

**WORKING TOGETHER TO
IMPROVE HOW GOVERNMENT
WORKS—
A SHARED MISSION**

Brustein & Manasevit Fall Forum
December 5, 2014

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Regional Inspector General, Region IV
Office of Inspector General
U.S. Department of Education

Agenda

**ED OIG Audit Work
ED OIG Investigations
AGA OMB Intergovernmental
Partnership**

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ED OIG Audit Work

***“Maximizing the effectiveness of
Education programs to better
educate our students.”***

ED OIG State and Local theme for our work 1993-
present

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ED OIG Audit Work

Statewide Assessments Charter Schools Adult Education Work for 2015

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Statewide Assessments

We initiated this work in response to the Issues Identified in the Atlanta Public Schools

- El Paso Independent School District
 - Prevented Students from taking tests by changing student records and reclassifying grade levels.
 - Violated ESEA by allowing students to graduate without taking required tests.
- Michigan Department of Education & Detroit
 - Needed improved controls to ensure accurate and reliable test results.
 - Detroit did not secure testing materials.
- Texas Education Agency & La Joya
 - Needed improved controls to ensure accurate and reliable test results.
 - La Joya did not properly administer statewide tests.

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Statewide Assessments

Summary Report Issued last March covering our review of internal controls at the Department and in 5 states.

- We recommended that the Department-
 - Require SEAs to provide an explanation for data that was flagged.
 - Resume on-site reviews of test administration procedures,
 - Ensure evaluation of SEAs' systems of internal control over statewide test results during standards and assessment peer reviews.
- We recommended that the SEAs-
 - Incorporate forensic analyses in risk assessments,
 - Strengthen monitoring of LEAs' and schools' administration of tests,
 - Improve follow-up and resolution of test administration, and
 - Strengthen LEA/school test security environments and test administration practices.

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Charter Schools

- ED's Charter School Grant Program
 - Lack of oversight and monitoring at the Federal and SEA levels.
- Charter Management Organizations (Draft in Review)
 - Nationwide: Visited 33 charter schools in New York, Pennsylvania, Florida, Michigan, California, and Texas.
- Online Charter Schools (Ongoing)
 - Work in Idaho
 - Finding lack of oversight and monitoring to ensure Title I and IDEA services are provided.
 - Student level data access issues.
- Closed Charter Schools (Just getting re-started)

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Upcoming Audits

- Review of School-wide Plans
 - Review SEA and LEA use of school-wide funds to achieve improvement in student education.
 - Identify opportunities and barriers to the consolidation of federal, state, and local funds in order to improve services for low-achieving students.
- Student Longitudinal Data Systems
 - Will examine whether States have developed and implemented adequate internal controls to protect the data that they collect, analyze, and report in their SLDS.
- Department Monitoring Capacity
 - Will focus on how the Department is allocating its monitoring resources and coordinating across programs.
- School Turnaround Contractors
 - Under School Improvement Grants (SIG), contractors may assume many of the functions in a school.
 - Will focus on SEA and LEA oversight of contractors.

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ED OIG Investigative

Recent cases

"There is no kind of dishonesty into which otherwise good people more easily and more frequently fall than that of defrauding the government."

Ben Franklin

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School Improvement Grants (SIG)

- Our ARRA Audit of Alabama identified a conflict of interest in awarding grants.
 - The AL Department of Education Director of Federal Programs manipulated the award process to award grants to LEAs using her husbands company.
 - Testimony from Region IV audit staff assisted in the conviction of both husband and wife.
 - Currently, awaiting sentencing hearing.

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Supplemental Educational Services

- Our work found Fraud in the Title I-funded SES tutoring programs including (October 2013):
 - Falsification of billing and attendance records,
 - Corruption by public officials,
 - Conflicts of Interest related to recruitment and employment, and
 - Improper use of financial incentives to enroll students.
- <http://www2.ed.gov/about/offices/list/oig/auditreports/fy2013/x42n0001.pdf>
- OESE issued a "Dear Colleague" Letter to SEA officials and Title I directors (March 10, 2014) recommending steps to:
 - Facilitate Fraud Reporting—including supporting Whistle Blowers
 - Minimize Conflicts of Interest
 - Define Limitations on Incentives
 - Include Certifications in Contracts
 - Extend Records Retention Periods
- <http://www2.ed.gov/policy/elsec/guid/stateletters/ses/sesoigltr03102014.pdf>

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Recent Cases: Fraud in El Paso, Texas

Texas Associate Superintendent of El Paso School District – Accepted bribes from contractor in exchange for support on a contract.

Texas Superintendent of El Paso School District – Altered student records to manipulate Annual Yearly Progress testing data and awarded bid to company owned by his mistress.

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Recent Cases: Bribery/Kickbacks

- Texas Mayor and School District Officials – Obtained bribes and kickbacks from several service providers, including a construction company, an architectural firm, an electrical supply company, and an attorney.
- Virgin Islands Senator and Staff Member – Bribed public officials, received bribes from construction project developers, and fraudulently increased staff member salaries for personal use.
- New York For-Profit Owner – Obtained kickbacks through participation in fraud schemes that resulted in inflated program costs and used funds for personal benefit.

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Recent Cases: False Claims/Other

- Texas School District Security Manager – Embezzled over \$2.5 million by filing false invoices over a 5-year period.
- Wisconsin School District Employee – Created bogus purchase orders to use school district funds for vacations and household items over a 13-year period.
- Florida Non-Profit Executive Director – Improperly used in excess of \$900,000 intended for independent living centers to fund an extravagant lifestyle.
- Detroit Public Schools Employee – Obtained education funds through a fraudulent scheme in which orders were placed with a sham company for books and educational materials that were never provided.

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Recent Cases: Charter Schools and SES

Charter Schools

DC Public Charter School Executive Director – Embezzled program funds through a fraud scheme involving multiple bank accounts and used a government purchase card to make unauthorized gift card purchases.

SES

New York SES Providers (2) – Falsified student attendance records and submitted claims for reimbursement for tutoring services that they did not provide.

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Recent Cases: Fraudulent Documentation or Data

New York University Employee – Presented and attempted to have processed fraudulent Grant Award Notifications.

Louisiana Public School System Employees – Submitted fraudulent documents to receive supplemental pay and stipends for services they were not qualified to perform.

Arizona Charter School Information Technology Official – Entered fictitious and former student names into attendance system for the schools to receive Federal and State dollars to which they were not entitled.

Connecticut State Department of Education – Received Migratory Education Program funds by misrepresenting the number of children eligible to participate in the program.

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Recent Cases: Using Public funds for Personal Use

Maryland County Public Schools Title I Coordinator – Used Title I grant funds to purchase technology items for herself, family, and friends.

Pennsylvania Charter School Chairman and CEO – Diverted school funds to other projects to enrich themselves and advance personal business ventures.

Michigan Associate Superintendent of Pontiac Public Schools – Directed employee to write check to a business the associate superintendent owned.

Michigan Public Schools Accountant and Teacher - Contract accountant and daughter, a teacher, obtained school district funds through a sham company they controlled, placing orders for books and educational materials that were never provided.

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Recent Cases: Kickbacks

California Superintendent of School District – Superintendent received kickbacks for hiring an entity controlled by an associate dean and a professor.

American Samoa Department of Education Officials – Ordered bus parts that were never received and purchased parts at inflated prices in exchange for kickbacks from the vendor.

Oklahoma Superintendent of Skiatook Public School System – Paid inflated prices for supplies and services in exchange for kickbacks from vendor.

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"I see no more than you, but I have trained myself to notice what I see."
Sherlock Holmes in "The Adventure of the Blanched Soldier," written in 1926 by Arthur Conan Doyle.

Creating the Future

AGA OMB Intergovernmental Partnership

"AGA established the Partnership for Intergovernmental Management and Accountability (Intergovernmental Partnership) to open the lines of communication among all levels of government with the goal of improving performance and accountability...the Intergovernmental Partnership is dedicated to identifying and solving some of the most vexing management and accountability issues facing government today."

Association of Government Accountants

Rich Rasa, our Director of State and Local Advice and Assistance Group is on the AGA OMB Intergovernmental Partnership Steering Committee --- A Shared Mission

Intergovernmental Partnership Background

- Created in 2007 in cooperation with AGA and OMB
 - Opened lines of communication among governments
 - Comprised of high-ranking officials from federal, state and local governments
 - Demonstrated that trust is possible and productive
 - Dispelled the “Us and Them” mentality

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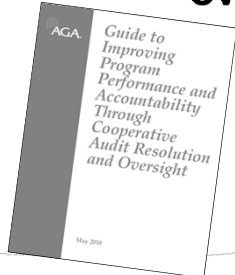
AGA’s Intergovernmental Partnership Tools and Resources

- | | |
|---|--|
| <input checked="" type="checkbox"/> Risk Assessment Monitoring ToolKit | <input checked="" type="checkbox"/> Cooperative Audit Resolution and Oversight Initiative |
| <input checked="" type="checkbox"/> Financial and Administrative Monitoring ToolKit | <input checked="" type="checkbox"/> Candidate Assessment ToolKit for Grants Managers |
| <input checked="" type="checkbox"/> Fraud Prevention ToolKit | <input checked="" type="checkbox"/> Making Better Decisions – Leveraging Government Resources in Challenging Financial Times |

Visit www.agacgfm.org/tools

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COOPERATIVE AUDIT RESOLUTION AND OVERSIGHT INITIATIVE (CAROI)



“Omni Circular”---OMB Defines CAROI

Uniform Requirements - Dec. 26, 2013

Cooperative Audit Resolution means the use of audit follow-up techniques which promote prompt corrective action by improving communication, fostering collaboration, promoting trust, and developing an understanding between the Federal agency and the non-Federal entity. This approach is based upon:

- a. A strong commitment by Federal agency and non-Federal entity leadership to program integrity (tone at the top)
- b. Federal agencies strengthening partnerships and working cooperatively with non-Federal entities and their auditors; and non-Federal entities and their auditors working cooperatively with Federal agencies (open dialogue)
- c. A focus on current conditions and corrective action going forward (focus on results)
- d. Federal agencies offering appropriate relief for past noncompliance when audits show prompt corrective action has occurred (getting to yes)
- e. Federal agency leadership sending a clear message that continued failure to correct conditions identified by audits which are likely to cause improper payments, fraud, waste, or abuse is unacceptable and will result in sanctions (take responsibility for accountability)

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New Project Under Construction

- ◎ Guide for Blending and Braiding of Funds
- ◎ Estimated Arrival Date--- Fall 2014
- ◎ Working Definitions

- **Blended Funds**—The use of funds whereby financial assistance from individual awards is **consolidated** into one award and each individual award loses its award-specific identity.
- **Braided Funds**---The use of funds whereby financial assistance from individual awards is **coordinated** in an overall project and each individual award maintains its award-specific identity.

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“Hey, hey----let’s be careful out there...”

Sgt. Esterhaus, Hill Street Blues

**Thank you!
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Resources

- ED OIG Semiannual Reports
 - <http://www2.ed.gov/about/offices/list/oig/sarpages.html>
- New Yorker Article – Wrong Answer
 - <http://www.newyorker.com/magazine/2014/07/21/wrong-answer>
- AGA Fraud Toolkit
 - <http://www2.agacftm.org/tools/FraudPrevention/>
- AGA CAROI Guide
 - <http://www.agacftm.org/AGA/ToolsResources/documents/CAROI.pdf>
- AGA Making Better Decisions Collaboration Series
 - http://www.agacftm.org/AGA/ToolsResources/documents/Collaboration-Series_Decision-Trees_linked_updated.pdf
- Temple University Beasley School of Law, Follow the Money: Charter Schools and Financial Accountability
 - http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2084978
- Performance Partnership Pilots ED Blog
 - <http://www.ed.gov/blog/2014/03/performance-partnership-pilots-an-opportunity-to-improve-outcomes-for-disconnected-youth/>
- OMB Grant Reform
 - <http://www.gpo.gov/fdsys/pkg/FR-2013-12-26/pdf/2013-30465.pdf>
- SES Dear Colleague Letter
 - <http://www2.ed.gov/policy/elsec/guid/stateletters/ses/sescoltr03102014.pdf>

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