

# DISTRICT OF COLUMBIA OFFICE OF THE INSPECTOR GENERAL

OIG Project No. 17-1-16GA

April 2018



## DISTRICT OF COLUMBIA PUBLIC SCHOOLS AND OFFICE OF THE STATE SUPERINTENDENT OF EDUCATION:

**THE DISTRICT LACKED CONTROL ACTIVITIES OVER  
STUDENT RESIDENCY VERIFICATION AND THE  
COLLECTION OF NON-RESIDENT TUITION**



### *Guiding Principles*

*Workforce Engagement \* Stakeholders Engagement \* Process-oriented \* Innovation  
\* Accountability \* Professionalism \* Objectivity and Independence \* Communication \* Collaboration  
\* Diversity \* Measurement \* Continuous Improvement*

## Mission

Our mission is to independently audit, inspect, and investigate matters pertaining to the District of Columbia government in order to:

- prevent and detect corruption, mismanagement, waste, fraud, and abuse;
- promote economy, efficiency, effectiveness, and accountability;
- inform stakeholders about issues relating to District programs and operations; and
- recommend and track the implementation of corrective actions.

## Vision

Our vision is to be a world-class Office of the Inspector General that is customer-focused, and sets the standard for oversight excellence!

## Core Values

Excellence \* Integrity \* Respect \* Creativity \* Ownership  
\* Transparency \* Empowerment \* Courage \* Passion  
\* Leadership





# OIG

## Why the OIG Did This Audit

The Office of the State Superintendent of Education (OSSE)'s mission is to remove barriers and create pathways for District residents to receive a great education and prepare them for success in college, careers, and life.

Maintaining the integrity of the school system ensures that Washington, D.C. residents receive priority access to public education. A non-resident may attend a District of Columbia Public School (DCPS) or a District of Columbia Public Charter School (DCPCS) if no District resident is on the waitlist and the non-resident student pays tuition in accordance with the law.

The Office of the Inspector General (OIG) assessed the DCPS and DCPCS: (1) enrollment processes for non-resident students; and (2) revenue collection processes for recording and reporting non-resident tuition and fines in SYs 2014 through 2016.

The OIG also assessed OSSE's process for investigating student residency fraud to determine whether OSSE referred residency fraud cases to the Office of the Attorney General (OAG), identified reasons for the fraud, and investigated residency fraud allegations.

## What the OIG Recommends

The OIG made 10 recommendations to OSSE and DCPS focused on developing and implementing effective policies and procedures for verifying student residency, collecting tuition from non-resident students, and recouping tuition from those who fraudulently enroll children into the school systems.

## D.C. PUBLIC SCHOOLS AND OFFICE OF THE STATE SUPERINTENDENT OF EDUCATION:

### The District Lacked Control Activities Over Student Residency Verification and the Collection of Non-Resident Tuition

#### What the OIG Found

DCPS and DCPCS admitted non-resident students without collecting legally required tuition. Specifically, the District did not collect tuition in full from 82 of 85 non-resident students prior to admissions. Instead, the District extended payment contracts to 79 of the 82 students without obtaining required evidence that the students lacked a comparable educational program where they resided and suffered from severe, temporary financial problems.

District officials responsible for managing the admissions process could not explain why the school systems admitted non-resident students without collecting tuition in full prior to admissions. A lack of control activities to implement the requirement to collect non-resident student tuition contributed to this condition.

Further, 51 of the 79 non-resident students were allowed to continue attending District schools when parents/guardians defaulted on tuition payments because OSSE failed to notify DCPS and DCPCS about the defaults. OSSE also did not recover the unpaid tuition for these students, resulting in a financial loss of \$169,127.

We analyzed 67 cases where OSSE identified parents/guardians who fraudulently claimed D.C. residency to enroll their children in the District's school systems. OSSE did not report all cases to the OAG for enforcement. OSSE also failed to notify DCPS and DCPCS of these non-resident cases, which limited the school systems' ability to proactively identify similar cases. In 46 of the 67 cases where parents/guardians fraudulently claimed D.C. residency, OSSE settled those cases for much less than the full tuition due; when parents/guardians defaulted on the settlement agreements, OSSE failed to notify DCPS and DCPCS, so that they could discontinue the students' enrollment in accordance with District regulations. In 14 of the 46 fraud cases, OSSE determined parents/guardians owed \$454,727 but has only collected \$73,090 to date.

Further, in the 46 cases where parents/guardians fraudulently claimed D.C. residency, OSSE was unable to provide copies of corresponding residency fraud investigation reports. These reports could have identified how students were able to circumvent the District residency verification process. In the absence of investigative reports, we assessed the student residency verification process and noted that District residency documentation requirements were less stringent than those in neighboring jurisdictions. In addition, in some cases, the District either failed to obtain or retain residency verification documentation. We also noted that DCPS identified and referred to OAG 98 fraud cases valued at \$2.4 million. Finally, we found that OSSE did not establish a process to track fraud allegations and monitor investigators' performance.

As a result, the District is owed at least \$550,764 in unpaid non-resident tuition from the cases we reviewed.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**

Office of the Inspector General

**Inspector General**

April 17, 2018

Amanda Alexander  
Interim Chancellor  
D.C. Public Schools  
1220 First Street, N.W., 11th Floor  
Washington, D.C. 20002

Hanseul Kang  
State Superintendent of Education  
Office of the State Superintendent of Education  
810 First Street N.E., Ninth Floor  
Washington, D.C. 20002

Dear Interim Chancellor Alexander and State Superintendent Kang:

Enclosed is our final report, *District of Columbia Public Schools and Office of the State Superintendent of Education: The District Lacked Control Activities Over Student Residency Verification and the Collection of Non-Resident Tuition* (OIG No. 17-1-16GA). The audit was included in our *Fiscal Year (FY) 2017 Audit and Inspection Plan*.

We provided the Office of the State Superintendent of Education (OSSE) and D.C. Public Schools (DCPS) with our draft report on March 6, 2018, and received their responses on April 5, 2018. We appreciate that OSSE and DCPS officials began to address issues during the course of the audit.

OSSE and DCPS agreed with the three findings in the report and agreed or partially agreed with 9 of our 10 recommendations. OSSE and DCPS actions taken and/or planned are responsive and meet the intent of the recommendations. However, OSSE disagreed with Recommendation 2. Specifically, OSSE identified that a D.C. Municipal Regulation (DCMR) provision in effect during our audit scope has since been repealed. OSSE stated that the DCMR no longer requires families to establish circumstances of need prior to entering into non-District resident tuition agreements for the school year.

The current DCMR provision does require that “[a]ll agreements regarding the tuition payment for the non-resident student shall be in writing.”<sup>1</sup> Therefore, OSSE should develop policies and procedures that implement the requirements outlined in the current DCMR. These policies and procedures should ensure objectivity when deciding to extend payment tuition plans to non-District residents and and provide transparency for District residents and stakeholders.

As such, we are closing Recommendation 2 as it is presented in this report, and requesting that OSSE provide an update – within 30 days of the date of this report – on actions taken to develop policies and procedures for collecting non-District resident tuition.

OSSE’s and DCPS’s responses to the draft report are included in their entirety at Appendices E and F, respectively.

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<sup>1</sup> 5A DCMR § 5013.5.

State Superintendent Hanseul Kang  
Student Residency Verification and Collection of Tuition  
Final Report OIG No. 17-1-16GA  
April 17, 2018  
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We appreciate the cooperation and courtesies extended to our staff during this audit. If you have any questions concerning this report, please contact me or Benjamin Huddle, Assistant Inspector General for Audits, at (202) 727-2450.

Sincerely,



Daniel W. Lucas  
Inspector General

DWL/tda

Enclosure

cc: See Distribution List

State Superintendent Hanseul Kang  
Student Residency Verification and Collection of Tuition  
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## BACKGROUND

The District of Columbia provides tuition-free, public education for District residents provided they meet the residency requirement. The District has a traditional public school system that guarantees student placement at a specific school for those who live within the designated neighborhood boundary for that school. A student who desires to attend a school other than that dictated by a neighborhood boundary can compete for available seats at out-of-boundary schools by participating in a lottery. Currently, District of Columbia Public Schools (DCPS) enrolls 48,555<sup>2</sup> students and has an annual operating budget of \$885 million. Students also have the tuition-free option to attend District of Columbia Public Charter Schools (DCPCS), currently serving more than 41,506<sup>3</sup> students with an annual budget of \$723 million.

To enroll in a public or charter school, District residents must complete a packet that requires proof of D.C. residency. The documentation is also required for students matched to schools through the District's lottery. A listing of documentation required to prove District residency is included in Appendix C. Additionally, to aid in understanding District requirements to establish residency versus the requirements in neighboring jurisdictions, we included a comparative analysis of acceptable documentation to prove residency in Appendix D. A non-resident student may attend DCPS or DCPCS if no District residents are on the waitlist and the non-resident student pays tuition in accordance with D.C. Code § 38-302 (Lexis - Statutes current through Nov. 13, 2017). D.C. regulations require the Office of the State Superintendent of Education (OSSE) to collect and deposit non-resident tuition into a Student Residency Verification Fund.

According to its website, OSSE is the State Education Agency for the District of Columbia that sets statewide policies, provides resources and support, and is accountable for all public education. As a part of its oversight role, OSSE conducts an annual residency verification audit to ensure student residency requirements have been met. OSSE also established a Student Residency Fraud Prevention Hotline to report suspected or suspicious cases of non-residents attending DCPS and DCPCS. OSSE initiated residency fraud investigations based on either its annual audit results or information obtained from the Student Residency Fraud Prevention Hotline.

According to the U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government*,<sup>4</sup> "control activities are the actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system."

This audit of SYs 2014 through 2016 assessed DCPS and DCPCS: (1) enrollment processes for non-resident students; and (2) revenue collection processes for recording and reporting non-resident tuition and fines. The OIG also assessed OSSE's process for investigating student

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<sup>2</sup> This figure was found in enrollment data on the DCPS website. <https://dcps.dc.gov/page/dcps-glance-enrollment> (last visited Nov. 30, 2017).

<sup>3</sup> The student enrollment data on the District of Columbia Public Charter School Board website lists this figure. <http://www.dcpsb.org/data/evaluating-student-enrollment/student-enrollment> (last visited Nov. 30, 2017).

<sup>4</sup> U.S. GOV'T ACCOUNTABILITY OFFICE, STANDARDS FOR INTERNAL CONTROL IN THE FEDERAL GOVERNMENT 6-8, GAO-14-704G (Sept. 2014), *Federal Internal Control Standards*, Establishing an Effective Internal Control System, page 6-8.

residency fraud to determine whether OSSE referred residency fraud cases to the Office of the Attorney General (OAG), identified reasons for the fraud, and investigated residency fraud allegations.

## **FINDINGS**

### **THE DISTRICT ADMITTED SELF-IDENTIFIED, NON-RESIDENT STUDENTS WITHOUT COLLECTING THE REQUIRED TUITION**

We found that the District did not collect the required non-resident tuition in full prior to admitting non-resident students. Instead, the District extended payment agreements for self-identified, non-resident students without obtaining required evidence that the students lacked a comparable educational program where they resided and suffered from severe, temporary financial problems. Further, the District allowed non-resident students to continue attendance when parents/guardians defaulted on payment agreements.

#### **DCPS and DCPCS Did Not Ensure Non-resident Students Made Tuition Payments to OSSE Prior to Admissions**

Title 5E DCMR § 2007.1 required “principal[s] or others in charge . . . [to obtain] written proof of payment of non-resident tuition [prior to students’ admission].” In addition, 5E DCMR § 2007.2 (Lexis - 2014 District of Columbia Administrative Code Archive), required non-resident students to pay tuition in full prior to admission each school year, unless they meet the circumstances of need requirements set forth in 5E DCMR §§ 2007.3.<sup>5</sup> During SYs 2014-2016, DCPS and DCPCS admitted non-resident students without first obtaining written proof that students paid tuition to OSSE in full prior to admission.

We reviewed the records of 85 self-identified, non-resident students who enrolled in the District’s school systems for SYs 2014 through 2016, and found OSSE did not collect tuition in full from 82 of the 85 prior to the start of school. District officials responsible for managing the admissions process could not explain why the school systems admitted non-resident students without first collecting the required tuition. A lack of control activities to implement the requirement to collect non-resident student tuition contributed to this condition.

#### **The District Did Not Determine Non-resident Student Eligibility for Installment Payments**

OSSE, on behalf of DCPS and DCPCS, created installment payment plans and extended payment contracts without determining that non-resident students met the following circumstances of need under 5E DCMR § 2007.3:

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<sup>5</sup> Effective March 31, 2017, in accordance with 5A DCMR § 5007.3(a), non-resident students must pay tuition in full by July 15<sup>th</sup> of each school year.

- (a) A comparable educational program is not currently being offered by the public schools in the city or school district where the student is a resident; and
- (b) Severe, temporary financial problems currently prevent the adult student, or student's parent or guardian, from making the complete payment of tuition as required by § 2007.2.

Of the 82 non-resident students who did not pay tuition in full prior to the start of the school year, the District did not establish circumstances of need for 79 prior to extending payment contracts. For the remaining three non-resident students, the District did not extended payment contracts, and, consequently, did not obtain any tuition from these students. According to OSSE officials, the agency assumed DCPS/DCPCS had already determined the circumstances of need for non-resident students; therefore, OSSE extended payment contracts on behalf of DCPS/DCPCS. However, DCPS/DCPCS indicated that they did not make such determinations.

#### **The District Allowed Non-resident Students to Continue Attendance Despite Failure to Pay Tuition as Agreed**

Fifty-one of the 79 students with payment agreements defaulted and the District allowed the students to continue attending classes. Title 5E DCMR § 2007.4 states:

an extended payment contract, as provided under § 2007.3, shall become null and void upon failure by the responsible adult(s) to fulfill the payment installment provisions of the contract. When payment installment provisions are not met, payment of the entire amount required by § 2007.2 shall be required prior to the continued attendance of the non-resident student.

According to DCPS and DCPCS officials, the school systems continued to allow non-resident students to attend public school because OSSE failed to notify the school systems of the defaults. OSSE also did not recover the unpaid tuition for these students, resulting in a financial loss of \$169,127 (See Table 1 below).

<b>Table 1 –Unpaid Tuition from Non-Resident Students</b>		
<b>School Year</b>	<b>Non-Resident Students With Unpaid Tuition</b>	<b>Amount of Uncollected Tuition</b>
2014-2015	28	\$87,823
2015-2016	7	\$28,326
2016-2017	16	\$52,978
<b>Total</b>	<b>51</b>	<b><u>\$169,127</u></b>

Source: OIG Analysis

We recommend that DCPS and OSSE:

1. Establish policies and procedures to ensure all non-resident students pay tuition as required by 5A DCMR § 5013.1.
2. Establish circumstances of need in writing and extend payment contracts based on assessed needs.
3. Develop policies and procedures to exclude non-resident students who are in default on tuition payment agreements from attending District public schools.

### **OSSE FAILED TO REPORT RESIDENCY FRAUD CASES TO APPROPRIATE AUTHORITIES**

We found that OSSE failed to report to the OAG 46 of 67 residency fraud cases it uncovered through its internal residency fraud investigations. OSSE identified these as residency fraud cases because parents/guardians fraudulently claimed to reside in the District in order to enroll their children in DCPS/DCPCS without paying non-resident tuition. Effective March 31, 2017, 5A DCMR § 5012.3 requires OSSE to report cases to the OAG for enforcement if there is evidence that an individual knowingly supplied false information in connection with residency verification. Although the mandatory reporting requirement in 5A DCMR § 5012.3 was not in effect during SYs 2014-2016, it would be prudent for OSSE to review the 46 cases at issue and report them to OAG for enforcement, as appropriate. The District's best interests are protected when fraud cases are reported to the OAG for legal action, which can make the District whole and deter future acts of residency fraud.

Further, for instances of residency fraud involving District government employees, OSSE failed to report their misconduct to the Board of Ethics and Government Accountability Office of Government Ethics (OGE) and/or the OIG as required by District Personnel Manual (DPM) §1801.1, which states:

[e]mployees shall immediately and directly report credible violations of the District Code of Conduct and violations of [DPM ] chapter [18] to the District of Columbia Office of Government Ethics, the District of Columbia Office of the Inspector General, or both.

*Id.*

OSSE also failed to notify DCPS and DCPCS that it identified the 46 non-resident cases, which limited the school systems' ability to proactively identify similar cases. OSSE settled these cases for much less than the full tuition due. In 32 of the 46 fraud cases, OSSE was unable to provide the OIG copies of the settlement agreements. For the remaining 14 fraud cases, OSSE determined parents/guardians owed \$454,727 but has only collected \$73,090 to date (see Table 2 below.)

<b>Table 2: Tuition Balances from Residency Fraud Cases</b>				
<b>School Year</b>	<b>Settled Cases</b>	<b>Tuition Assessed Amount</b>	<b>Amount Collected</b>	<b>Balance</b>
2014-2015	6	\$219,782	\$32,487	\$187,295
2015-2016	4	\$116,771	\$20,040	\$96,731
2016-2017	4	\$118,174	\$20,563	\$97,611
Total	14	\$454,727	\$73,090	\$381,637

Source: OIG Analysis

When parents/guardians defaulted on the settlement agreements, OSSE failed to notify DCPS and DCPCS of the default, so that they could discontinue the students' enrollment in accordance with District regulations.

Further, for the 46 cases, OSSE was unable to provide the OIG copies of residency fraud investigation reports, which ideally would have described the facts related to each fraud case. Such details could have identified how parents/guardians were able to circumvent the District residency verification process. In the absence of investigative reports, we sampled 25 DCPS and DCPCS elementary and high schools and compared the District's residency verification process to those in neighboring school districts.

Our analysis of the residency verification documentation at the 25 schools sampled indicated that all but four schools<sup>6</sup> maintained residency verification documents for every school year audited. These four schools either failed to obtain or retain the documents because they were not aware of the requirement to do so. D.C. Code § 2-1706(b)(2), requires District agencies to maintain a records management program with respect to the organization, retention, disposal and storage of its records.

We also found that when benchmarked against other jurisdictions, District residency documentation requirements were less stringent than those in neighboring school districts. Specifically, we noted that a deed, lease agreement, shared housing notarized agreement, or property tax bill were optional document requirements for residency verification in the District, but mandatory in the five neighboring counties we benchmarked (see Appendices C and D). Compared to a driver's license, vehicle registration, or utility bill that the District requires as proof of residency, a deed or lease agreement may have provided stronger proof of District

<sup>6</sup> The four schools are Early Childhood Academy PCS, Latin American Montessori Bilingual PCS, Mann Elementary (DCPS) and Oyster Bilingual Elementary (DCPS).

residency. DCPS and DCPCS student residency files revealed that most parents submitted a copy of a driver's license and vehicle registration followed by paystubs as proof of District residency.

**We recommend that DCPS and OSSE:**

4. Review and, as necessary, adopt residency verification documentation requirements like those in other jurisdictions to establish proof of residency in the District of Columbia.
5. Refer all fraud cases to appropriate authorities, including the OAG, OGE, and OIG as required by District regulations.
6. Establish policies and procedures requiring DCPS and DCPCS to maintain all documentation related to residency verification.
7. Obtain and retain missing documentation, as appropriate, at the four schools that lacked residency verification documentation for SYs 2014 - 2016.

**THE DISTRICT LACKED A PROCESS TO TRACK RESIDENCY FRAUD INVESTIGATIONS AND MONITOR CONTRACTED INVESTIGATORS' PERFORMANCE**

We found that OSSE lacked written standard operating procedures (SOPs) for how residency fraud allegations were tracked. OSSE used an Excel spreadsheet to track residency fraud allegations; however, the spreadsheet was incomplete and did not have access restrictions to prevent manipulation of data. Workbooks were inconsistently formatted from school year to school year and contained worksheets with missing information. OSSE also used a color-coded system to track residency fraud allegations; however, there was no guide or legend to identify what a specific color meant, which would help to distinguish the status of the allegations.

OSSE uses a blanket purchase agreement (BPA) to contract for investigators to conduct residency fraud investigations. However, OSSE did not develop SOPs for how these investigators should document residency fraud investigation activity, and how they should write and submit reports summarizing their investigations. Although the BPA requires investigators to provide OSSE a formal written report within 30 days, in some cases investigations have taken 2 to 3 months to complete, and there was no written justification explaining why the investigations were not completed within 30 days.

Also, OSSE was unable to provide a copy of the investigation reports that contracted investigators should have submitted to OSSE for FYs 2014 through 2017. However, the OAG informed the OIG that those investigators submitted reports during this timeframe. According to the OAG, the reports were inconclusive or lacked details to determine whether D.C. residency requirements were violated. As a result, the OAG was unable to rely on the reports for enforcement action.

**We recommend that OSSE:**

8. Establish SOPs to track residency fraud allegations.
9. Consult with the OAG and then establish a process to ensure private investigators' reports contain all relevant information to determine whether District requirements were violated.
10. Establish monitoring activities to ensure timely submission of all required investigation results.

**CONCLUSION**

Maintaining integrity in the admissions process of non-residents into District of Columbia school systems ensures that residents receive priority access to public education in the District of Columbia. Without policies and procedures, tuition enforcement, and proper monitoring of residency fraud investigations, OSSE cannot ensure that District residents receive the free public education to which they are entitled. A continued lack of controls over residency verification and payment of non-resident tuition will result in the District continuing to provide tuition-free education to ineligible students. Based on the results of this audit, the OIG will plan and conduct oversight work related to student residency verification and residency fraud.

## RECOMMENDATIONS

We recommend DCPS and OSSE:

1. Establish policies and procedures to ensure all non-resident students pay tuition as required by 5A DCMR § 5013.1.
2. Establish circumstances of need in writing and extend payment contracts based on assessed needs.
3. Develop policies and procedures to exclude non-resident students who are in default on tuition payment agreements from attending District public schools.
4. Review and, as necessary, adopt residency verification documentation requirements like those in other jurisdictions to establish proof of domicile in the District of Columbia.
5. Refer all fraud cases to appropriate authorities, including the OAG, OGE, and OIG as required by District regulations.
6. Establish policies and procedures requiring DCPS and DCPCS to maintain all documentation related to residency verification.
7. Obtain and retain missing documentation, as appropriate, at the four schools that lacked residency verification documentation for SYs 2014 - 2016.
8. Establish SOPs to track residency fraud allegations.
9. Consult with the OAG and then establish a process to ensure private investigators' reports contain all relevant information to determine whether District requirements were violated.
10. Establish monitoring activities to ensure timely submission of all required investigation results.

## **AGENCIES' RESPONSES AND OFFICE OF THE INSPECTOR GENERAL COMMENTS**

We provided OSSE and DCPS with our draft report on March 6, 2018, and received their responses on April 5, 2018. We appreciate that OSSE and DCPS officials began to address some of the findings immediately upon notification during the audit.

OSSE and DCPS agreed with the three findings and agreed or partially agreed with 9 of our 10 recommendations in the report. OSSE and DCPS actions taken and/or planned are responsive and meet the intent of the recommendations. However, OSSE did not fully concur with Recommendation 2. Specifically, OSSE stated that the requirement outlined in 5E DCMR § 2007.3 was repealed in March 2017; therefore, non-resident students do not need to establish circumstances of need prior to entering into an extended payment contract. However, OSSE's requirement to establish circumstances of need in writing and extend payment contracts based on assessed need was in effect during the scope of SYs reviewed during this engagement.

In its comments related to Recommendation 2 (Appendix E.), OSSE stated that the revision to the DCMR:

was removed to reduce administrative burden on the schools and provide OSSE with discretion to develop reasonable policies and procedures that incentivize non-residents to self-identify at the time of enrollment in order to facilitate the effective collection of non-resident tuition when space is available at a District school.

Although current regulations are silent on establishing circumstances of need, 5A DCMR § 5013.5 does require that “[a]ll agreements regarding the tuition payment for the non-resident student shall be in writing.” Therefore, for the District to allow non-resident students to enroll without collecting full tuition payment upfront, we believe OSSE should establish policies and procedures to ensure OSSE maintains objectivity in its decisions and to ensure transparency for District residents and stakeholders.

## **ACTIONS REQUIRED**

Due to the DCMR revision discussed above, we are closing Recommendation 2 as it is presented in this report. However, we request that OSSE provide an update – within 30 days of the date of this report – on actions taken to develop policies and procedures for collecting non-District resident tuition.

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## APPENDIX A. OBJECTIVES, SCOPE, AND METHODOLOGY

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We conducted our audit work from April 2017 through October 2017 in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit objectives were to assess the DCPS and DCPCS: (1) enrollment processes for non-resident students; and (2) revenue collection processes for recording and reporting non-resident tuition and fines. Our audit period covered school years (SYs) 2014 through 2016.

To assess enrollment processes for non-resident students, we reviewed and assessed compliance with OSSE's policies and procedures; and applicable District laws and regulations. We also interviewed OSSE officials to gain an understanding of its processes for enrolling non-resident students into DCPS and DCPCS. Additionally, we conducted benchmarking of nearby school districts to determine similarities and differences in student enrollment. To verify student residency, we conducted site visits to DCPS and DCPCS elementary and high schools to review residency documentation.

To assess revenue collection processes for recording and reporting non-resident tuition and fines, we reviewed records for all non-resident students attending DCPS and DCPCS. We also reviewed residency fraud cases and the amount of money collected per student when DCPS and OSSE identified parents/guardians to be non-residents, when DCPS referred residency fraud cases to OAG, and when OSSE settled cases itself. We requested System of Accounting and Reporting and bank deposits to ensure OSSE properly recorded and deposited tuition.

We also assessed OSSE's process for investigating residency fraud allegations to determine whether OSSE referred the residency fraud cases to the OAG, identified the reasons for the fraud, and properly investigated residency fraud allegations.

We judgmentally selected samples of the following populations between SY 2014-2016. Specifically, we sampled and evaluated:

- 85 self-identified non-resident student enrollments prepared by families and submitted to DCPS schools;
- 67 residency fraud investigations conducted by OSSE;
- Enrollment documentation at 25 DCPS and DCPCS elementary and high schools.

We also reviewed 98 residency fraud investigations conducted by DCPS. However, our audit work was limited to determining whether all of these cases were referred to the OAG for enforcement.

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## **APPENDIX A. OBJECTIVES, SCOPE, AND METHODOLOGY**

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Although we did not perform a formal reliability assessment of computer-processed data, we validated the data by reviewing supporting source documentation and interviewing knowledgeable agency officials about the data. We determined that the data obtained were sufficiently reliable for the purposes of this report.

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## **APPENDIX B. ACRONYMS AND ABBREVIATIONS**

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BPA	Blanket Purchase Agreement
DCMR	District of Columbia Municipal Regulations
DCPCS	District of Columbia Public Charter Schools
DCPS	District of Columbia Public Schools
DPM	District Personnel Manual
FY	Fiscal Year
OAG	Office of the Attorney General
OGE	Office of Government Ethics
OIG	Office of the Inspector General
OSSE	Office of the State Superintendent of Education
SY	School Year

## APPENDIX C. DISTRICT RESIDENCY DOCUMENTATION REQUIREMENTS

Table 3 below shows that OSSE gives parents two options for verifying District residency: Parents may choose to provide one document from List A or provide two documents from List B.

Table 3 – DCPS and DCPCS Residency Documentation Requirements	
LIST A	LIST B
<p><b>One</b> of the following items shall establish District residency for the purposes of this chapter:</p> <p>(1) Proof of payment of District personal income tax, in the name of the person seeking to enroll the student, for the tax period closest in time to the consideration of District residency;</p> <p>(2) A pay stub issued less than 45 days prior to consideration of residency in the name of the person seeking to enroll the student that shows his or her District residency and evidence of the withholding of District income tax;</p> <p>(3) Current official documentation of financial assistance received by the person seeking to enroll the student, from the District Government including, but not limited to Temporary Assistance for Needy Families (TANF), Medicaid, the State Child Health Insurance Program (SCHIP), Supplemental Security Income (SSI), housing assistance, or other governmental programs;</p> <p>(4) Confirmation, based upon completion and submission of a tax information authorization waiver form, by the District Office of Finance and Revenue of payment of District income taxes by the person seeking to enroll the student;</p> <p>(5) Current official military housing orders showing residency in the District of the person seeking to enroll the student; or</p> <p>(6) A currently valid court order indicating that the student is a ward of the District.</p>	<p><b>OR</b> providing <b>Two</b> of the following items shall also suffice as proof of residency in the District:</p> <p>(1) A current motor vehicle registration in the name of the person seeking to enroll the student and evidencing District residency;</p> <p>(2) A valid unexpired lease or rental agreement in the name of the person seeking to enroll the student, and paid receipts or canceled checks (for a period within 2 months immediately preceding consideration of residency) for payment of rent on a District residence in which the student actually resides;</p> <p>(3) A valid unexpired District motor vehicle operator's permit or other official non-driver identification in the name of the person seeking to enroll the student; and</p> <p>(4) Utility bills (excluding telephone bills) and paid receipts or cancelled checks (from a period within the 2 months immediately preceding consideration of residency) in the name of the person seeking to enroll the student that show a District residence address.</p>

Source: D.C. Code § 38-309(b) - (c) (Lexis - Statutes current through Nov. 13, 2017).

## APPENDIX D. NEIGHBORING SCHOOL DISTRICTS' RESIDENCY REQUIREMENTS

Table 4 below shows that the five neighboring school districts near Washington, D.C. have residency documentation requirements that take more measures to demonstrate physical presence.

Table 4 – Benchmarking of Nearby School Districts				
Fairfax County	Montgomery County	Prince George's County	Stafford County	Prince Williams County
<p>Parents who reside with their child in a property that they own or lease generally should provide the original version of one of the following documents:</p> <ul style="list-style-type: none"> <li>• Deed of the parent's house;</li> <li>• Lease in the parent's name signed by the rental management office or</li> <li>• A resident manager's letter with company letterhead stating residence of the parent.</li> </ul> <p>Parents who live with their child in a residency of someone else need to provide all of the following:</p> <ul style="list-style-type: none"> <li>• FCPS Student Registration Leaseholder or Homeowner Affidavit</li> <li>• FCPS Student Registration Residency Affidavit</li> <li>• Deed or lease of homeowner or leaseholder</li> <li>• Three supporting documents, such as utility bills or Virginia Driver's License in the parent's name, showing Fairfax County address.</li> </ul>	<p>If homeowner, a copy of your current property tax bill.</p> <p>If renter, a copy of your current (less than 1 year old) lease. If lease is more than 1 year old, a copy of your lease and a current utility bill.</p> <p>If living in shared housing, a notarized Shared Housing Disclosure form and either a copy of the current property tax bill of the homeowner or a copy of the lease of renter with whom student and parent are living and other supporting documents.</p> <p>Supporting documents, such as current pay stub or voter registration card, are needed for shared housing and must be in the name of parent/guardian at the address shown on Shared Housing Disclosure.</p>	<p>Proof of residence may be established by a combination of the following documents:</p> <ul style="list-style-type: none"> <li>• Settlement papers,</li> <li>• Lease/rental agreement,</li> <li>• Deed of property,</li> <li>• Mortgage statement,</li> <li>• Letter from apartment complexes on official letterhead, or</li> <li>• A current tax assessment bill.</li> </ul> <p>These documents must be originals.</p> <p>Settlement papers, lease agreement, and rental agreements must be signed and dated by all parties.</p>	<p>Proof of residency may be established by one of the following:</p> <ul style="list-style-type: none"> <li>• Deed or contract of residential property,</li> <li>• Current property tax bill,</li> <li>• Contract or lease free of contingencies to occupy a county residence,</li> <li>• A resident manager's letter with company letterhead stating residence is corporate residence,</li> <li>• Weekly receipts for temporary residence in a hotel or motel for up to 60 days</li> </ul> <p>If living in residence of friend or relative, a Notarized Affidavit attesting to bona fide residency in the county in addition to the lease or deed of homeowner or leaseholder.</p> <p>Two official documents, such as utility bill, driver's license, or current pay stub, showing name of parent or guardian in a Stafford County residence where the family is living.</p>	<p>One of the following documents must be presented to school staff in order to prove residency:</p> <ul style="list-style-type: none"> <li>• Deed or contract of residential property,</li> <li>• Current rental or lease agreement for residential property,</li> <li>• Notarized Affidavit of Residency attesting to bona fide residency in Prince William County</li> </ul> <p>Two other documents, such as motor vehicle registration, personal property tax bill, or payroll stub, showing the residence address, with the parent/guardian name, must also be presented.</p>

Source: OIG Analysis

## APPENDIX E. OSSE'S RESPONSE TO THE DRAFT REPORT



April 5, 2018

**VIA ELECTRONIC MAIL ONLY**

Daniel Lucas  
Inspector General  
Office of the Inspector General  
717 14<sup>th</sup> Street N.W.  
Washington, D.C. 20005

RE: OIG Project Number 17-1-16GA

Dear Inspector General Lucas,

This correspondence serves as the Office of the State Superintendent of Education's (OSSE) response to the Office of the Inspector General (OIG) draft report, D.C. Public Schools and Office of the State Superintendent of Education: The District Lacked Control Activities Over Student Residency Verification and the Collection of Non-Resident Tuition (OIG Project No. 17-1-16GA).

As the District of Columbia's ("District") state education agency, OSSE works to ensure that all District students and families have equitable access to education options. We recognize that an important part of this is a robust system of compliance and enforcement to ensure that District public schools and public charter schools are available, first and foremost, to bona fide residents of the District. Verifying residency is an effort to protect District taxpayers and resources by identifying non-residents attending District schools. A system of compliance and enforcement must include efficient residency verification and tuition collection process that can be implemented with fidelity, protects vulnerable populations, and is convenient for parents. In order to improve our compliance and enforcement systems, in 2017 OSSE promulgated new regulations (found at 5A DCMR §5000, *et seq.*) with the intentions of streamlining residency fraud investigations and increasing enforcement, while also lifting the barriers for schools and families, and reducing residency fraud overall. These regulations first went into effect for the 2017-2018 school year.

During the 2017-2018 school year, OSSE increased its efforts dedicated to identifying residency fraud. This school year, under the new 5A regulations, OSSE assumed full responsibility for residency fraud investigations for both District of Columbia Public Schools ("DCPS") and charter schools. For the years audited, DCPS investigations were conducted by DCPS itself. Additionally, we instituted more rigorous policies for auditing residency at the school level. Not only now do we review 100 percent of student residency verification forms, we have changed our policy to lower the threshold to trigger a full review of the supporting documents families

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submitted to prove residency. For schools that fail our sample review, we automatically initiate a residency file review on all students attending those schools.

We expected our increased diligence would lead to the discovery of more instances of potential residency fraud – and it has. Our detailed residency verification process during the enrollment audit determined that a number of families have insufficient residency paperwork on file at their schools. These families recently received a letter requiring them to submit sufficient proof of District residency, self-identify as a non-resident and pay tuition, or face applicable penalties available under current District law. As part of this process, OSSE plans to refer matters involving fraud or unjust enrichment to the Office of the Attorney General (“OAG”) for collection of retroactive tuition or OIG as appropriate. For cases involving government employees, referral of the Board of Ethics and Government Accountability (BEGA) may also be warranted.

OSSE has also taken steps to make it easier for bona fide residents to verify residency for school enrollment. Through a partnership between OSSE and the DC Office of Tax and Revenue, K-12 parents can verify residency online with their District tax returns. Additionally, parents paying tuition at DC’s public schools can do so with OSSE’s new and improved Online Payment Service. OSSE supports the school-based enrollment process by providing schools with forms, training, and best practice guidance. This year, based on feedback from the community, OSSE offered a series of comprehensive residency verification trainings earlier in the school year, updated residency policies, forms, and documentation to help schools enroll students more smoothly, and overhauled the enrollment audit and verification process to provide high-quality and actionable enrollment data in a more timely and transparent manner.

OSSE is committed to reducing residency fraud by building robust practices for investigating fraud, and by raising public awareness about the issue. OSSE recently launched phase two of its annual advertising campaign to increase awareness about the District’s student residency fraud prevention hotline and web-based fraud submission form. Marketed on metro buses and in train stations to maximize reach, the hotline and online submission form enables constituents to make anonymous and confidential reports about perceived instances of residency fraud. Reports made through the either avenue are investigated by OSSE staff to determine whether residency fraud may be taking place. To support the prevention of residency fraud, OSSE will be adding two new investigators to the Office of Residency and Enrollment (“OER”) and created a database to help the team track tips. Finally, in an effort to improve its oversight and enforcement capacity, OSSE has made strides in improving its internal systems, and updating and documenting policies for residency verification, fraud investigation and payment collection and tracking.

The OIG draft report noted three (3) findings and ten (10) recommendations. OSSE agrees with the overall findings, and in particular does not dispute the findings regarding past practices under the previous (and now repealed) regulatory framework. However, OSSE disagrees with some of the recommendations related to the findings, to the extent that such recommendations do not conform to the current regulatory scheme or do not align with policies and practices under the current regulations. Therefore, responses herein are focused on the implementation of the new student residency regulations promulgated by OSSE in 2017.

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Pursuant to the 2017 regulations, 5A DCMR 5000, *et seq.*, OSSE is the agency responsible for oversight of the residency verification process for both DCPS and District Public Charter Schools (PCS) ("District public schools"). OSSE also has responsibility for non-resident tuition collection and investigations of students attending publicly funded schools. The goals of the residency verification process are for schools to verify District residency of their students and to determine which students if any are non-residents at the time of enrollment. If a student is identified as a non-resident, the school may enroll the student only if the school determines that space is available because no qualified District resident is seeking admittance during the same period of time for the same grade at the relevant school location. Schools must then refer all self-identified non-resident students to OSSE and ensure that: 1) a tuition agreement specifying the requirements for payment is completed by the person enrolling the student; 2) an initial payment is received prior to providing educational services, and 3) prior to allowing a non-resident student to enroll for the subsequent school year, the previous school year's tuition is paid in full.

OSSE appreciates OIG's review and examination of OSSE's student residency verification programs as we continue to improve upon our current efforts in carrying out our regulatory mandate and consider future actions necessary to further refine our processes to ensure the utmost integrity in this area.

The following provides our response to each recommendation under OIG's three (3) findings and the corresponding recommendations:

**Finding 1. The District Admitted Self-identified, Non-resident Students Without Collecting the required Tuition.**

- **DCPS and DCPCS did not ensure non-resident students made tuition payments to OSSE prior to admissions.**
- **The District did not determine non-resident student eligibility for installment payments.**
- **The District allowed non-resident students to continue attendance despite failure to pay tuition as agreed.**

**Recommendation 1:** *Establish policies and procedures to ensure all non-resident students pay tuition in full prior to admissions as required by 5E DCMR § 2007.2.*

**Response:** **Agree in Part and Disagree in Part.**

OSSE agrees that all non-resident students must pay tuition in full each year and that all non-resident students must enter into tuition agreements for the total amount of tuition prior to enrollment as required by 5A DCMR §5013. Any subsequent enrollment in a District public school is contingent upon the non-resident student complying with all of the terms of the tuition agreement and paying tuition in full by July 15<sup>th</sup> of the applicable school year. OSSE retains the discretion to make the necessary adjustments to our tuition collection policies and procedures to improve the District's recovery of non-resident student tuition.

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While OSSE recognizes the importance of establishing policies and procedures to ensure that non-resident tuition is fully paid each year, the requirement in the former 5E DCMR §2007.2 that all non-resident students to pay tuition in full prior to admissions was repealed in March 2017 when OSSE promulgated new regulations governing residency verification and non-resident investigations. (See 64 DCR 447305). So, respectfully, we disagree with any characterization that OSSE is not currently following the applicable law. In promulgating the new Chapter 5A regulations, OSSE intentionally provided for flexibility and agency discretion in developing policies around the payment of non-resident tuition. The new regulations setting forth the requirements for non-resident student tuition, 5A DCMR § 5013, do not require payment in full prior to the enrolling school year. Pursuant to 5A DCMR § 5007.3(a), the full amount of non-resident student tuition must be paid by July 15<sup>th</sup> of each school year that the non-resident student has been in attendance. If a District public school determines that space is available because no qualified District resident is seeking admittance during the same period of time for the same grade at the relevant school location, the school may enroll the non-resident student if they have a tuition agreement in place. OER has established procedures to allow enrolling non-residents to enter into quarterly or monthly payment plans. The OER procedure requires an initial payment prior to the start of the school year with subsequent installment payments resulting in the total tuition amount being paid on or before July 15<sup>th</sup> of that school year. In order for a non-resident student to re-apply or re-enroll in a school, the previous school year's tuition must be paid in full.

OSSE has finalized a non-resident tuition agreement policy and is also in the process of updating the OER's internal tuition collection standard operating procedure (SOP), which is anticipated to be finalized by April 30, 2018. OSSE will also consider changes to our internal controls through further tuition collection policies and SOPs. For example, OSSE will consider whether interest and administrative costs should be calculated as part of all tuition agreements when non-resident tuition is not paid in full at the time of enrollment.

It is simply too early to say whether our new policy – allowing for payment plans – is working better than the former policy of demanding tuition be paid in full, when that policy was, as you note, too often circumvented or imperfectly enforced. We are certainly in agreement that out-of-state residents must pay in full to attend District public schools and will be assessing the efficacy of the new policy to achieving our mutual goal of payment in full for every out-of-state student.

*Recommendation 2: Establish circumstances of need in writing and extend payment contracts based on assessed need.*

**Response: Disagree.** OSSE agrees that this recommendation warrants careful thought, and did substantively consider this policy option when developing the new regulations. However, the requirement in 5E DCMR §2007.3 to establish circumstances of need prior to entering into an extended payment contract was repealed in March 2017 when OSSE promulgated new regulations governing residency verification and non-resident investigations. (See 64 DCR 447305). The new regulations setting forth the requirements for non-resident student tuition, 5A DCMR § 5013, do not require families to establish circumstances of need prior to entering into tuition agreements with OSSE for the total non-resident tuition owed for the school year, or the portion of the school year that the non-resident student was in attendance. This requirement in

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the previous regulations was removed to reduce the administrative burden on schools and provide OSSE with discretion to develop reasonable policies and procedures that incentivize non-residents to self-identify at the time of enrollment in order to facilitate the effective collection of non-resident tuition when space is available at a District school.

***Recommendation 3:** Develop policies and procedures to exclude non-resident students who are in default on tuition payment agreements from attending District public schools.*

**Response: Agree.** Under the new regulations, OER is responsible for the entire non-resident tuition collection process for District public schools and has developed procedures for establishing tuition payment agreements, entering into such agreements with non-resident families and/or students, collecting tuition under these agreements, and excluding students who have defaulted on the payment terms of an agreement. Families and students receive three written notices when they fall behind in tuition payments. The first notice sent when an account is thirty (30) days delinquent, the second notice is sent after sixty (60) days of delinquency, and the third and final notice is sent after ninety (90) days of delinquency. Upon final notice, families and students must pay the tuition that is owed, withdraw the student, or face exclusion from the school. If a tuition payment is delinquent for 90 days or more, OSSE will also send a notice to the school mandating the exclusion of the student. These procedures are communicated to families as well as the relevant District public school in writing 1) when entering into a tuition agreement, and 2) when identified as a possible non-resident in the annual enrollment audit and verification. OER has finalized a written exclusion policy describing this procedure. The exclusion policy details the process for the exclusion of students who are 90 days delinquent and/or who have failed to pay tuition in full by July 15th of the school year that the non-resident student was in attendance. The policy will be included in the OER handbook, which will be released at the start of the 2018-2019 school year. OSSE also has a draft monitoring policy that will be utilized by OER to monitor compliance, on an ongoing basis, in furtherance of D.C. Official Code §38-302 to 312.01 and 5A DCMR §5000, *et seq.*, including monitoring compliance with our exclusion policy.

### **Finding 2. OSSE Failed to Report Residency Fraud Cases to the Appropriate Authorities**

***Recommendation 4:** Review and, as necessary, adopt residency verification documentation requirements like those in other jurisdictions to establish proof of residency in the District of Columbia.*

**Response: Agree in Part and Disagree in Part.** The Council for the District of Columbia ("Council") has the sole authority to amend residency verification documentation requirements as currently set forth in D.C. Official Code §38-309. OSSE will of course collaborate with the Council to make any necessary amendments. OSSE certainly agrees that there may be best practices in other jurisdictions that OSSE can learn from. However, it is worth noting that while preparing to update the regulations governing residency verification and non-resident investigations, OSSE did review the residency verification documentation requirements in the following neighboring jurisdictions: Fairfax County, Montgomery County, Alexandria City, and Arlington County. OSSE determined that the District's list of documentation satisfactory to establish residency does not vary significantly from those neighboring jurisdictions, and in some

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cases was actually more robust because the District requires residency verification documentation on an annual basis, as opposed to once at the time of initial enrollment. Nonetheless, OSSE recognized that there was a need for heightened verification requirements, and therefore, added language in the current regulations (found at 5A DCMR §5001.5) defining a bona-fide District resident as a person who has established both a physical presence and submitted the required documentation specified by Council, proving District residency. Requiring physical presence in addition to submitting the required documentation renders the District's residency verification process more comprehensive than neighboring jurisdictions.

***Recommendation 5:** Refer all fraud cases to appropriate authorities, including OAG, OGE and OIG as required by District regulations.*

**Response: Agree; Ongoing Compliance With This Recommendation.** We certainly agree that fraud on the District should be prosecuted and we work collaboratively with OAG to recover all money lost through fraud, as well as all money owed even in the absence of fraud. Moreover, we make best efforts to find out when fraud is occurring, so as to be able to refer cases to OAG. For instance, we have a well-publicized hotline that residents may call, and those calls trigger investigations, though it must be noted that many situations where tipsters *believe* someone is committing residency fraud do not pan out. Many children have parents with joint custody, one of whom lives out of state, and other parents call the hotline when the student mentions staying at the Maryland house, or when they see Virginia license plates at drop off. Other times, babysitters or drivers who live out of state pick up, and those license plates likewise spark calls to the hotline and suggestions of fraud.

OSSE's non-residency findings are not predicated upon a determination that false information was knowingly supplied. OSSE collaborates with OAG in reviewing OSSE's investigative files to determine if the facts of a particular case meet the threshold set forth in 5A DCMR § 5012.3, which states that "[a] matter involving non-residency shall be referred by OSSE to the Office of the Attorney General and may be referred to the Office of Inspector General for appropriate legal action if there is evidence that an individual *knowingly* supplied false information in connection with residency verification" (*emphasis added*). The regulations require referral to OAG when false information is "knowingly" supplied, which means that the individual provided false information in deliberate ignorance or reckless disregard of the truth or falsity of the information. Likewise, D.C. Official Code §§ 38-312 to 312.01 sets forth a penalty for anyone (including school officials) who knowingly supplies false information to a public official in connection with student residency verification and requires OSSE to refer these cases to OAG for prosecution.

When the facts of a particular investigation support a fraud claim, OAG may bring a case under the District's False Claims Act (FCA), DC Code §§ 2-381.01 to 2-381.09, against individuals who knowingly make false claims to the District Government for the purpose of improperly obtaining government funds or, as described above, under D.C. Official Code §38-312 against individuals who knowingly supply false information in connection with student residency verification. OSSE consults with OAG regarding non-residency findings that meet the required elements of the FCA/residency fraud statutes which may appropriately be referred to OAG for civil litigation and/or criminal prosecution.

## APPENDIX E. OSSE'S RESPONSE TO THE DRAFT REPORT

*OSSE Response to OIG Project Number 17-1-16GA  
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Commencing in May of 2017, representatives from OSSE and OAG have convened monthly coordination meetings wherein information about potential fraud cases are shared between OSSE and OAG. The purpose of these meetings is to facilitate the exchange of information necessary for each agency to carry out its respective legislative mandate. OSSE consults with OAG regarding which non-residency findings are appropriate for referral to OAG and OAG shares information about investigations involving non-resident students which they seek to refer to OSSE for exclusion. Through this process, all cases that OAG may reasonably pursue under the FCA and residency fraud statute are referred.

While 5A DCMR § 5012.3 requires all matters that involve knowingly supplying false information to the District be referred to OAG, the following four (4) points should be noted:

- First, when OSSE refers a matter to OAG, the agency cannot assess or collect non-resident tuition at the end of the administrative process because unpaid tuition forms the basis of the damage award in FCA cases. If OSSE collects tuition, OAG loses the ability to seek damages under the FCA.
- Second, referring cases to OAG diverts funds away from the Student Residency Verification Fund since damages collected under FCA cases are deposited into the OAG litigation fund.
- Third, due to a backlog of FCA cases, referral to OAG can delay the District's recoupment of retroactively-owed tuition funds.
- Finally, OAG may exercise prosecutorial discretion and decide not to pursue certain matters under the FCA or residency fraud statute, particularly in cases where proving intent may be difficult. In these instances, it is in the best interest of the District for OSSE to pursue the collection of retroactive tuition after the exhaustion of the administrative process, rather than having OAG litigate and possibly never recovering the District's losses.

For these reasons, it is imperative that OSSE and OAG collaborate closely on referrals, make informed decisions about the best use of District resources and work together to identify which cases move forward to litigation or prosecution.

As part of our on-going coordination, OSSE and OAG are in discussion about developing language for settlement agreements that will transfer a portion of the FCA damages back to OSSE's non-resident tuition fund. OSSE is also working with OAG to develop a written policy for cases that OAG declines to pursue under the FCA, which can be sent back to OSSE following a referral. OSSE and OAG will have a policy in place by June 30, 2018. Finally, OSSE has been coordinating with OAG and the District of Columbia Department of Human Resources (DCHR) to develop guidelines for District agencies who have employees committing fraud against the District. These guidelines will include information about when to refer matters to OIG or the Board of Government Ethics and Accountability (BEGA) and when employee discipline is appropriate.

This process with the OIG was a useful reminder that OIG also has expertise in investigating fraud cases, and we will keep in mind that we may refer cases of suspected fraud to you for investigation as well as prosecution.

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***Recommendation 6:** Establish policies and procedures requiring DCPS and DCPCS to maintain all documentation related to residency verification.*

**Response: Agree.** OER finalized a written policy regarding the retention of residency verification documentation for all District public schools. The policy details the requirements around the retention of student residency verification forms and supporting documentation. The policy requires that records be maintained for ten (10) years, which aligns with the statute of limitations for False Claims Act as well as equitable claims, such as unjust enrichment. The policy will be included in the OER handbook, which will be released at the start of the 2018-2019 school year.

***Recommendation 7:** Obtain and retain missing documentation, as appropriate, at the four schools that lacked residency verification documentation for Sys 2014-2016.*

**Response: Agree.** By May 30, 2018 OSSE will reach out to the school-based staff at Early Childhood Academy Public Charter School and Latin American Montessori Bilingual Public Charter School (LAMB) and the Public Charter School Board (PCSB) in an effort to obtain and retain, to the greatest extent possible, the missing residency verification documentation referenced in the OIG draft audit report for SYs 2014-2016. Via this response, OSSE requests that the OIG provide notification of the specific documentation in question.

### **Finding 3. The District Lacked a Process to Track Residency Fraud Investigations and Monitor Contracted Investigators' Performance**

***Recommendation 8:**  
Establish SOPs to track residency fraud allegations*

**Response: Agree.** OSSE has finalized an SOP for tracking complaints that is attached as Exhibit #3. OSSE has also developed a web-based application that will allow the team to track all residency fraud allegations from tip to final administrative action. An application for tracking hotline tips is already operational; and this same application is being updated to add additional functionality that will track the allegations at each step in the agency process, from tip to investigation, to non-residency finding, to administrative review. The updated application will be completed by June 30, 2018, prior to the start of the 2018-2019 school year.

***Recommendation 9:**  
Consult with OAG and then establish a process to ensure private investigators' reports contain all relevant information to determine whether District requirements were violated.*

**Response: Agree.** Effective October 1, 2017 OSSE took over primary control of the residency investigations process across all District public schools. Instead of contracted employees, OSSE has brought residency investigation in-house. OSSE currently has one investigator and is on track to hire two (2) additional internal investigators by the beginning of the 2018-9 school year. Although OSSE does not currently have a contract with a private investigator, OSSE agrees on the importance of establishing a process to ensure investigative reports are comprehensive and can be relied upon during the administrative review process or in FCA litigation. OSSE also

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agrees that consultation with OAG is important, particularly for investigations that may result in matters being referred to OAG for FCA prosecution and enforcement. By hiring additional internal investigators, OSSE can ensure quality control, efficiency and accuracy in investigations, improving outcomes and ensuring compliance across the District.

In addition, OSSE is in the process of creating standard operating procedures for conducting residency investigation and standard documentation to be used for all such investigations in the District, as well as having the internal investigators attend additional trainings, specializing in investigatory practices and procedures and in fraud identification. This SOP will be an internal document that will be completed by June 30 2018, prior the start of the 2018-2019 school year.

*Recommendation 10: Establish monitoring activities to ensure timely submission of all required investigation results.*

**Response: Agree.** The OER investigations unit will ensure that the complaints from the public and LEA's are a priority and investigated thoroughly. Internal investigation staffing will ensure timely submission of cases, and put OSSE on track to complete residency investigations within 60 days. It will also ensure that relevant portions of the DC Code and DCMR are adhered to during the course of investigations, thereby increasing the probability of recouping rightfully owed retroactive tuition funds for the District.

A case management system is also in development and its implementation will reduce reporting inaccuracies by capturing data in real-time and automatically producing the necessary information to ensure more accurate reporting. The case management system will be operational by June 30 2018, prior the start of the 2018-2019 school year.

With a complete case management system, the OER investigations unit statistical analysis will improve and reporting out to the Mayor and the Council will be more accurate.

As a final note, I observe that it is a mark of the fast improvement of our schools, the beauty and quality of our school facilities, and the diversity of educational offerings that non-residents are going to such lengths to enroll their children in our schools. As we at OSSE strive to continuously improve our schools, we are committed to making sure that these educational resources go in the first instance to District residents, and only to those non-residents who follow the rules and pay for the privilege of attending a District public school.

Sincerely,  
  
Hanscul Kang  
State Superintendent  
Office of the State Superintendent

CC:  
Betsy Cavendish, General Counsel, EOM  
Ahna Smith, Interim Deputy Mayor for Education  
Kevin Donahue, Deputy City Administrator

## APPENDIX F. DCPS' RESPONSE TO THE DRAFT REPORT



April 5, 2018

Daniel W. Lucas  
Inspector General  
717 17<sup>th</sup> St., NW  
Washington, DC 20005

RE: OIG Project #: 17-1-16GA

Dear Mr. Lucas:

We are in receipt of the Office of the Inspector General's draft report "DC PUBLIC SCHOOLS AND THE OFFICE OF THE STATE SUPERINTENDENT OF EDUCATION: The District Lacked Control Activities Over Student Residency Verification and the Collection of Non-Resident Tuition" (OIG Project No. 17-1-16GA), dated March 6, 2018. Thank you for providing this feedback as well as allowing us the opportunity to respond and provide input.

We wholeheartedly agree that it is vital to identify non-District resident families; to exclude non-resident students who did not pay tuition; to collect tuition where it is owed; and for the Office of the Attorney General (OAG) to prosecute debt, False Claims Act, or even criminal actions when warranted.

At the same time, we want families who legitimately live in the District to be able to confirm residency conveniently; we want to abide by the laws regarding the provision of education for homeless families who lack permanent residences; and we recognize that many suspected residency cases are not in fact cases where non-District residents are attending our schools without paying non-District tuition. For instance, some investigations are triggered in situations where separated or divorced couples have one parent living in the District and one who does not, and where babysitters and relatives with non-District license plates drop children off at school.

In summary, DCPS concurs with your recommendations and will take steps to implement them. Below, we provide our responses to the recommendations that are specific to DCPS. We also commit to working collaboratively with the OSSE to address any recommendation that requires District-wide policy, procedural and/or legislative changes.

## APPENDIX F. DCPS' RESPONSE TO THE DRAFT REPORT

**Recommendation 1:**

Establish policies and procedures to ensure all non-resident students pay tuition in full prior to admissions as required by 5-E DCMR § 2007.2.

**DCPS Response:**

DCPS agrees that all non-resident students must pay tuition in full each year and that all non-resident students must enter into tuition agreements for the total amount of tuition prior to enrollment as required by 5A DCMR §5013. Enrollment in a DCPS school is contingent upon the non-resident student complying with all of the terms of the tuition agreement and paying tuition in full by July 15<sup>th</sup>. DCPS will work with OSSE to confirm that timely notification of tuition payment status is maintained and will ensure that DCPS sites monitor and strictly enforce non-resident tuition admissions requirements.

**Recommendation 2:**

Establish circumstances of need in writing and extend payment contracts based on assessed needs.

**DCPS Response:**

Given that tuition collection and any related payment contracts fall under the purview of OSSE, we believe a response to this recommendation must be coordinated with OSSE. However, it is important to note that 5-E DCMR § 2007.3, which required the District to establish circumstances of need prior to entering into an extended payment contract, was repealed in March 2017. At that time, OSSE promulgated new regulations governing residency verification and non-resident investigations. The new regulation setting forth the requirements for non-resident student tuition, 5-A DCMR § 5013, does not require families to establish circumstances of need prior to entering into tuition payment agreements with OSSE. Therefore, any changes to tuition payment regulations or policy would be determined by OSSE.

**Recommendation 3:**

Develop policies and procedures to exclude non-resident students who are in default on tuition payment agreements from attending District public schools.

**DCPS Response:**

DCPS agrees with this recommendation. By June 1, 2018, DCPS will draft, publish and widely disseminate a policy that specifically outlines the exclusion process for students identified as non-residents of the District. Administrators and school-based staff responsible for registering students will be notified of pending procedural changes during SY18-19 professional development sessions beginning in June 2018.

DCPS will collaborate with OSSE to ensure that regular and timely notification of family tuition payment default status is adhered to.

## APPENDIX F. DCPS' RESPONSE TO THE DRAFT REPORT

**Recommendation 4:**

Review and, as necessary, adopt residency verification documentation requirements like those in other jurisdictions to establish proof of residency in the District of Columbia.

**DCPS Response:**

D.C. Official Code § 38-309 governs residency verification documentation requirements in the District. OSSE's regulations implement the requirements set forth in this statute. DCPS is willing to collaborate with the DC Council and OSSE to review any DC Council legislation or rule changes necessary to amend these statutory and regulatory requirements in a manner that best serves the interests of the District.

**Recommendation 5:**

Refer all fraud cases to appropriate authorities, including the OAG, OGE, and OIG as required by District regulations.

**DCPS Response:**

DCPS agrees with this recommendation and has already implemented the reforms put in place last summer. Effective October 1, 2017, DCPS transitioned its residency investigation process to OSSE; therefore, since that time, referrals to the OAG, OIG, and the OGE within the Board of Ethics and Government Accountability (BEGA) should come from OSSE. However, we assure you that we are mindful that if we do encounter a credible violation of any BEGA rule by a DCPS official, we will dual-report the matter to OSSE, BEGA, and other appropriate District officials. We note that prior to October 2017, our agency forwarded all determinations of non-District resident status to the Office of the Attorney General (OAG) for further investigation, collection, and civil action, where applicable, on a quarterly basis.<sup>1</sup> We understand the meetings with the OAG are now conducted much more frequently and the streamlined system is beginning to result in improved collections.

**Recommendation 6:**

Establish policies and procedures requiring DCPS and DCPCS to maintain all documentation related to residency verification.

**DCPS Response:**

DCPS agrees with this recommendation. Current practice is for schools to collect and retain all required residency verification documentation. DCPS will collaborate with OSSE to draft and disseminate a policy on document retention specific to residency verification. We will align this policy and the associated documentation requirements with the documentation required for the annual enrollment audit managed and conducted by the OSSE.

<sup>1</sup> The only exceptions that occurred were due to residency investigation determination appeals, which are heard through the Office of Administrative Hearings.

## APPENDIX F. DCPS' RESPONSE TO THE DRAFT REPORT

**Recommendation 7:**

Obtain and retain missing documentation, as appropriate, at the four schools that lacked residency verification documentation for SYs 2014-2016.

**DCPS Response:**

DCPS agrees with this recommendation. By the end of this school year, DCPS will work with these schools to obtain and retain the missing residency verification documentation referenced in the OIG draft audit report for SYs 2014-2016. Via this response, DCPS requests that the OIG provide notification of the specific documentation in question.

Thank you again for conducting this audit and assisting DCPS in improving the efficiency and effectiveness of our residency verification efforts. Improving our residency verification system will improve the customer experience for our DCPS families and help restore confidence in the fairness of the lottery and the system as a whole.

Sincerely,



Amanda Alexander, Ph.D.  
Interim Chancellor