish the objectives of the grant program. Further, the budget approved by OBEMLA included stipends for parents.

Recommendation. Refund to the Department unsupported costs of \$511,253. **Partially Concur.**

Unsupported costs consisted of \$293,176.11 in payroll, \$1,912 in other expense, and \$216,165.15 in unidentified expense.

- We agree that semi-annual certifications were not accomplished by the three employees who were 100 percent funded by the grant. This was a mistake on the part of program managers in that they thought that this program was covered by the Ed-Flex state wide administrative waiver of this certification. A closer reading of the law while researching this response found that the Ed-Flex waiver applied to Title VII, Part C, while this grant was funded under Title VII, Part A. We are taking corrective measures to assure that this error is not duplicated elsewhere in the district. We are examining all employees 100 percent funded by any federal source to ensure that they are either covered by the Ed-

Attachment B

Flex state-wide administrative waiver or are appropriately accomplishing the semi-annual certification. In addition, we are reviewing time and effort procedures district-wide to ensure our compliance with this portion of A-87. However, we note that the report does not assert that the three employees' activities were anything but appropriate and justified. Therefore, we request that, in light of our corrective actions taken and planned, that this questioned cost of \$293,176.11 not be subject to reclaim.

- Other expense. We concur.
- The report questioned unidentified expense of \$216,165.15. In the appendix, we provide summaries of additional documentation to support the amount of \$215,227.43. We believe this additional documentation was discovered subsequent to audit fieldwork. The documentation referenced in the appendix is included with this response and consists of copies of payroll, invoices, and receipts not viewed by the auditors.

In summary, while the report pointed out areas where we can improve our management procedures and compliance with grant provisions, we dispute that the Dallas Independent School District materially failed to deliver grant services and the dollar amounts of the reclaims contained in the recommendation. If you have any further questions, please contact Mr. Douglas Ochandarena, Division Manager, Grants Acquisition and Management. Additionally, we understand that as part of this inquiry, the primary contractor, NCERF, was also audited. We respectfully request to know the status of that audit, if questioned costs are also being recommended for reclaim from them, and to receive a copy of that audit report when finalized.

Attachments

Sincerely,



Mike Moses

DO

cc: Carmyn Neely
Jack Elrod
Douglas Ochandarena



Exhibit 1

*File
Jill v d*

UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF BILINGUAL EDUCATION AND
MINORITY LANGUAGES AFFAIRS

RECEIVED
MAY 02 2000
BY:

Dr. Rosita Apodaca
Deputy Superintendent - Teaching and Learning Division
Dallas Independent School District
3700 Ross Avenue
Dallas, Texas 75204-5491

Re: Bilingual Education Systemwide Improvement Grant
PR/Award No. T291R990026

Dear Dr. Apodaca:

We are in receipt of a letter from Ms. Emily Den dated April 17, 2000 to Dr. John Ovard, Midwestern Cluster Coordinator for the Office of Bilingual Education and Minority Languages Affairs (OBEMLA), concerning the above-referenced grant. We hope that the Dallas Independent School District (DISD) and the National Children's Educational Reform Foundation (NCERF) will successfully complete the process, within the next few days, of reaching a mutually acceptable agreement regarding this grant

Ms. Den's letter raises concerns regarding the Office of Bilingual Education and Minority Languages Affairs' (OBEMLA's) April 11th proposal that the DISD and NCERF attempt to work out an agreement for implementation of this grant under which DISD would utilize approximately \$190,000 of its yearly Title VII grant award of \$522,000 to purchase services and materials from NCERF. Specifically, her letter states:

During our telephone conversation with you and James Lockhart on April 13, 2000, Dr. Rosita Apodaca and I provided you with . . . [DISD's] . . . response to your April 11th proposal of allocating \$190,000.00 per year of the grant funds to . . . [NCERF]. I expressed our concern that the figure appeared arbitrary and random because we were unable to figure out what the money would be paying for.

Ms. Den's letter goes on to state that DISD believes that it can appropriately spend \$162,190.50 on NCERF services and materials, but will purchase up to \$190,000 of NCERF services and materials, on an annual basis, "to maintain the integrity of OBEMLA's reading process and OBEMLA's approval of the group application."

I would like to take this opportunity to clarify the purpose of the April 11th proposal and place it in the broader context of OBEMLA's legal obligation to ensure the proper implementation of Title VII grants that are selected for funding. The educational program, techniques, materials, and services of NCERF are a critical part of the application DISD submitted for Title VII funds and represented a central basis for OBEMLA's selection of DISD's application for funding. Although I understand that this

application was submitted by a prior administration of DISD, and the current leadership of your school system is not convinced of the educational value of the materials and services that NCERF is to provide in carrying out this grant, OBEMLA cannot legally permit DISD to substitute a significantly different project for that which was competitively selected for funding. That is why this grant cannot be implemented, consistent with the scope and purpose of the approved application, without using the programmatic approach, materials and services of NCERF. OBEMLA is responsible for protecting the integrity of the competitive process under which applications are selected for funding. If Title VII recipients are free, in implementing their projects, to dispense with critical elements of their approved applications, the competitive selection process will be undermined and lose all credibility because the projects that are carried out will not resemble the proposals that were evaluated in the competitive process.

Although successful applicants for Title VII funding are required to carry out the scope and purpose of their approved applications, they are not bound to conform to every detail of their proposals. Recipients, as long as they remain within the scope and purpose of their approved application, can deviate from the specific terms of their project proposals. OBEMLA has, for some time, been urging DISD and NCERF to try and come to an agreement under which the role of NCERF in the implementation of this grant was modified. Our goal was, and remains, an agreement that satisfies DISD's concerns about the quality of the specific materials and services to be provided by NCERF but stays within the scope and purpose of the approved application. As of April 11th, these efforts had not been successful. OBEMLA, in an effort to get discussions moving, suggested a framework for a final agreement under which DISD would utilize approximately \$190,000 of grant funds per year to purchase NCERF materials and services.

OBEMLA was not, in arriving at this figure, arbitrary and random. Rather, the figure represents a substantial reduction in NCERF's participation in this grant in an effort to address DISD's concerns about the level of NCERF involvement in the grant, while retaining enough funding for NCERF materials and services to make it possible for the scope and purpose of the approved application to be carried out. It is difficult to see how reducing NCERF's role below this level would, in view of the critical role given in the proposal to materials and services that can only be provided by NCERF, make it possible for DISD to implement a project that is consistent with the scope and purpose of the approved application.

Moreover, the discussion of the proposed purchases from NCERF in the letter reflects a basic misunderstanding of our programmatic and legal concerns. Our April 11th proposal is not intended to force DISD to purchase a random set of NCERF materials and services until it reaches an annual goal of \$190,000. Such a course of action would not result in an appropriate use of grant funds, a quality educational program for DISD's limited English proficient (LEP) children, or even a project that is consistent with the scope and purpose of the approved application. Instead, the purpose of our April 11th proposal is to provide DISD and NCERF a framework within which to work out the details of the specific services and materials that NCERF will need to provide in order to allow the fundamental educational program described in DISD's own application to be carried out.

It is that fundamental educational program, not the \$190,000 per year figure, which is critical. The \$190,000 per year figure is just a means to that end.

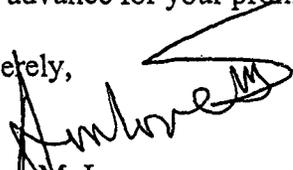
If DISD and NCERF work together to select the NCERF services and materials most suited to DISD's approved application, we believe it is possible for the parties to reach an agreement on how to implement this grant that honors the scope and purpose of the approved application and provides a quality education program. This can only occur if DISD and NCERF immediately begin direct discussions with one another. These direct discussions will provide the parties with an opportunity to iron out their differences and begin to develop the trusting working relationship that is critical to successful implementation of this grant. In addition, it will allow DISD to raise any questions it has about the materials and services NCERF can offer in the context of this grant directly with NCERF. This will allow DISD to make a fully informed judgment on the educational value of NCERF's services and materials. Any agreement between the parties, of course is subject to review and approval by OBEMLA based on the standards described in this letter.

~~DISD is required to submit a performance report by May 15, 2000 on its progress in implementing this grant during the past year.~~ Unless DISD and NCERF have reached an agreement on how to implement this grant by that time, OBEMLA will not be in a position to continue funding for this grant for a second year. For that reason, it is critical for DISD and NCERF to begin discussions immediately. Our hope is that those discussions will result in an agreement that meets DISD's needs and is consistent with the scope and purpose of the approved application. However, if, as a result of those discussions, DISD concludes that the educational services and materials NCERF can offer, consistent with the approved grant, are not appropriate to the district's current needs, we believe that the appropriate course of action is for DISD to relinquish this grant, but no later than May 15, 2000.

In the long run, the interests of Dallas's LEP children will not be served by a Title VII project to which DISD is not fully committed.

If you have any further questions on this matter, please do not hesitate to contact either Mr. Lockhart, Dr. Ovard or myself. Thank you in advance for your prompt response.

Sincerely,


Arthur M. Love
Acting Director

cc: Waldemar Rojas, General Superintendent, DISD
Emily Den, Special Assistant to the Superintendent
Jaime Sandoval, Director, Multi-Language Enrichment Program
W. Jay De Vecchio, Esq., Crowell & Moring, LLP
Susan Tierno, CEO/Executive Director, NCERF



Attachment B

UNITED STATES DEPARTMENT OF EDUCATION.

OFFICE OF BILINGUAL EDUCATION AND
MINORITY LANGUAGES AFFAIRS

Dr. James Hughey
Acting Deputy Superintendent
Dallas Independent School District
3700 Ross Avenue
Dallas, TX 75204

June 22, 2000

Re: Title VII, Bilingual Education Systemwide Grant # T291R9990026

Dear Dr. Hughey:

The purpose of this letter is to follow-up on the agreements reached during the conference call of June 21, 2000 concerning the above-referenced grant to the Dallas Independent School District (DISD). Participating in that conference call were representatives from the U.S. Department of Education's Office of Bilingual Education and Minority Languages Affairs (OBEMLA), DISD, and the National Children's Educational Reform Foundation (the Foundation).

During the course of the conference call we discussed a May 15, 2000 contract entered into between DISD and the Foundation. The purpose of that contract was to implement certain changes to the approved application for the above-referenced grant. OBEMLA is fully aware of the terms and conditions of the above-referenced grant, the "partnership" arrangement between DISD and the Foundation for purposes of implementing this grant, and the written justifications for reimbursements submitted so far by the Foundation. Although DISD is the recipient of the grant, and the fiscal agent for that award, the Foundation is a critical partner to the successful implementation of this grant. In order to assist DISD and the Foundation in getting grant activities started, OBEMLA wants to take this opportunity to communicate the following points.

First, OBEMLA approves of the modifications to the approved application for this grant that are set out in the May 15, 2000 contract between DISD and the Foundation. Those modifications fall within the scope and purpose of the approved application for this grant and are, as a consequence, permissible.

Second, the advance payment provisions set out in the May 15, 2000 contract between DISD and the Foundation are not prohibited by applicable Department regulations.

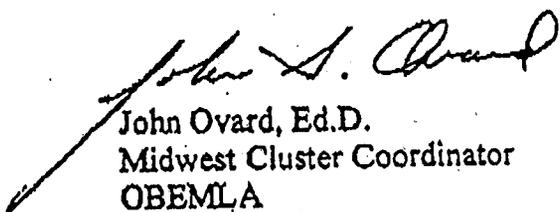
Third, invoices shared by the Foundation with OBEMLA appear to be proper and demonstrate planning and other activities carried out by the Foundation consistent with its efforts to achieve a working relationship with DISD pursuant to joint implementation of this grant.

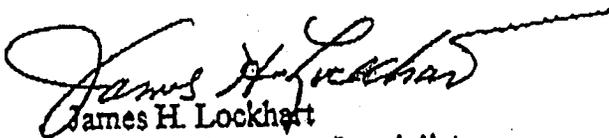
Attachment B

Finally, OBEMLA is responsible for monitoring and implementation of this grant and ensuring that it is carried out consistent with the approved modifications to that application, Department regulations, and Title VII of the Elementary and Secondary Education Act, including Title VII's non-supplanting requirement. Moreover, OBEMLA is available to provide DISD and the Foundation with technical assistance and to facilitate an effective working partnership between the two entities.

If we may be of further assistance, please do not hesitate to contact us.

Yours truly,


John Ovard, Ed.D.
Midwest Cluster Coordinator
OBEMLA
U.S. Department of Education


James H. Lockhart
Education Program Specialist
OBEMLA
U.S. Department of Education

CC: Waldemar Rojas, General Superintendent, DISD
Emily Den, Office of Legal Services, DISD
Jaime Sandoval, Director, Multi-Language Enrichment, DISD
Evangelina Cortez, Principal/ Project Director
Susan Tierno, CEO, National Children's Educational Reform Foundation
W. Jay DeVecchio, Esq., General Counsel, NCERF, Inc.
Ronald Petracca, Office of General Counsel, ED.



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF BILINGUAL EDUCATION AND
MINORITY LANGUAGES AFFAIRS

Exhibit 3

March 30, 2000

Re: Systemwide Grant # T291R990026

Dr. Rosita Apodaca
Deputy Superintendent
Teaching and Learning Division
Dallas Independent School District
3700 Ross Avenue
Dallas, Texas 75204-5491

Dear Dr. Apodaca:

On Monday, March 27, 2000, representatives of the Department of Education--: Buoy Te, Deputy Director, OBEMLA; John Ovard, Midwest Cluster Coordinator, OBEMLA; James Lockhart, Education Program Specialist, OBEMLA, and Ronald Petracca, Office of the General, met with Susan Tierno, CEO/ Executive Director and W. Jay DeVecchio, Attorney, of the National Children's Educational Reform Foundation (Foundation) to discuss the above referenced Title VII grant. This grant, which has been awarded to the Dallas Independent School District (DISD), involves the Foundation as a partner. The grant provides a total budget of \$2,500,000 over a five-year period.

Since the invited representatives of the Dallas Independent School District (DISD) did not attend the meeting, Dr. Ovard, Mr. Lockhart, and Mr. Petracca held a telephone conference call with Rosita Apodaca, DISD's Deputy Superintendent, and Emily Den, Special Assistant to DISD's General Superintendent, later that same day. The purpose of this letter is to summarize the points made by the representatives of the Department of Education during the meeting and subsequent telephone conference call, and the steps that must be taken if funding of the above-referenced grant is to continue.

Representatives from the Department of Education explained that the above-referenced project was selected for funding through a competitive review process. The Department, to protect the integrity of that process, must ensure that applications selected for funding carry out the project that were reviewed in that competition. Although applicants selected for funding have some flexibility to modify the way in which they implement their projects, they cannot change the basic scope and purpose of those projects. In this instance, the Foundation, because of the extent

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Our mission is to ensure equal access to education and to promote educational excellence throughout the Nation.

Attachment B

of its involvement and the critical role described for it in the application submitted by DISD, cannot be removed as a participant in this project without altering its basic scope and purpose.

At this point, DISD has informed the Department that it has concerns about the role the Foundation is going to play in the implementation of this Title VII Systemwide grant. Thus far, these concerns have prevented any substantial activity to implement the grant, which was awarded last Spring (1999) and was to commence implementation at the beginning of the current (1999-2000) school year. Moreover, DISD and the Foundation have not, to date, established a basis for a mutual agreement to resolve these concerns.

The Department of Education representative indicated at the meeting and during the telephone conference call that they will allow DISD and the foundation to make one final effort to determine whether they can agree upon an appropriate means to implement this project. In making that effort, the following course of action will be followed:

1. The Foundation will submit a set of proposed modifications to the budget(s) for the consideration of the Dallas school Officials. (ATTACHED)
2. The Dallas ISD officials and the Foundation must reach an agreement on one of the proposed modifications (or a mutually agreed-upon alternative) by April 10, 2000.
3. OBEMLA must receive notice of this agreement and its substance by April 10, 2000.
4. The Office of Bilingual Education and Minority Languages Affairs will provide monitoring and technical assistance to the Dallas ISD pursuant to the implementation of the grant, and the achievement of substantial progress.

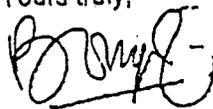
The Department will have final authority to approve any modifications to this project that the parties agree upon. In making that determination, the Department will be required to ascertain that the proposed modifications do not alter the basic purpose and scope of the approved application. As noted above, that means, among other things, that the Foundation must continue to have a role in the implementation of this project.

All parties to the grant are requested to review this letter and to submit written confirmation, on or before the deadline date of April 10, 2000, of their intention to comply with the above listed provisions. If by this date, DISD and the Foundation have not informed the Department of the specific agreement they have reached to implement the project, the Department will have no choice but to take the necessary steps to end the funding of this grant.

Attachment B

Thank you for your willingness to seek to achieve a viable resolution of this matter. We sincerely hope that your agreement will serve the best educational interest of the children of the Dallas Independent School District.

Yours truly,



Bouy Te.
Deputy Director

CC: Arthur M. Love, Acting Director
John Ovard, Midwest Cluster Coordinator
Jim Lockhart, Education Program Specialist
Ron Petracca, Counsel

Attachment B**Foundation
Option A**

The Foundation is willing to offer the following option as it pertains to the rights of our budget over the course of the five years. A total of about 4.285% budget reduction of \$63,500.00 will take place in Years 4 and 5. The resulting overall budget cut will be \$1,493,650.00

Years 1,2,3:

1. Years 1,2,3 will remain the same for the contractual budget. The program design will remain in tact from First grade through 6th grade.
2. The Leadership/model school will be scaled back to 3 elementary school sites per year thus allowing plenty of service time and hours for the complete model to be implemented into the schools.
3. The materials will be tailored and selected for the Leadership sites/model schools and their pilot classrooms.
4. All of the programs of each component will be integrated on a smaller scale.
5. The Technical Assistance will be implemented.
6. The Foundation will handle all of the Evaluation and work together with the schools and evaluation Department to complete the necessary steps in Evaluation.

Years 4 and 5:

1. The Foundation will service only 2 Middle School sites in Year 4. In Year 5, the Foundation will service 2 High Schools.
2. The Foundation will complete all Evaluation reporting for the purposes of DOE.
3. The Contractual Services Budget will remain the same.
4. The Foundation will scale back its monthly Technical Assistance days as efforts to build the trainers to perform the TA will have been done in Years 1,2,3.
5. The materials reduction, will demonstrate a reduction of about 4.28% and will be the only cost factor cuts in Years 4 and 5.
 - Materials Year 4 will be cut to \$63,250.00
 - Materials Year 5 will be cut to \$63,250.00

Attachment B

Foundation Option B

The Foundation is willing to offer the following option as it pertains to the rights of our budget over the course of the five years. A total of 5.12% budget reduction of \$77,000.00 will take place in Years 4 and 5 resulting in a total budget for the Foundation over the course of the 5 years of \$1,492,300.00.

Years 1,2,3:

1. Years 1,2,3 will remain the same for the contractual budget. The program design will remain intact from First grade through 6th grade.
2. The Leadership/model school will be scaled back to 3 elementary school sites per year thus allowing plenty of service time and hours for the complete model to be implemented into the schools.
3. The materials will be tailored and selected for the Leadership sites/model schools and their pilot classrooms.
4. All of the programs of each component will be integrated on a smaller scale.
5. The Technical Assistance will be implemented.
6. The Foundation will handle all of the Evaluation and work together with the schools and evaluation Department to complete the necessary steps in Evaluation.

Years 4 and 5:

1. The Foundation will service only 1 Middle School sites in Year 4. In Year 5, the Foundation will service 1 High School.
2. The Foundation will complete all Evaluation documentation for reporting purposes.
3. The Contractual Services Budget will remain the same.
4. The Foundation will scale back its monthly Technical Assistance days since efforts to build capacity with the trainers will have been done in Years 1,2,3.
5. The materials reduction will demonstrate a reduction of 5.12% and will be the only cost factor cuts in Years 4 and 5:
 - a. Materials Year 4 will be cut to \$38,500.00
 - b. Materials Year 5 will be cut to \$38,500.00

Foundation Partnership Option C

The Foundation Partnership is willing to offer the following option as it pertains to the rights of our budget over the course of the five years. A total of 5.6% or about \$84,500.00, or \$16,900.00 a year will take place in Years 1,2,3, 4 and 5 resulting in a total budget for the Foundation over the course of the 5 years of \$1,415,000.00.

Years 1,2,3,4,5:

1. Years 1,2,3, 4,5 will remain the same for the contractual budget. The program design will remain intact from First grade through 6th grade.
2. The Leadership/model school will be scaled back to 3 elementary school sites per year thus allowing plenty of service time and hours for the complete model to be implemented into the schools.
3. The materials will be tailored and selected for the Leadership sites/model schools and their pilot classrooms.
4. All of the programs of each component will be integrated on a smaller scale.
5. The Technical Assistance will be implemented.
6. The Foundation will handle all of the Evaluation and work together with the schools and evaluation Department to complete the necessary steps for evaluation reports for the DOE/OBEMLA Evaluation.
7. Year 4 and 5 will service 2 sites a year only.

Materials cuts:

Materials will be tailored and cut to a pricing of \$78,100.00 a year for sites includes shipping and handling charges of \$7,100.00.



Dallas Independent School District

DISD
Audit Response

APPENDIX

Title VII –Bilingual Education Systemwide Grant
#T291R9990026

TITLE VII

YEAR

1999 - 2000

TITLE VII, BILINGUAL EDUCATION SYSTEMWIDE GRANT # T291R9990026				
1999-2000				
CONTRACTUAL OBLIGATION Source: Contract 05/15/2000 and 12/08/2000		ACCOMPLISHMENTS	SUPPORTING DOCUMENTATION	
TEACHER TRAINING - 5 days of Academy training for 30 teachers		Materials indicate that planning took place.	Papers, flyers, etc.	
PARENT TRAINING - 4 days of training for parents		Materials indicate that planning took place.	Papers, flyers, etc.	
STUDENTS CAMPS - Organization, planning, selection and materials for Think-campreneur.		Materials indicate that planning took place.	Papers, flyers, etc.	
MODEL CLASSROOM PILOT TEACHERS - -0- as per 5/15/00 memo		-0-	-0-	
FINANCIAL				
NCERF Contract	Supplies/Materials	Employee Payroll	Stipends - Teachers	Stipends - Parents
\$118,199.91 (Note 1)	NCERF: \$100,000 (Note 2)	\$5,470.85 (Note 3)	\$0.00	\$0.00
AWARD NOTIFICATION			\$522,066.00	
ROLL FORWARD			\$0.00	
AMOUNT TO BE SPENT			\$522,066.00	
TOTAL SPENT			\$223,670.76	
DRAWN DOWN			\$224,339.76	
VARIANCE			(\$669.00)	
ROLL FORWARD (Amount to be Spent minus Amount Drawdowns)			\$297,726.24	

1999-2000 NOTES

NCERF CONTRACT: Note 1

These expenses are comprised of two invoices: One for \$68,399.91 for 27 days of Technical assistance and the second one for \$49,800.00 for Technical assistance, consultation and training for planning. The Auditors did not accept them because no services were done in the first year; but they were authorized by the Department of Education letter dated June 22, 2000 (3rd. to 5th paragraph), and they are expenses for planning activities and are allowable expenses by the Grant. Also see Note 1 and 2 for Year 2000-2001

These expenses have all the support documentation: P1-Cs, Purchase Order, Invoices and Receipts.

SUPPLIES AND MATERIALS: Note 2

One invoice # 220 from NCERF for \$100,000 for educational supplies and materials. OBEMLA approved the modifications to the application for this grant that are set out in the May 15, 2000 contract between DISD and the Foundation. The point 2a Scope of Services and Payment was approved for services and corresponding materials. Also see Notes 1 and 2 for Year 2000-2001

These expenses have all the support documentation: Purchase Order, Invoices and Receipts.

EMPLOYEE PAYROLL: Note 3

The amount of \$5,470.85 does not have support documentation.

INTERNAL WORKING SHEET - EXPENSES FOR YEAR 1999-2000

NCERF:

Invoice for 27 days Technical assistance	\$ 68,399.91	
Invoice for Technical assistance, consultation and training for planning.	\$ 49,800.00	Invoices, P1-Cs, Purchase orders, receipts
Invoice for materials.	\$ 100,000.00	
	<u>\$ 218,199.91</u>	

SALARIES (Amount from Auditors letters) \$ 5,470.85

TOTAL **\$ 223,670.76**

TITLE VII

YEAR

2000 - 2001

TITLE VII, BILINGUAL EDUCATION SYSTEMWIDE GRANT # T291R9990026						
2000-2001						
CONTRACTUAL OBLIGATION Source: Contract 05/15/2000 and 12/08/2000		ACCOMPLISHMENTS			SUPPORTING DOCUMENTATION	
TEACHER TRAINING - 5 days of Academy training for 30 teachers		13 days of Academy for 50 teachers. (Note 1)			Sign-in sheets and payroll suppl. sheets.	
PARENT TRAINING - 4 days of training for 100 parents		12 days of training for 148 parents. (Note 2)			Sign-in sheets, invoices and receipts.	
STUDENTS CAMPS - 5 days student Camp.		5 days of camp for 82 students.			Sign-in sheets, invoices and receipts.	
MODEL CLASSROOM PILOT TEACHERS - 5		7			Model Classrooms were identified by principals, teachers and verified by Dalia Gonzales, the project facilitator.	
FINANCIAL						
NCERF Contract	Supplies/Materials	Employee Payroll	Stipends - Teachers	Stipends - Parents	Other Contractual Services	Other Operating
\$286,801 (Note 3)	NCERF: \$127,324.63 Others: \$55,307.76 (Note 4)	\$81,080.04 (Note 5)	\$133,300.10 (Note 6)	\$22,079.06 (Note 7)	\$14,223.50	\$18,130.24 (Note 8)
AWARD NOTIFICATION					\$523,523.00	
ROLL FORWARD					\$297,726.24	
AMOUNT TO BE SPENT					\$821,249.24	
TOTAL SPENT					(Note 9) \$738,246.33	
DRAWN DOWN					\$738,438.65	
VARIANCE					(\$192.32)	
ROLL FORWARD (Amount to be Spent minus Amount Drawdowns)					\$82,810.59	

2000-2001 NOTES

ACCOMPLISHMENTS FOR TEACHER TRAINING: Note 1

Contractual Obligation specified 5 days of Academy Training for 30 teachers. We provided 13 days of Academy training for 50 teachers. We think we have covered the Contractual Obligation for both years: 1999-2000 and 2000-2001.

ACCOMPLISHMENT FOR PARENT TRAINING: Note 2

Contractual Obligation specified 4 days of Training for parents. We provided 12 days of training for 148 parents. We think we have covered the Contractual Obligation for both years: 1999-2000 and 2000-2001.

NCERF CONTRACT: Note 3

Questioned Costs:

The Auditors Questioned Costs in the amount of \$81,801 because it exceeded the contracted amount of \$205,000 with NCERF.

This amount is comprised of two invoices with NCERF: One for \$41,601.00 for additional parent training and the other invoice for \$40,200 for technical assistance for consultation and 8 days of staff training. Dallas ISD hired special consultants for additional training and technical support to foster deeper understanding of the new approach. Please note that in the support documentation we provided to the auditors, we included the Service Contract Form P1-Cs signed between the Foundation and DISD for these additional amounts, Purchase Orders, Invoices and Receipts.

SUPPLIES/MATERIALS: Note 4

Questioned Costs:

The Auditors Questioned Costs in the amount of \$35,723.19 because it exceeded the contracted amount of \$95,000 for materials with NCERF.

This amount is comprised of three invoices with NCERF: \$16,912.50, \$5,412.13, and \$10,000; and one invoice for \$3,398.50 from Success for All Foundation Inc. These invoices were for Educational materials, English reading materials, Math parents packs, and Spanish reading materials. We have all the support documentation.

OBEMLA approved the modifications to the Grant. The contract between DISD and the Foundation signed in May 15, 2000 says in the Point 4- Professional Programs, Materials and Services:

"..... and any program materials, seminars, academies or other materials conforming to the type and quality of such Program Services used in the Foundation's performance of services are hereby deemed approved for two Demonstrations Sites, with the exception that to the extent program materials include t-shirts, mug, pens, pencils and other office supplies, English and Spanish language written materials with educational value, including dictionaries where necessary, shall be provided instead."

We think these expenses were approved.

EMPLOYEE PAYROLL: Note 5

Unsupported Costs:

The Auditors considered unsupported the amount of Payroll for \$126,442.87 for not having the semi-annual certification.

Expenses not considered by the Auditors:

In their analysis, the Auditors did not include \$22,642.93 for Substitutes and \$3,900 for Overtime. We are providing support documentation in the file.

STIPENDS - TEACHERS: Note 6

Expenses not considered by the Auditors:

In their analysis, the Auditors did not include the amount of \$40,161.00 for Stipends. We are providing support documentation in the file.

STIPENDS - PARENTS: Note 7

Questioned Costs:

The Auditors considered \$952.78 for Childcare services provided by parents as expenses not allowable for the Grant. We could explain to the Auditors that these parents are low income parents and they could not assist to the training if we did not provide childcare services for other parents. Additionally the 2000-2001 Budget approved by James Lockhart USDOE/OBEMLA considers parent stipends as a whole.

Also, the Auditors considered \$8,173.50 for Stipends for Parents working at Student Camp and during Training as expenses not allowable for the Grant. We could explain to the Auditors that these parents provided services caring the children at camp and helping during Parents training, and these services were essentials for the Program. Additionally the 2000-2001 Budget approved by James Lockhart USDOE/OBEMLA considers parent stipends as a whole.

The Grant Application - Section A - Point 10.c. of the Grant permits "Additional training stipends for administrators, teachers and parents related to Think-Campreneur (Students Camp), parent outreach and other project activities".

Expenses not considered by the Auditors:

In their analysis, the Auditors did not include \$ 9,278 for Stipends for parents who assisted to the trainings; \$240 for Stipends for Childcare services, and \$2,290.78 for Stipends for Parents working at Student Camp. We are providing the support documentation in the file.

OTHERS: MISCELLANEOUS : Note 8

Expenses not considered by the Auditors:

In their analysis, the Auditors did not include \$1,632.07 for miscellaneous expenses. We are providing support documentation in the file.

TOTAL AMOUNT SPENT: Note 9

The difference of \$80,144.72 between \$738,246.33 and the total amount considered by the Auditors as "Total Expended per Receipts of \$658,101.61" is explained in Notes 5 thru 8 under "Expenses not considered by the Auditors".

INTERNAL WORKING SHEET - EXPENSES 2000-2001

	Considered by Auditors				Not Considered by Auditors	TOTAL EXPENSES 2000-2001
	Questioned Costs	Supported Costs	Unsupported			
			Costs	Total		
PAYROLL						
<u>Stipends: Teachers (Note 6)</u>	\$ -	\$ 19,733.34	\$ 73,405.76	\$ 93,139.10	\$ 40,161.00	\$ 133,300.10
<u>Salaries Support Personnel: Cyntia Garcia (Note 5)</u>	\$ -	\$ -	\$ 21,574.19	\$ 21,574.19	\$ -	\$ 21,574.19
<u>Substitutes (Note 5)</u>	\$ -	\$ -	\$ -	\$ -	\$ 22,642.93	\$ 22,642.93
<u>Overtime (Note 5)</u>	\$ -	\$ 1,500.00	\$ 25,068.00	\$ 26,568.00	\$ 3,900.00	\$ 30,468.00
<u>Benefits: for Stipends, Salaries, Substitute and Overtime (Note 5)</u>	\$ -	\$ -	\$ 6,394.92	\$ 6,394.92	\$ -	\$ 6,394.92
	\$ -	\$ 21,233.34	\$ 126,442.87	\$ 147,676.21	\$ 66,703.93	\$ 214,380.14
CONTRACTUAL NCERF						
<u>Invoices NCRF</u>						
Invoice 245 dated 11/10/2000 (Note 3)	\$ 41,601.00	\$ -	\$ -	\$ 41,601.00	\$ -	\$ 41,601.00
Invoice 269 dated 12/11/2000	\$ -	\$ 174,250.00	\$ -	\$ 174,250.00	\$ -	\$ 174,250.00
Invoice 281 dated 3/30/2001	\$ -	\$ 25,000.00	\$ -	\$ 25,000.00	\$ -	\$ 25,000.00
Invoice # 289 dated 6/13/2001	\$ -	\$ 5,750.00	\$ -	\$ 5,750.00	\$ -	\$ 5,750.00
Invoice # 258 dated 09/18/2000 (Note 3)	\$ 40,200.00	\$ -	\$ -	\$ 40,200.00	\$ -	\$ 40,200.00
<u>Rental Equipment, Buses and facilities</u>	\$ -	\$ 14,223.50	\$ -	\$ 14,223.50	\$ -	\$ 14,223.50
	\$ 81,801.00	\$ 219,223.50	\$ -	\$ 301,024.50	\$ -	\$ 301,024.50
SUPPLIES AND MATERIALS						
<u>NCERF:</u>						
Invoice # 285 dated 09/07/2002	\$ -	\$ 95,000.00	\$ -	\$ 95,000.00	\$ -	\$ 95,000.00
Invoice # 283 dated 4/27/2001 (Note 4)	\$ 16,912.50	\$ -	\$ -	\$ 16,912.50	\$ -	\$ 16,912.50
Invoice # 235 dated 10/25/2000 (Note 4)	\$ 5,412.13	\$ -	\$ -	\$ 5,412.13	\$ -	\$ 5,412.13
Invoice # 278 dated 3/4/2001 (Note 4)	\$ 10,000.00	\$ -	\$ -	\$ 10,000.00	\$ -	\$ 10,000.00
<u>Invoice from Success for All Foundation Inc. (Note 4)</u>	\$ 3,398.50	\$ -	\$ -	\$ 3,398.50	\$ -	\$ 3,398.50
<u>Supplies including Procurement Card expenses</u>	\$ -	\$ 51,909.26	\$ -	\$ 51,909.26	\$ -	\$ 51,909.26
	\$ 35,723.13	\$ 146,909.26	\$ -	\$ 182,632.39	\$ -	\$ 182,632.39
OTHER OPERATING EXPENSES						
<u>Stipends for parents-Training (Note 7)</u>	\$ -	\$ -	\$ -	\$ -	\$ 9,278.00	\$ 9,278.00
<u>Stipends for parents for Childcare Services . (Note 7)</u>	\$ 952.78	\$ -	\$ 1,144.00	\$ 2,096.78	\$ 240.00	\$ 2,336.78
<u>Stipends for parents working at camp. (Note 7)</u>	\$ 8,173.50	\$ -	\$ -	\$ 8,173.50	\$ 2,290.78	\$ 10,464.28
<u>Miscellaneous. (Note 8)</u>	\$ 3,322.00	\$ 12,408.17	\$ 768.00	\$ 16,498.17	\$ 1,632.07	\$ 18,130.24
	\$ 12,448.28	\$ 12,408.17	\$ 1,912.00	\$ 26,768.45	\$ 13,440.85	\$ 40,209.30
	\$ 129,972.41	\$ 399,774.27	\$ 128,354.87	\$ 658,101.55	\$ 80,144.78	\$ 738,246.33

TITLE VII

YEAR

2001 - 2002

TITLE VII, BILINGUAL EDUCATION SYSTEMWIDE GRANT # T291R9990026						
2001-2002						
CONTRACTUAL OBLIGATION Source: Grant Application and Contract 12/08/2000		ACCOMPLISHMENTS			SUPPORTING DOCUMENTATION	
TEACHER TRAINING - Training for 60 teachers		13 days of Training for 54 teachers.			Payroll Supplemental Forms, sign-in sheets.	
PARENT TRAINING - Training for 100 parents		5 days of training for 106 parents.			Invoices, receipts, checks requisitions, sign-in sheets.	
STUDENTS CAMPS - Student Camp.		5 days of camp for 90 students.			Invoices, receipts, checks requisitions, sign-in sheets.	
MODEL CLASSROOM PILOT TEACHERS - 5		7			Model Classrooms were identified by principals, teachers and verified by Dalia Gonzales, the project facilitator.	
FINANCIAL						
NCERF Contract	Supplies/Materials	Employee Payroll	Stipends - Teachers	Stipends - Parents	Other Contractual services	Other Operating
\$218,500 (Note 1)	NCERF: \$95,000 Others: \$20,527.83 (Note 2)	\$83,912.63 (Note 3)	\$93,590 (Note 4)	\$16,607.00 (Note 5)	\$17,727.95	\$1,921.49
AWARD NOTIFICATION					\$523,523.00	
ROLL FORWARD					\$82,810.59	
AMOUNT TO BE SPENT					\$606,333.59	
TOTAL SPENT					(Note 6) \$547,786.90	
DRAWN DOWN					\$547,786.90	
VARIANCE					\$0.00	
ROLL FORWARD (Amount to be Spent minus Amount Drawdowns)					\$58,546.69	

2001-2002 NOTES

NCERF CONTRACT: Note 1

Questioned Costs:

The Auditors considered Questioned Costs the amount of \$13,500 (three additional training days) for exceeding the contracted amount of \$205,000 with NCERF.

DISD considered these additional training days crucial to the basic understanding the proposed program. Page 46 of the original grant application, *Building Capacity for a Better Future* states that training for this program will “*focus on leadership, team-building, collaborative skills, brain-based learning, the how-to’s of becoming a Think-coach, workforce readiness skills and the process of facilitating more effective thinking and learning on the part of LEP children and youth. It will also train teachers in how to create integrated curricula, how to create interactive and adaptive learning environments (“model classrooms”) and now to work collaboratively with other teachers.*”

Based on the above-mentioned list of areas of pedagogy and processes to be understood and implemented by teachers, additional training was indeed needed.

SUPPLIES AND MATERIALS: Note 2

Expenses not considered by the Auditors:

In their analysis, the Auditors did not include the amount of \$6,300 for catering services for Students Camp. We are providing support documentation in the file.

EMPLOYEE PAYROLL: Note 3

Unsupported Costs:

The Auditors considered unsupported the amount of Payroll for \$ 110,006.07 for not having the semi-annual certification.

Expenses not considered by the Auditors:

In their analysis, the Auditors did not include \$906.56 for Supplemental payments for support personnel. We are providing support documentation in the file.

STIPENDS - TEACHERS: Note 4

Expenses not considered by the Auditors:

In their analysis, the Auditors did not include the amount of \$19,540 for Stipends for training. We are providing support documentation in the file.

STIPENDS - PARENTS: Note 5

Questioned Costs:

The Auditors considered \$1,530 for Childcare services provided by parents as expenses not allowable for the Grant. We could explain to the Auditors that these parents are low income parents and they could not assisted to the training if we did not provide childcare services by other parents.

The Grant Application - Section A - Point 10.c. of the Grant permits "Additional training stipends for administrators, teachers and parents related to Think-Campreneur (Students Camp), parent outreach and other project activities".

Expenses not considered by the Auditors:

In their analysis, the Auditors did not include \$ 6,592 for Stipends for parents who assisted to the trainings; \$1,460 for Stipends for Childcare services, and \$7,000 for Stipends for Parents working at Camp. These expenses are allowable by the Grant (See the Grant Application - Section A - Point 8.a. regarding Stipends for Parent Coach and Point 10. c. regarding Stipends for Parents related to Students Camp). We are providing support documentation in the file.

TOTAL AMOUNT SPENT: Note 6

The difference of \$41,798.56 between \$547,786.90 and the total amount considered by the Auditors as "Total Expended per Receipts of \$505,988.34" is explained in Notes 2 thru 5 under "Expenses not considered by the Auditors"

INTERNAL WORKING SHEET - ERENSES 2001-2002

	Considered by Auditors				Not Considered by Auditors	TOTAL ERENSES 2001-2002
	Questioned Costs	Supported Costs	Unsupported Costs	Total		
PAYROLL						
<u>Stipends: Teachers (Note 4)</u>	\$ -	\$ 46,050.00	\$ 28,000.00	\$ 74,050.00	\$ 19,540.00	\$ 93,590.00
<u>Salaries Professional :Dalia Gonzales (Note 3)</u>	\$ -	\$ -	\$ 45,829.42	\$ 45,829.42	\$ -	\$ 45,829.42
<u>Salaries Support Personnel: Gloria Rosas (Note 3)</u>	\$ -	\$ -	\$ 27,308.13	\$ 27,308.13	\$ -	\$ 27,308.13
<u>Substitutes</u>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Overtime and Supplemental payments for support (Note 3)</u>	\$ -	\$ 1,000.00	\$ 2,401.82	\$ 3,401.82	\$ 906.56	\$ 4,308.38
<u>Benefits: for Stipends, Salaries, Substitute and Overtime (Note 3)</u>	\$ -	\$ -	\$ 6,466.70	\$ 6,466.70	\$ -	\$ 6,466.70
	\$ -	\$ 47,050.00	\$ 110,006.07	\$ 157,056.07	\$ 20,446.56	\$ 177,502.63
CONTRACTUAL NCERF						
<u>Invoices NCRF</u>						
Invoice 284 dated 09/10/2001	\$ -	\$ 174,250.00	\$ -	\$ 174,250.00	\$ -	\$ 174,250.00
Invoice 301 dated 02/25/2002	\$ -	\$ 25,000.00	\$ -	\$ 25,000.00	\$ -	\$ 25,000.00
Invoice 307 dated 06/13/2002	\$ -	\$ 5,750.00	\$ -	\$ 5,750.00	\$ -	\$ 5,750.00
Invoice 296 dated 03/19/2002 - Three additional Coach Training days (Note 1)	\$ 13,500.00	\$ -	\$ -	\$ 13,500.00	\$ -	\$ 13,500.00
<u>Rental Equipment, Buses and facilities (look in analysis of Auditors)</u>	\$ -	\$ 17,727.95	\$ -	\$ 17,727.95	\$ -	\$ 17,727.95
	\$ 13,500.00	\$ 222,727.95	\$ -	\$ 236,227.95	\$ -	\$ 236,227.95
SUPPLIES AND MATERIALS						
<u>Invoices NCRF</u>						
Invoice 285 dated 09/07/2001 - Materials	\$ -	\$ 95,000.00	\$ -	\$ 95,000.00	\$ -	\$ 95,000.00
<u>Supplies including Procurement Card expenses (Note 2)</u>	\$ -	\$ 14,227.83	\$ -	\$ 14,227.83	\$ 6,300.00	\$ 20,527.83
	\$ -	\$ 109,227.83	\$ -	\$ 109,227.83	\$ 6,300.00	\$ 115,527.83
OTHER OPERATING ERENSES						
<u>Stipends for parents (Training) Note 4</u>	\$ 25.00	\$ -	\$ -	\$ 25.00	\$ 6,592.00	\$ 6,617.00
<u>Stipends for parents for Childcare Services . Note 4</u>	\$ 1,530.00	\$ -	\$ -	\$ 1,530.00	\$ 1,460.00	\$ 2,990.00
<u>Stipends for parents working at camp. Note 4</u>	\$ -	\$ -	\$ -	\$ -	\$ 7,000.00	\$ 7,000.00
<u>Miscellaneous.</u>	\$ 244.93	\$ 1,676.56	\$ -	\$ 1,921.49	\$ -	\$ 1,921.49
	\$ 1,799.93	\$ 1,676.56	\$ -	\$ 3,476.49	\$ 15,052.00	\$ 18,528.49
	\$ 15,299.93	\$ 380,682.34	\$ 110,006.07	\$ 505,988.34	\$ 41,798.56	\$ 547,786.90

TITLE VII

YEAR

2002 - 2003

TITLE VII, BILINGUAL EDUCATION SYSTEMWIDE GRANT # T291R9990026						
2002-2003						
CONTRACTUAL OBLIGATION Source: Grant Application and Contract 12/08/2000		ACCOMPLISHMENTS			SUPPORTING DOCUMENTATION	
TEACHER TRAINING - Training for 60 teachers		11 days of training for 43 teachers.			Payroll Supplemental Forms, sign-in sheets.	
PARENT TRAINING - Training for 100 parents		5 days of training for 87 parents.			Invoices, receipts, checks requisitions, sign-in sheets.	
STUDENTS CAMPS - Student Camp		5 days of camp for 55 students.			Invoices, receipts, checks requisitions, sign-in sheets.	
MODEL CLASSROOM PILOT TEACHERS - 5		12 (5 new added to the 7 for a total of 12)			Model Classrooms were identified by principals, teachers and verified by Dalia Gonzales, the project facilitator.	
FINANCIAL						
NCERF Contract	Supplies/Materials	Employee Payroll	Stipends - Teachers	Stipends - Parents	Other Contractual Services	Other Operating
\$205,000.00	NCERF: \$95,000 Others: \$19,171.14 (Note 1)	\$110,304.23 (Note 2)	\$85,650 (Note 3)	\$10,392.40 (Note 4)	\$839.50	\$1,878.00 (Note 5)
AWARD NOTIFICATION					\$523,523.00	
ROLL FORWARD					\$58,546.69	
AMOUNT TO BE SPENT					\$582,069.69	
TOTAL SPENT					(Note 6) \$528,235.27	
DRAWN DOWN					\$582,069.69	
VARIANCE					(\$53,834.42)	
ROLL FORWARD (Amount to be Spent minus Amount Drawdowns)					\$0.00	

2002-2003 NOTES

SUPPLIES AND MATERIALS: Note 1

Expenses not considered by the Auditors:

In their analysis, the Auditors did not include the amount of \$508.30 for Procurement Card. We are providing support documentation in the file.

EMPLOYEE PAYROLL: Note 2

Unsupported Costs:

The Auditors considered unsupported the amount of Payroll for \$56,727.17 for not having the semi-annual certification.

Expenses not considered by the Auditors:

In their analysis, the Auditors did not include the amount of salaries of \$26,779.98 (Professional Employees), \$22,119.48 (Support Personnel) and \$5,139.33 for Benefits. We are providing support documentation in the file.

STIPENDS - TEACHERS: Note 3

Expenses not considered by the Auditors:

In their analysis, the Auditors did not include the amount of \$30,860 for Stipends for training. We are providing support documentation in the file.

STIPENDS - PARENTS: Note 4

Questioned Costs:

The Auditors considered \$1,526.40 for Childcare services provided by parents as unallowable expenses for the Grant. We could explain that these parents are low income parents and they could not attend training if we did not provide childcare services by other parents.

Additionally, the Grant Application - Section A - Point 10.c. of the Grant permits "Additional training stipends for administrators, teachers and parents related to Think-Campreneur (Students Camp), parent outreach and other project activities".

Expenses not considered by the Auditors:

In their analysis, the Auditors did not include \$4,900 for Stipends for parents who attended trainings; and \$1,900 for Stipends for Parents working at Camp (Coach Parents). These expenses are allowable by the Grant. We are providing support documentation in the file.

OTHER OPERATING: Note 5

Expenses not considered by the Auditors:

In their analysis, the Auditors did not include \$1,077.04 for miscellaneous expenses. We are providing support documentation in the file.

TOTAL AMOUNT SPENT: Note 6

The difference of \$93,284.09 between \$528,235.27 and the total amount considered by the Auditors as "Total Expended per Receipts of \$434,951.18" is explained in Notes 1 thru 5 under "Expenses not considered by the Auditors"

INTERNAL WORKING SHEET - EXPENSES 2002-2003						
	Considered by Auditors				Not Considered by Auditors	TOTAL EXPENSES 2002-2003
	Questioned Costs	Supported Costs	Unsupported Costs	Total		
PAYROLL						
<u>Stipends: Teachers (Note 3)</u>	\$ -	\$ 52,540.00	\$ 2,250.00	\$ 54,790.00	\$ 30,860.00	\$ 85,650.00
<u>Salaries: Dalia Gonzales from September 2002 thru February 2003. (Note 2)</u>	\$ -	\$ -	\$ 25,845.18	\$ 25,845.18	\$ 26,779.98	\$ 52,625.16
<u>Salaries: Gloria Rosas from September 2002 thru February 2003. (Note 2)</u>	\$ -	\$ -	\$ 22,132.64	\$ 22,132.64	\$ 22,119.48	\$ 44,252.12
<u>Substitutes</u>	\$ -	\$ 985.00	\$ 90.00	\$ 1,075.00	\$ -	\$ 1,075.00
<u>Overtime</u>	\$ -	\$ 803.27	\$ 75.22	\$ 878.49	\$ -	\$ 878.49
<u>Benefits: for Stipends, Salaries, Substitute and Overtime (Note 2)</u>	\$ -	\$ -	\$ 6,334.13	\$ 6,334.13	\$ 5,139.33	\$ 11,473.46
	\$ -	\$ 54,328.27	\$ 56,727.17	\$ 111,055.44	\$ 84,898.79	\$ 195,954.23
CONTRACTUAL NCERF						
<u>Invoices NCRF</u>						
Invoice 318 dated 09/06/2002	\$ -	\$ 174,250.00	\$ -	\$ 174,250.00	\$ -	\$ 174,250.00
Invoice 325 dated 03/04/2003	\$ -	\$ 25,000.00	\$ -	\$ 25,000.00	\$ -	\$ 25,000.00
Invoice 332 dated 07/01/2003	\$ -	\$ 5,750.00	\$ -	\$ 5,750.00	\$ -	\$ 5,750.00
<u>Rental Buses (invoices in Auditors file)</u>	\$ -	\$ 839.50	\$ -	\$ 839.50	\$ -	\$ 839.50
	\$ -	\$ 205,839.50	\$ -	\$ 205,839.50	\$ -	\$ 205,839.50
SUPPLIES AND MATERIALS						
<u>Invoice NCERF # 285 dated 09/07/2002 - Materials</u>	\$ -	\$ 95,000.00	\$ -	\$ 95,000.00	\$ -	\$ 95,000.00
<u>Supplies (invoices in Auditors file)</u>	\$ -	\$ 314.84	\$ -	\$ 314.84	\$ -	\$ 314.84
<u>Procurement Card (Supplies, foods, miscellaneous) (Note 1)</u>	\$ -	\$ 18,348.00	\$ -	\$ 18,348.00	\$ 508.30	\$ 18,856.30
	\$ -	\$ 113,662.84	\$ -	\$ 113,662.84	\$ 508.30	\$ 114,171.14
OTHER OPERATING EXPENSES						
<u>Stipends for parents (Note 4): Amount not considered by Auditors, have support documentation: 1,900 for parents coach in students camp and 4,900 for parent training.)</u>	\$ -	\$ -	\$ -	\$ -	\$ 6,800.00	\$ 6,800.00
<u>Stipends for parents for Childcare Services (Note 4): \$2,066 Supportable costs, \$1,352 Unsupportable Costs and \$174.40 ? Unsupportable Costs)</u>	\$ 1,526.40	\$ 2,066.00	\$ -	\$ 3,592.40	\$ -	\$ 3,592.40
<u>Miscellaneous (Note 5)</u>	\$ -	\$ 801.00	\$ -	\$ 801.00	\$ 1,077.00	\$ 1,878.00
	\$ 1,526.40	\$ 2,867.00	\$ -	\$ 4,393.40	\$ 7,877.00	\$ 12,270.40
	\$ 1,526.40	\$ 376,697.61	\$ 56,727.17	\$ 434,951.18	\$ 93,284.09	\$ 528,235.27

Attachment B

**BILINGUAL EDUCATION-SYSTEMWIDE IMPROVEMENT GRANT
SCHEDULE OF QUESTIONED COSTS
SEPTEMBER 1, 1999, THROUGH AUGUST 31, 2003**

ATTACHMENT

Unidentified Grant Charges:

Point 6-- \$216,165.15

DO NOT CONCUR.

Attached please find a spreadsheet with a group of expenses not considered by the Auditors in their Analysis for the years 2000-2001, 2001-2002 and 2002-2003 for a total amount of \$ 215,227.43.

We are including the support documents in the corresponding file.

UNSUPPORTED COSTS - UNIDENTIFIED GRANT CHARGES - ATTACHMENT POINT 6

DESCRIPTION	2000-2001	2001-2002	2002-2003	TOTAL EXPENSES NOT CONSIDERED BY THE AUDITORS
PAYROLL				
Stipends Teachers	\$ 40,161.00	\$ 19,540.00	\$ 30,860.00	\$ 90,561.00
Salaries Professional	\$ -	\$ -	\$ 26,779.98	\$ 26,779.98
Salaries Support Personnel	\$ -	\$ -	\$ 22,119.48	\$ 22,119.48
Substitutes	\$ 22,642.93	\$ -	\$ -	\$ 22,642.93
Overtime and Supplemental payments for support	\$ 3,900.00	\$ 906.56	\$ -	\$ 4,806.56
Benefits: for Stipends, Salaries, Substitute and Overtime	\$ -	\$ -	\$ 5,139.33	\$ 5,139.33
	\$ 66,703.93	\$ 20,446.56	\$ 84,898.79	\$ 172,049.28
SUPPLIES AND MATERIALS				
Procurement Card expenses and Catering	\$ -	\$ 6,300.00	\$ 508.30	\$ 6,808.30
	\$ -	\$ 6,300.00	\$ 508.30	\$ 6,808.30
OTHER OPERATING EXPENSES				
Stipends for parents - Training	\$ 9,278.00	\$ 6,592.00	\$ 4,900.00	\$ 20,770.00
Stipends for parents - Childcare Services	\$ 240.00	\$ 1,460.00	\$ -	\$ 1,700.00
Stipends for parents - Working at camp	\$ 2,290.78	\$ 7,000.00	\$ 1,900.00	\$ 11,190.78
Miscellaneous.	\$ 1,632.07	\$ -	\$ 1,077.00	\$ 2,709.07
	\$ 13,440.85	\$ 15,052.00	\$ 7,877.00	\$ 36,369.85
TOTAL:	\$ 80,144.78	\$ 41,798.56	\$ 93,284.09	\$ 215,227.43