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May 28, 2008

The Honorable John P. Higgins, Jr.
Inspector General
U.S. Department of Education
400 Maryland Avenue, SW
Washington, DC 20202

Dear Mr. Higgins:

As you know, the U.S. Department of Education distributes nearly \$60 billion annually in support of federal education programs. Given this tremendous taxpayer investment, allegations of financial mismanagement in the form of waste, fraud, and abuse are deeply troubling.

In an effort to ensure that the federal government, states, local educational agencies, and schools spend taxpayer dollars wisely, it is important that program monitoring and financial controls by the Department and state and local officials are in place and are implemented in compliance with federal requirements. We must also ensure that these activities guarantee effective and efficient program operations. Accordingly, as Congress proceeds with the reauthorization of the No Child Left Behind Act (NCLB) and other federal education programs, we would request that the Office of Inspector General (OIG) examine the monitoring systems and financial controls in place at the federal, state, and local levels to combat waste and fraud in federal education programs.

Over the last 10 years, the House Committee on Education and Labor has held several hearings on the topic of mismanagement of federal education programs. Among our early findings was that the Department of Education did not have accurate accounting records that could be audited by outside experts; that it did not have adequate system controls in place to prevent fraudulent activities, given the amount of money that flowed through its financial systems; and that it was all too commonplace for grantees to receive duplicate payments from Departmental processors.

Since that time, the Department's financial situation has improved. However, your office has continued to investigate, report, and prosecute state and local officials who commit egregious and criminal acts of waste, fraud, and abuse against the American taxpayers using federal dollars. For example:

- Earlier this year, the former director of the Institute on Urban Policy and Commerce at Florida A&M University and the former director of literacy programs in Franklin County, Florida were indicted with mail fraud and theft from federal programs. They fraudulently stole and converted to their own use more than \$125,000 in grant monies from the 21st Century education grant in Franklin County, claiming these monies as payment for drafting and submitting the grant application.
- The Puerto Rico Department of Education falsely certified that it had eligible migratory children residing in Puerto Rico, resulting in the receipt of Migrant Education Program funds from 2001 through 2004 to which the Commonwealth was not entitled. Earlier this year, the Commonwealth paid more than \$19 million to settle these allegations.
- In January 2008, the Director of Milwaukee's New Hope Institute of Science and Technology Charter School was indicted for embezzling over \$300,000 in federal funds from 2003 to 2005. In 2006, Milwaukee Public Schools closed New Hope Institute for failure to meet its financial obligations.
- The San Diego Unified School District improperly charged over \$3.1 million of its retirement costs to federal programs during the fiscal year periods from July 1, 2003 through June 30, 2006. Of that amount, about \$1.9 million was charged to Department of Education programs.
- Four residents of New Orleans, including a former school board president, were arrested and charged in a case where it is alleged that a number of private citizens were paying the school board member a series of bribes totaling \$140,000 as a reward for her support and approval of two Orleans Parish School Board contracts involving the lease of a computer-based educational software system called "I Can Learn". The school board received funding from the Department of Education to use the computer system.

We believe that financial abuse and mismanagement in education programs must be stopped and future abuse prevented. Better safeguards against misuse of funds must be put in place by federal, state, and local officials and program disclosure and transparency must be improved to ensure that taxpayer dollars are spent to raise student academic achievement.

To this end, we request that OIG provide specific information to address the following questions:

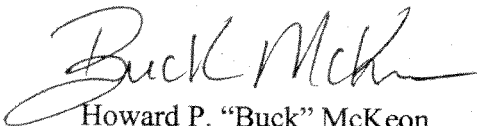
- (1) What processes does the U.S. Department of Education have in place to monitor state and local educational agencies for compliance with federal program and fiscal requirements?

- (2) What processes do state educational agencies have in place to monitor local educational agencies for compliance with federal program and fiscal requirements?
- (3) What processes do local educational agencies have in place to monitor schools for compliance with federal program and fiscal requirements?
- (4) Based on a review of the monitoring procedures and practices in select agencies, what is done to: (a) ensure that grantees correct current year and recurring findings identified as a result of their monitoring efforts and (b) summarize and communicate these findings to the Department for its use in evaluating agency oversight and in identifying program-wide and recipient-specific problem areas needing management attention?

We anticipate that this information will be helpful not only in discussions regarding NCLB, but also in ongoing oversight of the program's operations.

Should you have any questions regarding this request, please contact [REDACTED] of the Committee staff at (202) [REDACTED]. We look forward to an expeditious response to this request and thank you in advance for your work on this matter.

Sincerely,



Howard P. "Buck" McKeon
Senior Republican Member
House Committee on Education and Labor



Michael N. Castle
Senior Republican Member
House Subcommittee on Early Childhood,
Elementary, and Secondary Education