

# DISPUTES AND INVESTIGATIONS

June 22, 2018

ALVAREZ & MARSAL

Government Finance Officers Association  
Annual Conference

Municipal Fraud, Noncompliance, and Abuse:  
Views from the Field



# LEADERSHIP + ACTION = RESULTS

## About Alvarez & Marsal

Companies, investors and government entities around the world turn to Alvarez & Marsal (A&M) when conventional approaches are not enough to activate change.

Privately-held since 1983, A&M is a leading global professional services firm that delivers performance improvement, turnaround management and business advisory services to organizations seeking to transform operations, catapult growth and accelerate results through decisive action. Our senior professionals are experienced operators, world-class consultants and industry veterans who draw upon the firm's restructuring heritage to help leaders turn change into a strategic business asset, manage risk and unlock value at every stage.

## Global Forensic and Disputes Services

Partner with the right expert team to navigate through a crisis or assist with a dispute. Alvarez & Marsal sets the standard for delivering results on critical matters. With an increase in the complexity of corporate investigations, regulatory enforcement actions, and high stakes litigation, that ability is more important than ever. From the boardroom to the court room, A&M professionals draw on their deep skills and experience in business investigations, litigation consulting, forensic technology, and expert testimony to provide clients with the solutions they seek to achieve their goals.

## Topics:

- Municipal Securities Fraud
  - City of Miami
  - Recent Developments
- K-12 Education Fraud
  - Prince George's County
  - Washington, DC
  - Financial Impact

# MUNICIPAL BOND SECURITIES FRAUD - CITY OF MIAMI



“The U.S. Securities and Exchange Commission on Friday accused the city of Miami and its former budget director of playing financial “shell games” with city bank accounts, charging them with civil securities fraud for allegedly misrepresenting city finances to bond investors.”

- [miamiherald.com](http://miamiherald.com)  
July 19, 2013

### SEC charges city of Miami, ex-budget director with civil securities fraud

the first time the SEC has alleged further wrongdoing by a municipality already under an existing cease-and-desist order.

former Budget Director Michael Boudreaux “made **material misrepresentations and omissions**” about internal fund transfers leading up to three 2009 bond offerings totaling \$153.5 million.

As a result, the city’s **bond offerings were rated favorably by credit rating agencies**, which view general fund balances as key indicators of financial health.

**“Miami actively marketed bonds to the investing public while hiding the true reason for interfund transfers to boost the image of its primary operating fund.”**

**- sec.gov**

**July 19, 2013**

### **THE FACTS**

- Between 2009 and 2013, SEC investigation re disclosure of financial condition.
- Materially false and misleading statements re interfund transfers in 2009 bond offerings totaling \$153.5 million.
- Transfers of \$37.5 million from Capital Improvement Fund to General Fund to mask deficits:
  - Return of unused general fund contributions;
  - Indirect costs incurred in the General Fund relating to downtown development;
  - Return of an “advanced allocation” from the General Fund; and
  - Unused general fund contributions in the capital projects funds [including \$8.2 million in Impact Fees] back to the General Fund.

“Miami actively marketed bonds to the investing public while hiding the true reason for interfund transfers to boost the image of its primary operating fund.”

- *sec.gov*

*July 19, 2013*

### THE FACTS (Continued)

- Alleged false and misleading information in the 2007 and 2008 Comprehensive Annual Financial Reports.
- Transfers achieved (or nearly achieved) General Fund’s reserve level requirements.
- 2009 Bond offerings were all rated favorably by credit rating agencies.
- In FYE September 30, 2009, the City reversed portions of the 2007 and 2008 Capital Projects/Special Revenue Funds transfers to the General Fund.
- First time the SEC has alleged further wrongdoing by a municipality subject to an **existing SEC cease-and-desist** order.



“The fact that a city official would enable these false and misleading disclosures to investors merely a few years after Miami had been reprimanded by the SEC for similar misconduct makes this repeat behavior all the more appalling and unacceptable.”

- *George Canellos,  
Co-Director of the  
SEC Division of  
Enforcement*

### 2003 CEASE-AND-DECIIST

- On March 21, 2003, SEC cease-and-desist order related to violations of anti-fraud provisions of the Securities Exchange Act of 1934, including **misrepresenting its financial position**, “in multiple financial statements.”
- “Although it appeared that the City had met payroll and paid other ongoing expenses, and had achieved a positive General Fund balance in FY 1995, in reality, the **ever-growing budget deficit was masked by transfers from other funds and the use of bond proceeds.**”



## CITY OF MIAMI – INVESTIGATION TIMELINE AND IMPACT ON BOND RATINGS

“Miami actively marketed bonds to the investing public while hiding the true reason for interfund transfers to boost the image of its primary operating fund.”

- *sec.gov*

*July 19, 2013*

### TIMELINE

**Fall 2009**

SEC opened City of Miami investigation

**June 2010**

S&P dropped Miami’s general obligation bond rating from **A plus to A minus**. The rating agency also noted the city’s declining finances and that the city was the subject of an ongoing SEC inquiry.

**July 2013**

SEC Charges City of Miami and Former Budget Director With Municipal Bond Offering Fraud

**February 2015**

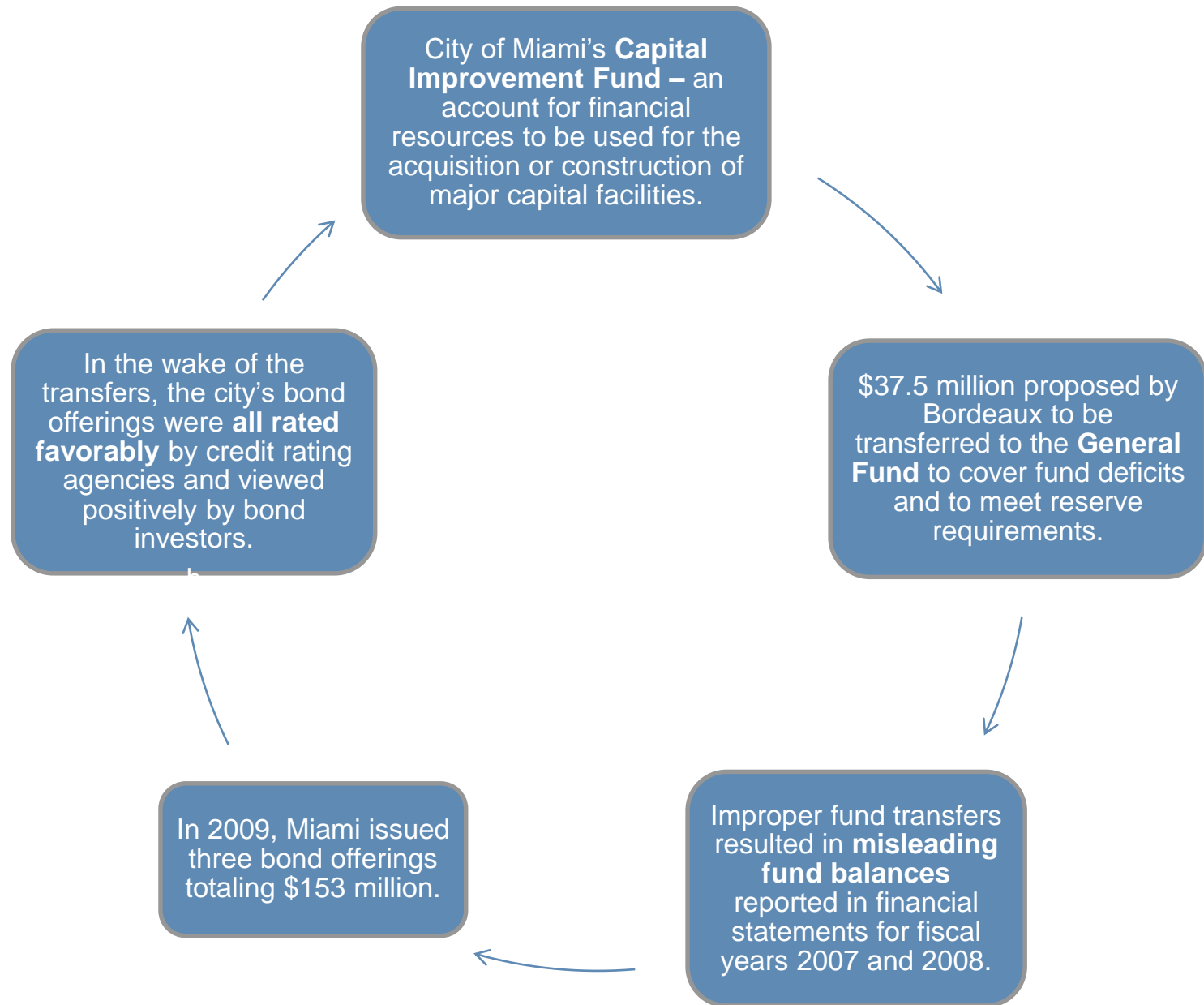
The city of Miami has received a substantial bond rating improvement from S&P’s thanks to improved financials and stable management practices. The credit agency announced that it boosted the city’s rating for a series of 2002 general obligation bonds **up four notches to A+ from BBB**. S&P analysts noted that following three consecutive years from 2010 through 2012 in which city officials balanced their budget by declaring financial urgency, the city is now enjoying annual surpluses, and reserves that are nearing \$100 million.

• .

## CITY OF MIAMI – THE SCHEME

Miami actively marketed bonds to the investing public while hiding the true reason for interfund transfers to boost the image of its primary operating fund... merely a few years after Miami had been reprimanded by the SEC for similar misconduct...

- sec.gov



The Transactions violated GAAP, evidenced noncompliance with Miami’s FIP, resulted in misstated fund balances and failed to meet GASB disclosure requirements.

### A&M’s ROLE

- Review the Transfers and to provide observations and opinions.

### A&M’s FINDINGS

- The City of Miami recorded certain interfund transfer accounting entries for its 2007 and 2008 fiscal years that **violated the then-applicable GAAP**.
- The Transfers provide **evidence of noncompliance** with the City of Miami’s Financial Integrity Principles (“FIP”).
- The City’s accounting for the Transfers resulted in **material misstatements** of the Fund Balance in the City of Miami’s General Fund for the 2007 and 2008 fiscal years.
- The City **failed to comply** with the then-applicable disclosure requirements of **GASB** in its disclosures related to the Transfers in its Comprehensive Annual Financial Reports (“CAFRs”) for the 2007 and 2008 fiscal years.

In City of Miami, lack of oversight and support provided the opportunity for fraud.

- **Lack of Internal Controls**
  - Finance director unaware of policies and procedures.
  - Failed to reduce Capital Projects Funds budgets for individual projects.
    - In some cases, the Transferred funds had already been expended when Boudreaux proposed the Transfers.
    - In other case, projects continued to spend.
  - Transfer of restricted Special Revenue Funds.

In City of Miami, a lack of internal controls and oversight provided the opportunity for fraud.

- **Lack of Management Oversight**
  - No supporting accounting evidence for the Transfers.
  - THE SECRET PASSWORD PROTECTED SPREADSHEET
- **Lack of Budget Controls and Oversight by City Commission**
  - The City Commission approved a closeout budget for the year ended September 30, 2007, that included the proposed transfers.
  - Unclear whether some of the Transfers were ever approved by the City Commission.
- **Release of Auditor General**

## CITY OF MIAMI – THE AFTERMATH

### Jury says city of Miami defrauded bond investors — again

[J]urors returned a unanimous verdict...violating the federal Securities Act and one count of the Exchange Act. The nine **found the city liable on two counts**...also found former Miami **budget director** Michael Boudreaux...**liable on one count** of violating the Securities Act and two counts of the Exchange Act, but not liable on a fourth count.

The Miami Herald, September 14, 2016

### Miami votes to settle securities fraud case as courts revive ousted auditor's lawsuit

The city of Miami will end its long-running legal battle with the Securities and Exchange Commission ... after commissioners voted Thursday to resolve a federal lawsuit post-trial by paying a **\$1 million civil penalty**.

Coincidentally, as commissioners were voting to settle their case with the SEC, the Third District Court of Appeal published an opinion that went against the city in a case brought in 2011 by Miami's former auditor general. Victor Igwe... says his contract was allowed to expire in part because of a scathing audit he issued regarding the city's budget maneuvers and his cooperation with the Securities and Exchange Commission.

The Miami Herald, October 13, 2016

### SEC overreached in push to fine former Miami official \$450,000, judge says

A former city of Miami budget director... will not face the massive \$450,000 fine sought by the Securities and Exchange Commission. Instead, **Michael Boudreaux... must pay a \$15,000 penalty**, an amount that U.S. District Judge Cecilia Altonaga found far more equitable.

The Miami Herald, December 5, 2016

## CITY OF MIAMI – THE AFTERMATH

### **Miami's former auditor wins whistleblower lawsuit. But the legal drama isn't over.**

**Miami's former top auditor won a whistleblower lawsuit** against the city Monday when a jury ruled he was ousted in retaliation for uncovering the city's shady financial maneuvers and cooperating with a Securities and Exchange Commission inquiry.

After a weeklong trial in Miami-Dade civil court, **the six-person jury ruled on Monday that Miami owes the city's long-ousted former auditor general, Victor Igwe, \$931,587** — the majority of the \$1.2 million in back pay Igwe was seeking.

But it's not that simple. **One legal question remains** to be hashed out after the jurors also ruled Igwe had not exhausted all of his administrative options before suing — a legal requirement in order to be eligible for damages. The city has argued Igwe had no right to sue because he had not gone through an internal appeals process in City Hall first. Igwe's attorneys maintain that because of his position as auditor general, a watchdog job created after Miami's financial meltdown in the late 1990s, Igwe wasn't required to go through the internal process.

The Miami Herald, April 16, 2018



In the past several years, in a focused targeting of the municipal bond marketplace previously afforded “second-class treatment,” the SEC has brought many “first-of-their-kind” actions against municipal bond issuers, underwriters and public officials.

- *newyorklawjournal.com, May 02, 2018*

In recent years, the SEC has brought many actions against municipal issuers, underwriters, and public officials under new regulations and by enforcing existing statutes, including some for the first time. These concerted actions have been led by the Enforcement Division’s relatively new Public Finance Abuse Unit, created in 2010 in a response to the financial crisis.

### First-of-their-Kind Enforcement Actions and Remedies

- **Greater Wenatchee (Washington) Regional Facilities District**
  - In 2013, the Division for the first time sought civil penalties against a municipal issuer.
- **City of Allen Park, Michigan**
  - In 2014, the Division sought controlling person liability under Section 20(a) of the Exchange Act.

## CURRENT MUNICIPAL ENFORCEMENT ACTIONS (CONTINUED)

In the past several years, in a focused targeting of the municipal bond marketplace previously afforded “second-class treatment,” the SEC has brought many “first-of-their-kind” actions against municipal bond issuers, underwriters and public officials.

- *newyorklawjournal.com, May 02, 2018*

- **Ramapo, New York**
  - Former Town Supervisor, Christopher St. Lawrence, sentenced in December 2017 to 30 months’ imprisonment.
- **City of Harvey, Illinois**
  - Mayor agreed to pay \$10,000 and never participate in a municipal bond offering again.

## CURRENT MUNICIPAL ENFORCEMENT ACTIONS (CONTINUED)

In the past several years, in a focused targeting of the muni-bond marketplace previously afforded “second-class treatment,” the SEC has brought many “first-of-their-kind” actions against municipal bond issuers, underwriters and public officials.

- *newyorklawjournal.com, May 02, 2018*

- **Town of Oyster Bay** - former Town Supervisor, John Venditto (and former Nassau County Executive John Mangano and Mangano’s wife) charged in a federal indictment (SEC and DOJ) with crimes related to privately held loans which Oyster Bay illegally guaranteed and concealed from the public.
  - November 2017, superseding indictment, securities fraud and wire fraud related to Oyster Bay muni-bond securities offerings. Concurrent SEC civil filing.
  - March 2, 2018, former Town Attorney Genova settled with SEC.
  - The federal criminal trial commenced in mid-March 2018.
  - May 24, Venditto was found not guilty on all charges.
  - May 31, mistrial was declared for the Manganos.

## CURRENT MUNICIPAL ENFORCEMENT ACTIONS (CONTINUED)

In the past several years, in a focused targeting of the municipal bond marketplace previously afforded “second-class treatment,” the SEC has brought many “first-of-their-kind” actions against municipal bond issuers, underwriters and public officials.

- *newyorklawjournal.com, May 02, 2018*

- **Port Authority of New York and New Jersey** - SEC brought an enforcement action involving securities offerings that were outside the scope of the Port Authority’s mandate.
- Internal memoranda:
  - There “is no clear path to legislative authority to undertake such projects”
  - “this statutory construction is not without doubt”
  - The analysis “veers away from the traditional model used by the Port Authority . . . in determining if it has authority to proceed”
- In 2017, the Port Authority of New York and New Jersey agreed to \$400,000 in civil penalties.

## CURRENT MUNICIPAL ENFORCEMENT ACTIONS (CONTINUED)

In the past several years, in a focused targeting of the municipal bond marketplace previously afforded “second-class treatment,” the SEC has brought many “first-of-their-kind” actions against municipal bond issuers, underwriters and public officials.

- *newyorklawjournal.com, May 02, 2018*

SEC Levies Fraud Charges Against Texas-Based Municipal Advisor, Owner for Lying to School District

**May, 2018**

Investment advisor Barcelona Strategies and its owner, Mario Hinojosa, misrepresented their municipal advisory experience and failed to disclose conflicts of interests to their client, a local school district in South Texas.

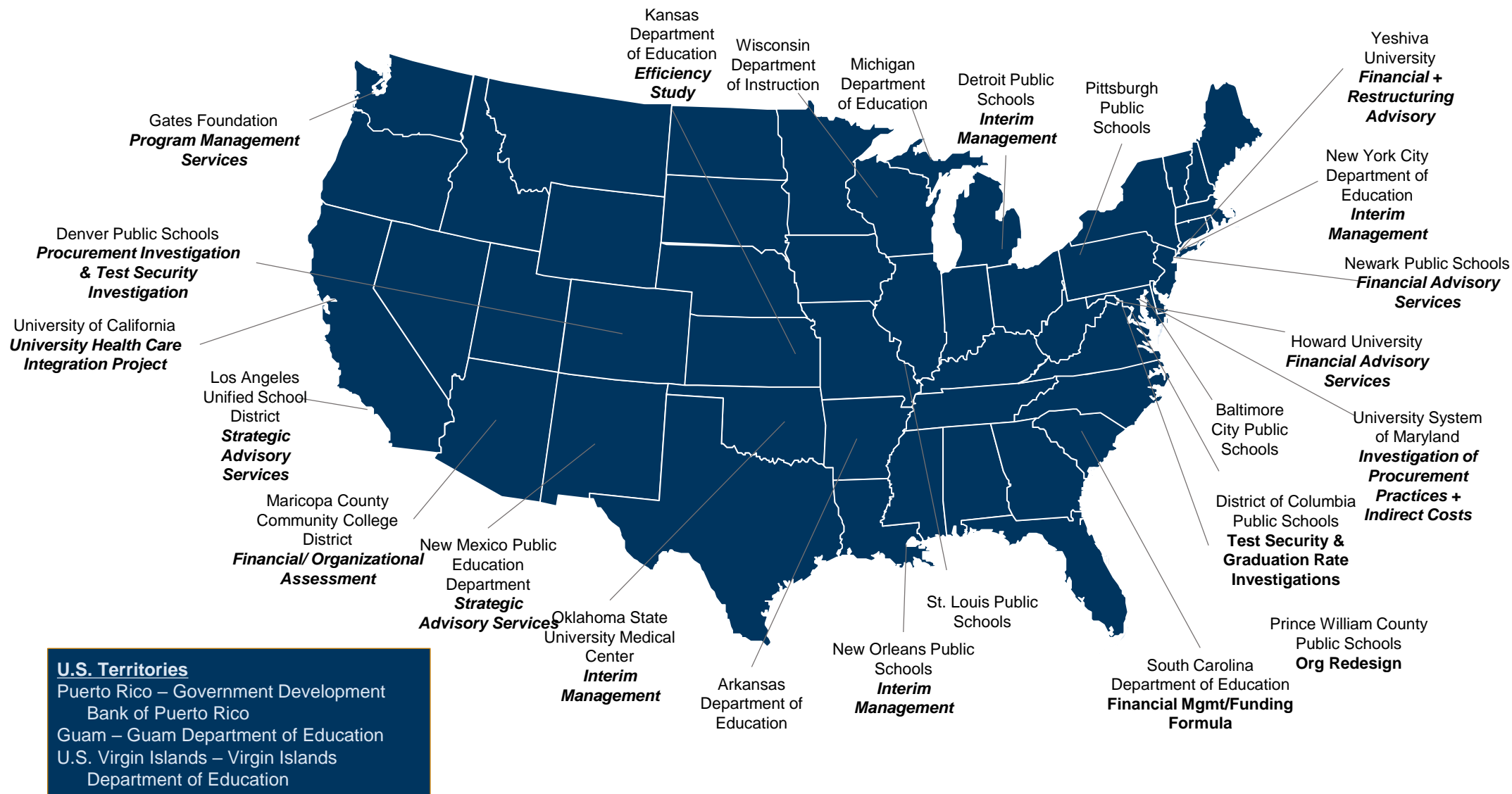
\$550,000 in disgorgement and penalties

The intersection of bond fraud and education...

# EDUCATION ENGAGEMENTS



# Representative Education Engagements





## SCHOOL INVESTIGATIONS

*A&M has worked on a number of school audits and investigations including state test security investigations, procurement fraud investigations, residency audits, and, most recently, graduation rate investigations.*

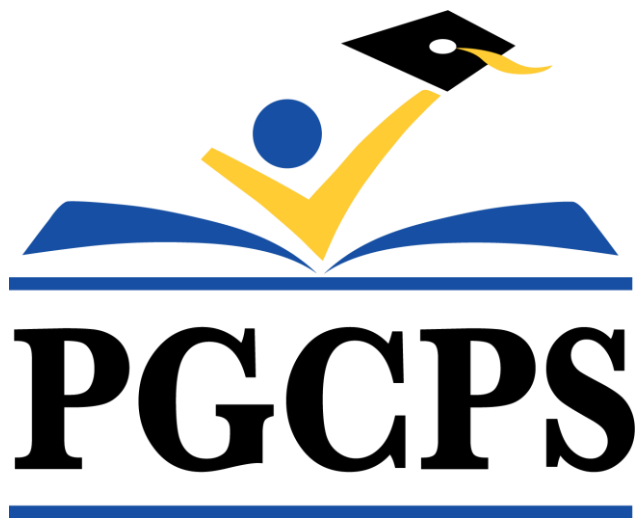
**District of Columbia Public Schools (DCPS)** – Test security investigations for DC Public and Charter Schools from 2011 – 2014. 2017 graduation rate audit.

**Prince George's County Public Schools (PGCPS)** – Maryland State Department of Education (MSDE) independent performance audit of 2016 and 2017 graduates.

**Denver Public Schools (DPS)** - Procurement investigation. State test security investigations.

**Newark Public Schools (NPS)** - Residency audit.

# HIGH SCHOOL GRADUATION RATE INVESTIGATIONS



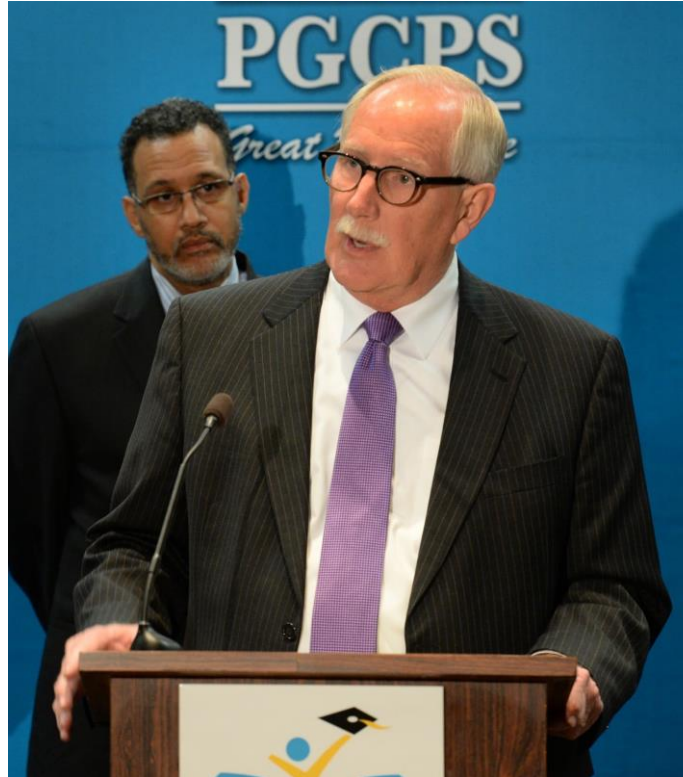
“Four members of Prince George’s County’s school board have urged Gov. Larry Hogan to order an investigation into what they allege is a systemic effort to fraudulently boost graduation rates in the Maryland school district.”

- washingtonpost.com



Past  
Student  
Member –  
No Picture  
Available

## Four school board members in Pr. George’s County allege fraud in graduation rates



Prince George’s County schools Chief Executive Kevin M. Maxwell, in front, is shown in a file photo. (Mark Gail/For The Washington Post)

# PGCPS – LETTER TO GOVERNOR HOGAN

May 30, 2017  
The Honorable Larry Hogan  
Governor of Maryland  
100 State Circle  
Annapolis, Maryland 21401

Dear Governor Hogan:

It is with disappointment that we inform you about widespread systemic corruption in Prince George's County Public Schools (PGCPS). Specifically, the altering of student credit counts and the changing of student grades in order to fraudulently boost the high school graduation rate from school year 2014 to present

Prince George's County Public Schools (PGCPS). Specifically, the altering of student credit counts and the changing of student grades in order to fraudulently boost the high school graduation rate from school year 2014 to present. This is a serious matter that has been ongoing since the summer of 2013. Dr. Maxwell's much touted signature on the diplomas issued to students in the summer of 2013 is a testament to the fact that this fraud was ongoing at the time.

Whistleblowers at almost every level in PGCPS have clear and convincing evidence that PGCPS has graduated hundreds of students who did not meet the Maryland State Department of Education graduation requirements. According to the testimony and evidence provided by these whistleblowers, this fraud and manipulation of student records has occurred both prior to and after graduation. Prior to graduation these actions have included: adding courses to a student's record that they did not take; changing student grades without the consent or knowledge of teachers; adding unearned student service learning hours to students' records to fulfill the requisite service hours. There also have been employees assigned to manipulate student records after students have been issued their diplomas in order to cover up this fraud.

These actions, which have occurred at the highest levels of the school system, have resulted in the issuance of diplomas to students who have not met the requirements for graduation. ...these actions have included: **adding courses to a student's record that they did not take; changing student grades without the consent or knowledge of teachers; adding unearned student service learning hours to students' records to fulfill the requisite service hours.** There also have been **employees assigned to manipulate student records after students have been issued their diplomas** in order to cover up this fraud.

We are contacting you to request that you direct the Maryland State Department of Education to launch an investigation into the Prince George's County graduation rate, including but not limited to seizing documents and creating a process so that whistleblowers, who are bravely providing this information, can come forward to provide information without retribution.

Please help us ensure accountability in PGCPS. We refuse to sit back and watch our system brand failure as success. The fate of PGCPS students is at stake. They deserve better. We stand ready to provide you or a designated proxy the details of the situation and appreciate your attention to this serious matter.

Regards,

Edward Burroughs, Member, Prince Georges County Board of Education  
David Murray, Member, Prince Georges County Board of Education  
Raaheela Ahmed, Member, Prince Georges County Board of Education  
Juwan Blocker, Student Member, Prince Georges County Board of Education

## PGCPS - BACKGROUND

PGCPS is the third largest school district in the Washington D.C. area, serving approximately 130,000 students. PGCPS graduates approximately 7,500 students from 28 high schools each school year. Between 2012 and 2016, PGCPS graduation rates increased over 8%.

### Graduation Rate

	Class of 2012	Class of 2013	Class of 2014	Class of 2015	Class of 2016
PGCPS Graduation Rate	73%	74%	77%	79%	81%

### Allegations

- Many community members and a minority of the Board of Education alleged widespread manipulation and fraud, including:
  - Grade and transcript manipulation
  - Graduating ineligible students
  - Improper use of makeup work and credit recovery
  - Intimidation of staff

### State Response

- The Maryland State Department of Education (MSDE) requested an independent audit of graduation rates for the 2015-16 and 2016-17 school years, including an assessment of related policies and procedures.

MSDE engaged A&M to assess the validity of allegations and provide recommendations for improvement.

## How A&M Got Involved

- MSDE issued an RFP to perform an audit and investigation of high school graduation rates
  - Joint effort between A&M's Disputes and Investigations and Public Sector practices
  - Highlighted previous investigative work for other school districts
  - Highlighted educational expertise
- A&M responded to RFP and was awarded the contract. Of the 5 finalists, MSDE rated A&M:
  - 1<sup>st</sup> in Technical Experience
  - 3<sup>rd</sup> in Price

# PGCPS - COMPLAINTS

## Complaint Statistics

A&M reviewed all complaints submitted to MSDE, PGCPS employees, and PGCPS board members. In addition, A&M established a confidential hotline and email box to field complaints and comments from individuals.

In total, A&M received 222 complaints from 107 individuals.

Individual Role	MSDE Records	Complaints Provided by Board Members	Hotline Email/ Phone	Total
Teacher Complaints	9	11	37	57
Student Complaints	1	0	0	1
Parent Complaints	0	4	6	10
Staff Complaints	0	14	6	20
Other Complaints	3	5	11	19
<b>Total Individuals</b>	<b>13</b>	<b>34</b>	<b>60</b>	<b>107</b>

Type of Complaint	Number of Recorded Complaints
Improper Grade Changes	74
Graduating Ineligible Students/Grading Procedure	36
Admin and Faculty Intimidation/Retaliation	29
General Mismanagement	16
Local Credit Recovery/Make-up Work	13
Absence/Tuancy related	11
Irrelevant-Request for Information	11
Credit Recovery Programs-District	7
Records Issue	7
Other	18
<b>Total</b>	<b>222</b>



**MSDE engaged A&M to assess the validity of allegations and provide recommendations for improvement.**

## **A&M's Role**

- To assess the validity of allegations and provide recommendations for improvement, A&M:
  - Reviewed authorities, policies, and procedures
  - Interviewed administrators, support staff, and faculty
  - Received, logged, and responded to complaints from over 145 individuals
  - Analyzed student grading system records, student transcript and attendance records
  - Tested a sample of 1,212 PGCPS students for 2015-16 and 2016-17 school years
  - Performed on-site investigations at all high schools
- A&M developed a comprehensive report, including district-wide and school-specific findings and recommendations

## PGCPS – INVESTIGATION FINDINGS

**MSDE engaged A&M to assess the validity of allegations and provide recommendations for improvement.**

- Policies and procedures lacked clarity and were not consistently implemented
- Recordkeeping was poor or absent for many students
- Many records exhibited irregularities
- Data analysis revealed late grade-changing to be widespread
- Sample analysis found:
  - 4.9% of students graduated with insufficient credits under MSDE requirements
  - 24.5% of students were affected by a grade change with limited or absent documentation
- A&M recommended policy clarifications, enhanced controls, and more accurate and trackable monitoring processes.

## FINANCIAL IMPACT - STATE AND LOCAL GOVERNMENTS

### **School Investigations can be costly to state and local governments**

- Cost to perform the investigation
  - Require significant resources to be completed
  - Time and effort of District personnel – interviews, assistance during site visits, disruption
  - Unbudgeted expenditures
- Costs associated with personnel remediation
  - Loudermill hearings
  - Severance costs
  - Personnel placed on paid administrative leave
  - Wrongful termination lawsuits brought by ex-employees against the government
  - Costs to hire new employees to fill vacancies created
- Risk of loss of Federal Funds
  - Potential impact of findings on Title I and other Federal funding

## FINANCIAL BENEFIT - STATE AND LOCAL GOVERNMENTS

### **School Investigations can be beneficial and save costs in the long term**

- Increased public trust in government
  - Allegations made and government takes action
  - Government creates action plan and takes steps to address areas of concern by putting recommended actions in place.
- Implementation of a compliance program to ensure that issues identified are addressed
- Reduced risk of litigation against government due to less issues

# HIGH SCHOOL GRADUATION RATE INVESTIGATIONS



DISTRICT OF COLUMBIA  
PUBLIC SCHOOLS

**“An investigation by WAMU and NPR has found that Ballou High School’s administration graduated dozens of students despite high rates of unexcused absences. ...The documents showed that half of the graduates missed more than three months of school last year, unexcused. One in five students was absent more than present — missing more than 90 days of school.”**

**- wamu.org**

### **What Really Happened At Ballou, The D.C. High School Where Every Senior Got Into College**



DCPS has touted Ballou’s graduation rate as a success story, but a WAMU/NPR investigation revealed that many students who graduated should have been held back.

**DCPS is the only school district nation's capitol, serving almost 49 thousand students in the Washington, DC Metropolitan region.**

### **Allegations**

- November 2017 media reports re Ballou High School. Specific allegations included:
  - Graduating students with extreme levels of absenteeism
  - Pressuring teachers to pass chronically absent students
  - Improper use of make-up work and credit recovery programs
  - Teachers receiving poor evaluations for failing to implement improper practices

### **State Response**

- The Office of the State Superintendent of Education (OSSE) requested an independent audit of graduation rates for the 16-17 school year, focusing on Ballou but encompassing all DCPS high schools, as well as an assessment of surrounding policies, procedures, and processes.



OSSE engaged A&M to conduct an audit and investigation to examine policy adherence and supporting grade and graduation data in DCPS high schools, with a specific focus on Ballou for the 2016-17 school year.

## How A&M Got Involved

- OSSE contacted A&M and sole sourced the work under an Emergency Contract
  - Media stories hit in late November 2017 and A&M was engaged by early December 2017
- A&M selected based on our highly publicized work for PGCPs only months prior and our previous DC CAS test security investigations performed for DCPS.

**OSSE engaged A&M to assess the validity of allegations and provide recommendations for improvement.**

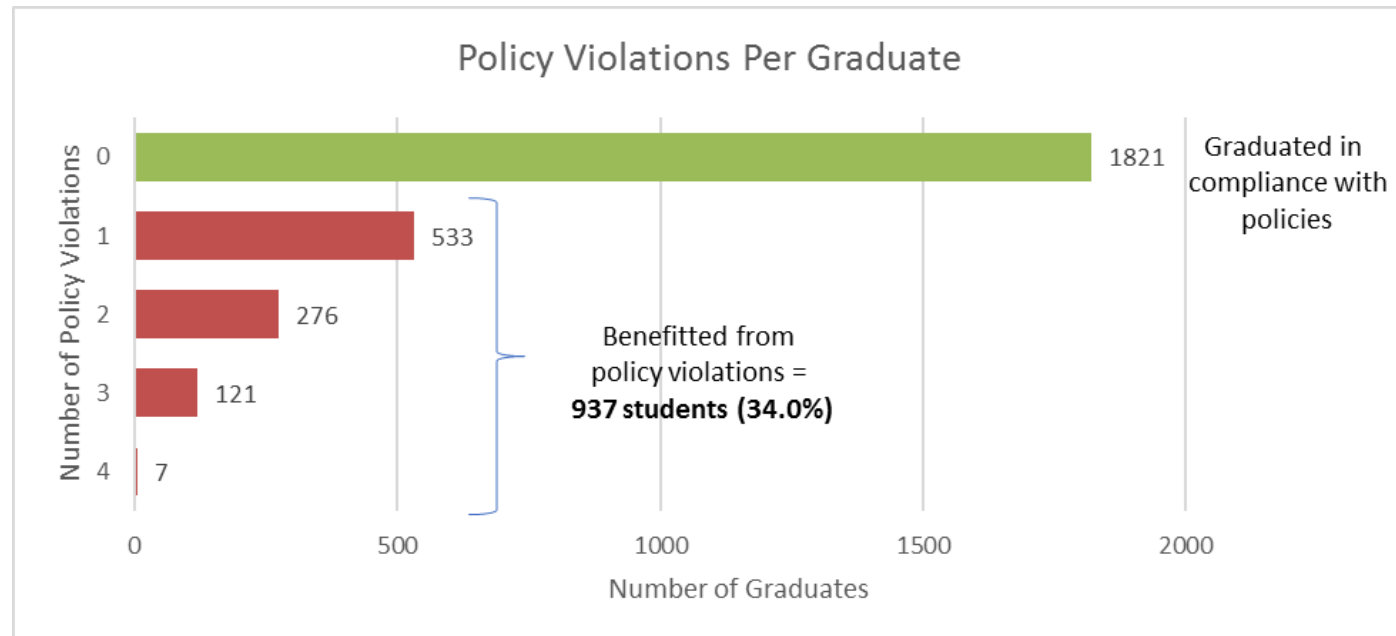
### **A&M's Role**

- To assess the validity of allegations and provide recommendations for improvement, A&M:
  - Reviewed authorities, policies, and procedures
  - Interviewed administrators, support staff, and faculty
  - Analyzed student grading system records, student transcript and attendance records
  - Reviewed school records all 177 Ballou HS graduates and a sample of 617 graduates from all other DCPS high schools
  - Performed on-site investigations at all high schools
- A&M developed a comprehensive report, including district-wide and school-specific findings and recommendations

# DCPS – INVESTIGATION FINDINGS

A&M's review identified that of the 2,758 SY16-17 DCPS graduates, 937 (34.0%) students graduated with the assistance of policy violations. These policy violations were found at all but two schools and occurred with greater frequency in schools that serve larger percentages of high need students (i.e., high poverty, English language learners, special education students).

Graduations Due to Policy Violations in SY16-17		
Total number of graduates	2,758	
	Count of Students*	% of Graduates
Passed Despite Excessive Absences in Regular Instruction Courses Required for Graduation	572	20.7%
Passed Despite Excessive Absences in Evening Credit Recovery Courses	423	15.3%
Passed Despite Excessive Absences in Daytime Credit Recovery Courses	34	1.2%
Credit Recovery Earned as an Original Credit	411	14.9%
Credit Recovery Earned Taken Concurrently with Original Credit Course	36	1.3%
<b>Total Graduations Due to Policy Violations</b>	<b>937</b>	<b>34.0%</b>
Total Graduations without Policy Violations	1,821	66.0%
*Count of students is not unique. Students may have more than one policy violation, so these counts cannot be added up. Total Graduations Due to Policy Violations is a count of unique students.		



## DCPS – INVESTIGATION FINDINGS

**A&M presented findings to OSSE in January 2018 in a publicly-released report.**

- Policies and procedures lacked clarity and were rarely followed.
- Lack of support and oversight from DCPS.
- Most DCPS high schools exhibited a culture of passing and graduating.
- Data analysis found:
  - 34.0% of students graduated with at least one policy violation, including 29.8% who passed courses despite excessive absences.
- A&M identified potential attendance record manipulation.
- A&M recommended policy clarifications, enhanced controls and oversight, and more accurate and trackable monitoring processes, which DCPS immediately started implementing.

# CONCLUSION



## CONCLUSION

**Oversight is  
Key to  
Ensuring the  
integrity of  
governments  
and school  
systems.**

- In Municipal Fraud Investigations and School Investigations, the overarching theme that leads to fraud or unintended issues is a lack of oversight. Policies and procedures are ineffective if they are not followed.
- States and local governments need to have accountability functions in place that ensure that policies and procedures are well-communicated and actively followed by all employees.
- The cost required to prevent issues is far less than the cost to clean up a mess (i.e., personnel costs, litigation costs, investigative costs etc.) after it has occurred.



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