



Audit of Non-District Resident Students Enrolled in Public Schools

September 30, 2013

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A Report by the Office of the District of Columbia Auditor
Yolanda Branche, District of Columbia Auditor



**OFFICE OF THE
DISTRICT OF
COLUMBIA AUDITOR
(ODCA)**

September 30, 2013

**Audit of Non-District Resident Students
Enrolled in Public Schools**

Why ODCA Did This Audit

The audit was conducted per the request of Ward 6 Councilmember Tommy Wells.

What ODCA Recommends

1. We recommend that OSSE work with schools to ensure all eligible resident students are enrolled before non-resident students in accordance with legal requirements.
2. We recommend that OSSE ensure tuition is calculated and deposited in accordance with statutory requirements.
3. We recommend that OSSE work with the schools to ensure that 1) there is only one District residency fraud hotline; 2) it is promoted in accordance with the law; and 3) investigations are addressed as required by law.
4. We recommend that OSSE comply with the Act and spend from the residency Fund to support timely investigations.
5. We recommend that OSSE incorporate additional internal controls to enhance the Program.

For more information regarding this report, please contact Anovia Daniels at Anovia.Daniels@dc.gov or 202-727-3600.

What ODCA Found

The Office of the State Superintendent of Education (OSSE) is charged with implementing portions of the requirements set forth in the D.C. Code pertaining to residency requirements and non-resident tuition. The Code establishes processes for annually verifying District residency of students, assessing non-District residents (non-residents) tuition, and reporting and investigating residency fraud allegations.

Overall, we found that OSSE complied with several requirements of the law; however, compliance can be strengthened. Specifically, we found that schools did not enroll all eligible resident students before non-residents and non-resident tuition was incorrectly calculated and deposited.

We further found that multiple fraud hotlines existed, OSSE's hotline was not promoted at the schools we tested, and all investigations performed and retroactive tuition resulting from investigations collected were not appropriately deposited into and disbursed from the OSSE Residency Fund. While we determined that the Program had components that were operating effectively, others could be strengthened by establishing additional internal controls. Specifically, we found that OSSE did not have program-related policies and procedures, and had minimal program monitoring.



Office of the District of Columbia Auditor

September 30, 2013

Council of the District of Columbia
Office of the State Superintendent of Education

Included herein is the District of Columbia Auditor's report entitled "Audit of Non-District Resident Students Enrolled in Public Schools." This review was conducted by request of Councilmember Wells. The objectives of this review was to examine the schools' compliance with certain requirements of the District of Columbia Public Schools and Public Charter School Student Residency Fraud Prevention Amendment Act of 2012 (Act) and its effects on student enrollment for School Year (SY) 2012-13, and to evaluate the process for enrolling students in the District of Columbia Public Schools (DCPS) and public charter schools (PCS).

Overall, we found that the Office of the State Superintendent of Education (OSSE) complied with several requirements of the law; however, compliance can be strengthened. Specifically, we found that schools did not enroll all eligible resident students before non-residents and non-resident tuition was incorrectly calculated and deposited. We further found that multiple fraud hotlines existed, OSSE's hotline was not promoted at the schools we tested, and all investigations performed and retroactive tuition resulting from investigations collected were not appropriately deposited into and disbursed from the OSSE Residency Fund. While we determined that the Program had components that were operating effectively, others could be strengthened by establishing additional internal controls.

We recognize that some provisions of the law, including the requirement of a hotline and the establishment of the Residency Fund, went into effect in May 2012, giving OSSE less than a year to fully implement the law during our audit scope. However, given the relatively young age of the Act, now is a good time to streamline processes and integrate internal controls and best practices to better ensure compliance. To that end, we believe that our recommendations will assist in building a stronger Program. OSSE should continue to obtain and incorporate stakeholder feedback, including valuable feedback we obtained from stakeholders during our fieldwork and included in Appendix One.

We would like to thank OSSE's staff for their assistance and cooperation during this audit. We also would like to thank representatives from DCPS, the Public Charter School Board (PCSB) and the Office of the Attorney General (OAG) that participated in our audit. All of their valuable time and efforts spent on providing us information was greatly appreciated.

Sincerely

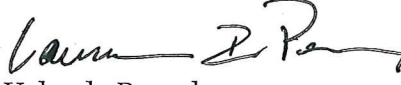
 , Deputy Auditor
cc: Yolanda Branche
District of Columbia Auditor

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Agency Accomplishments

The Office of the State Superintendent of Education (OSSE) provided the following list of accomplishments related to its School Year (SY) 2012-2013 residency and enrollment audit.

- **Enrollment Audit Stakeholders Working Group:** OSSE assembled an Enrollment Audit Stakeholders Working Group to serve in an advisory role. This working group allows Local Education Agency (LEA) representatives, community leaders and OSSE personnel to contribute ideas and recommendations, and act as a resource that continues to improve the residency/enrollment audit processes and outcomes.
- **Student Residency Fraud Prevention Hotline:** OSSE strongly encourages school-based staff, District residents, and families to report information regarding any non-resident student receiving District-funded public education free of charge. OSSE designated a phone line to receive tips of possible fraud. LEAs are informed that this information can be reported to the Student Residency Fraud Prevention Hotline at (202) 727-7224. This is a confidential tip hotline. Caller identification is anonymous.
- **Non-Resident Students from Audit Findings:** In the SY 2011-2012, the enrollment audit findings revealed 94 students to be referred to the Office Attorney General for possible residency fraud. In the SY 2012-2013, after reaching out to LEAs, OSSE decreased the amount for the year to 19 referrals.

Background

The mission of the Office of the State Superintendent of Education (OSSE) is to serve as the District of Columbia's State Education Agency (SEA), which "sets statewide policies, provides resources and support, and exercises accountability for ALL public education in DC."¹ To accomplish its mission, OSSE maintains the Statewide Longitudinal Education Data System (SLED) that seeks to be a "single, comprehensive repository of student and education-related data."² In addition to other information, SLED reflects the number of students – residents and non-residents – enrolled in District schools.

As of March 31, 2013, OSSE reported that the District of Columbia Public Schools (DCPS) had 124 schools with 46,416 total students (46,357 residents & 59 non-residents). There were 103 public charter school campuses with 33,484 total students (33,478 residents and 6 non-residents). Schools use their own databases to record student enrollment information. SLED receives data daily from various databases used by schools to record student information.

One of OSSE's responsibilities is to oversee the Local Education Agencies (LEAs). For example, DCPS is an LEA; however, its individual schools, such as Brightwood Elementary School, are considered various campuses not separate LEAs. DCPS has a central administration that manages processes for its campuses. Further, regarding public charter schools (PCS), each PCS functions as an independent LEA handling its own administration. In some cases, a PCS will have multiple campuses, e.g. Appletree Early Learning PCS has multiple campuses – Amidon, Columbia Heights, etc. – but each campus is not its own LEA. The Public Charter School Board (PCSB) provides some administrative support services to PCS, but it is not an LEA. For simplification, this report uses the term "schools" in place of "LEAs" or "campuses."

Additionally, OSSE is charged with implementing portions of the requirements set forth in the D.C. Code pertaining to residency requirements and non-resident tuition. The statutory requirement for non-resident students to pay tuition has existed since 1960 and was most recently amended by the District of Columbia Public Schools and Public Charter School Student Residency Fraud Prevention Amendment Act of 2012 (the Act). The Code establishes processes for annually verifying District residency of students,

¹ OSSE website, <http://osse.dc.gov/page/about-osse>

² OSSE website, <http://osse.dc.gov/service/statewide-longitudinal-education-data-system-sled>

assessing non-District residents (non-residents) tuition, and reporting and investigating residency fraud allegations. OSSE's role in carrying out those processes (the Program) is described in more detail below.

Residency Verification

The D.C. Code requires that residency verification happen *each year* for *each student* who is a District resident. It also states that the process be the same for all schools – both DCPS and PCS. This means that every year a student enrolls in school, their parent or sworn caregiver must provide the school with residency documentation – such as a paystub, proof of government financial assistance, certified District tax returns – this shows the family lives in the District.

Every year, each student must show documentation to prove District residency

To ensure that schools only accept valid residency documentation, OSSE creates and distributes a D.C. Residency Verification form along with guidelines for completing it. A school official at every school is to complete the form for every student. If the student's documentation satisfies the form's requirements, the school official is to sign the form.

These forms, along with a sample of students' documentation, are reviewed by an independent audit firm that OSSE contracts to conduct a headcount of the student body, as required annually by law. This headcount is how OSSE determines how many students to pay each school for students' education expenses, which is based on the Uniform Per Student Funding Formula (UPSFF). The audit firm alerts OSSE if a student's form or residency documentation is in question. OSSE then requests that schools obtain the necessary documentation from parents. OSSE is to refer students, for whom the school could not obtain the documentation, to the Office of the Attorney General (OAG), which has both a school residency investigator and attorney on staff. Figure 1 provides an overview of the annual residency verification process.

Figure 1



Non-Resident Tuition Assessment

The D.C. Code states that non-residents must pay OSSE tuition to attend a public school in the District. The tuition amount is based on the UPSFF, which varies based on a student's grade and any special services they require, such as special education. For example, the annual non-resident tuition for a 9th grade student in the SY 2012-13 was \$10,584. The D.C. Code also requires that non-resident tuition payments be deposited into the Student Residency Verification Fund (Residency Fund) administered by OSSE and used for residency enforcement activities.

On a related point, other provisions in the Code and D.C. Municipal Regulations mandate that schools may only enroll non-residents if there is sufficient space, that is, there are no District residents also trying to enroll in that school. Based on our interpretation of the law and regulations, a school that has a waitlist of District resident students waiting to enroll would be unable to enroll a non-resident.

Residency Fraud Hotline and Investigations of Tips

The law establishes a system to identify and address residency fraud. OSSE is required to operate a fraud hotline. A flyer, that includes the hotline's information, should be posted where enrollment takes place and in the principal's office. The law also requires that OSSE ensure schools investigate residency fraud tips. OSSE is to refer DCPS fraud tips to DCPS and those concerning PCS students to the PCS. In the SY 2012-13, DCPS had a Residency Office which conducted the investigations on behalf of its schools and PCSB conducted the investigations on behalf of public charter schools through a contracted investigation firm. Investigations involved internet research, including searching for out-of-state vehicle registrations and surveillance of the families' alleged and listed residences.

If the investigations find students to be non-residents, the families are to be given an opportunity to appeal the finding. If the family's appeal is dismissed and the investigation possesses strong evidence that the family knowingly provided false information when enrolling their children in school, the Act states that OSSE is to refer those cases to OAG. While there is no legal requirement upon a finding of non-residency that the student be automatically un-enrolled or prohibited from enrolling in the next school year, families face either a fine of up to \$2,000 or 90 days imprisonment.³ In addition, a family is required to pay tuition retroactively for the time the student was enrolled in school and not living in the District. This retroactive tuition would be due for *each student* enrolled in District schools – both PCS and DCPS – and for *each year* they were enrolled fraudulently as residents; which could add up to tens of thousands of

³ In interviews, OAG informed us that parents who knowingly file false residency documentation are also potentially liable for treble damages and penalties under the D.C. False Claims Act (D.C. Code §2-381.02.).

There are significant penalties for families who knowingly provide false residency documentation

dollars. According to the Act, any fines or retroactive tuition collected is also to be deposited in OSSE's Residency Fund.

Objectives, Scope and Methodology

Objectives

The audit was conducted per the request of Ward 6 Councilmember Tommy Wells. The objectives of this audit were to:

- Examine the schools' compliance with certain requirements of the District of Columbia Public Schools and Public Charter School Student Residency Fraud Prevention Amendment Act of 2012 (Act) and its effects on student enrollment for School Year (SY) 2012-13.
- Evaluate the process for enrolling students in the District of Columbia Public Schools (DCPS) and public charter schools (PCS).

Scope

The audit period covered the enrollment period for SY 2012-13, which was April 1, 2012 through March 31, 2013.

Methodology

To evaluate the process for enrolling students in DCPS and PCS, we conducted interviews, reviewed forms and guidance, and researched best practices. Specifically, we interviewed OSSE's Director of Federal Grants Compliance, General Counsel, Assistant Attorney General, Management Analyst, Data Analysis Manager, Project Director, and a Project Manager/Database Designer. We also interviewed DCPS's Residency Office Coordinator, Director of School Opening, and Supervisory Attorney General. Additionally, we spoke with PCSB's General Counsel and Operations Assistant and with staff at the Office of the Attorney General.

To examine schools' compliance with certain requirements of the Act, we reviewed relevant legal and regulatory requirements, including those found in the D.C. Official Code (D.C. Code) and District of Columbia Municipal Regulations (D.C.M.R.), placed calls to hotlines, and examined a sample of enrollment and investigation files. Specifically, we identified 70 non-resident students attending nine schools. We then identified six schools that had corresponding waitlist for the grades associated with registered non-resident students. In addition, we selected a random sample of 18 out of 70 non-resident student enrollment files to analyze their tuition agreement dates and payments to ensure the non-resident student

was enrolled after a waitlist was assessed and their tuition was properly deposited in the Residency Fund. We confirmed the hotline existed. We selected a random sample of 5 schools - 3 DCPS and 2 PCS - out of 269 to determine if the hotline flyer was posted. We also selected a random sample of 5 tips out of 81 tips received to determine whether they were referred for investigation and 20 investigations out of 281 to ensure investigations were performed. We then evaluated the residency verification process to ensure that it included key internal controls. Our fieldwork included researching similar efforts in neighboring jurisdictions and interviewing stakeholders such as parents, advocates, school staff, and organizations.

This audit did not closely examine the process of and compliance with residency verification for public school students or public school students that are sent to *non-public* schools for special education purposes; however, it is important to note that the annual enrollment audit commissioned by OSSE addressed these areas.

In addition, we did not rely on data provided by OSSE because we found the data to be unreliable. We encountered examples in which data was incomplete, was not accurate, or was conflicting with corroborating information. For example, while Statewide Longitudinal Education Data System (SLED) is supposed to be a complete record of student data,⁴ we found that SLED did not reflect the full number of non-residents enrolled. SLED listed 65 non-residents; while 70 non-residents were listed in DCPS's records for the same time period. Lastly, we were limited by the fact that BASIS PCS, one of the schools chosen for our sample, did not respond to our repeated requests for information about the enrollment of its non-resident students.

We conducted this audit in accordance with generally accepted government auditing standards. 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.

⁴ OSSE website, <http://osse.dc.gov/service/statewide-longitudinal-education-data-system-sled>

Audit Results

Overall, we found that the Office of the State Superintendent of Education (OSSE) complied with several requirements of the law; however, compliance can be strengthened. Specifically, we found that schools did not enroll all eligible resident students before non-residents and non-resident tuition was incorrectly calculated and deposited. We further found that multiple fraud hotlines existed, OSSE's hotline was not promoted, and all investigations performed and retroactive tuition resulting from investigations collected were not appropriately deposited into and disbursed from the OSSE Residency Fund. While we determined that the Program had components that were operating effectively, others could be strengthened by establishing additional internal controls. Specifically, we found that OSSE did not have program-related policies and procedures, and had minimal program monitoring.

We recognize that some provisions of the law, including the requirement of a hotline and the establishment of the Residency Fund, went into effect in May 2012, giving OSSE less than a year to fully implement the law during our audit scope. However, given the relatively young age of the Act, now is a good time to streamline processes and integrate internal controls and best practices to better ensure compliance. To that end, we believe the following recommendations will assist in building a stronger Program. OSSE should continue to obtain and incorporate stakeholder feedback, including valuable feedback we obtained from stakeholders during our fieldwork and included in Appendix One.

1. We recommend that OSSE work with schools to ensure all eligible resident students are enrolled before non-resident students in accordance with legal requirements.

The District's legal requirements state that District schools can enroll non-residents students if there is space at the school. However, we found that for various reasons, certain schools enrolled non-residents when they had District residents on their waitlists. OSSE stated that it was the schools' responsibility to handle non-resident enrollment and ensure that District resident students were not displaced.

The District has enacted laws and promulgated regulations addressing non-resident student enrollment. In terms of public charter school enrollment, the D.C. Code states, "enrollment in a public charter school shall be open to all students who are residents

of the District of Columbia and, if space is available, to non-resident students who meet the tuition requirement....”⁵ The D.C.M.R. states that “a non-resident student may be admitted to the D.C. Public Schools contingent upon the availability of space in the particular school or program to which admission is sought,” and that “admission priority shall be given to students who qualify as residents of the District of Columbia....”⁶ Therefore, it is well-settled in the D.C. Code and regulations that eligible District resident students shall be enrolled in schools before any non-resident students.

During our compliance testing, we determined that there were 70 non-resident students enrolled at nine schools - seven DCPS schools and two PCS. We sought to obtain the nine schools’ waitlists to determine if they included resident students for the non-resident students’ corresponding grade. We were only able to obtain waitlists for six schools, given two schools did not maintain waitlists (Duke Ellington School of the Arts & Benjamin Banneker Academic) and one did not respond to requests for their waitlist (BASIS PCS).⁷ Of the six schools that provided us with waitlists, we sampled 10 non-resident students to compare the details of their enrollment file against the schools’ waitlist. For the non-resident students sampled, we found that seven were enrolled in schools (five DCPS) where District residents were on waitlists, along with other non-residents, to enroll in the same grade at the school in which non-residents were enrolled. Figure 2 depicts the non-resident student analysis.

Certain schools enrolled non-residents when they had District residents on their waitlists

Figure 2

Non-Resident Student Analysis

No.	School Name	# Non-Resident Students	Waitlist Analysis Results
1	Duke Ellington School of the Arts (DCPS)	54	Unable to determine
2	BASIS Public Charter School (PCS)	3	Did not provide waitlist
3	Benjamin Banneker Academic (DCPS)	3	Unable to determine
4	Friendship – Collegiate Academy (PCS)	3	No residents on waitlist
5	Ludlow-Taylor (DCPS)	2	Residents on waitlist
6	School Without Walls (DCPS)	2	Residents on waitlist

⁵ D.C. Code § 38-1802.06

⁶ DCMR 5E-2006.3: ADMISSION OF NON-RESIDENT STUDENTS

⁷ As a specialized school, Ellington stated that it had its own process for selecting its students, which included the use of a “wait pool” of students for each of its separate arts majors, who undergo auditions, and interviews, to ensure that the needed performers were chosen to create full ensembles. BASIS PCS did not respond to our repeated requests for a waitlist, thus we cannot conclude whether a waitlist existed or contained District residents. As a specialized school, Banneker stated that it admitted the students who qualified and successfully completed the interview process.

7	Alice Deal (DCPS)	1	Residents on waitlist
8	John Eaton (DCPS)	1	Residents on waitlist
9	Miner (DCPS)	1	Residents on waitlist
Total		70	

It is important to note that most schools which enrolled non-resident students did not have processes in place to ensure that they complied with the legal requirement. For example, of the nine schools where non-residents were enrolled, only one had policies and procedures which stated that non-residents could only be enrolled if there was sufficient space in the school. This one school, however, did not have a formal process to verify that a space analysis was conducted.

Most schools that enrolled non-resident students did not have processes in place to ensure that they complied with the legal requirement

We reached out to District residents on the waitlists who were not accepted into the schools to learn how the waitlist experience impacted their child's enrollment process. Some were very discouraged by their experience. For example, one parent recounted that at one school there "was some confusion as to how many seats were available during this period of time," which contributed to her decision to enroll her son in a Maryland school. A different parent noted that they did not re-apply to the school the following year because the "waitlist is ridiculously long."

Subsequent to our testing, we met with OSSE to understand why certain resident students were not placed at their choice school over a non-resident student. OSSE stated that these legal requirements were not directed towards OSSE but directed towards the schools. DCPS acknowledged the issue and outlined corrective actions that it would take to avoid future occurrences. Nonetheless, we believe that if OSSE coordinates with all schools to ensure non-resident students are not enrolled before a resident student, a higher level of enrollment equity and assurance can be achieved.

2. We recommend that OSSE ensure tuition is calculated and deposited in accordance with statutory requirements.

A majority of non-resident tuition was not deposited in the correct fund

The D.C. Code requires that OSSE set the non-resident tuition amounts and that the tuition be deposited in the Residency Fund. However, we found that a number of non-resident students' tuition was incorrectly calculated and deposited. Through discussions with OSSE staff, they feel that communications were provided to schools; yet certain schools stated they were unclear. As a result, there was a lack of full compliance with the law.

During our fieldwork, OSSE provided us with the forms, audit enrollment handbook, training, and guidance that it provided to the schools for the enrollment process. However, we did not find sufficient guidance that clearly instructed schools how to consistently apply procedures to ensure non-residents pay tuition based upon the UPSFF according to a student's grade. We examined the tuition payments for a sample of 18 non-resident students and found that two public charter schools over-charged four non-resident students for tuition. We also found that 10 DCPS students' non-resident tuition, totaling \$79,094, was not deposited in the OSSE Residency Fund, as required, but was deposited into DCPS's Student Residency account.

DCPS students' non-resident tuition was not deposited in the OSSE Residency Fund, as required, but was deposited into DCPS's Student Residency account

While OSSE provided schools with various forms of communication and information and determined that the guidance was sufficient, certain schools tested did not believe that the guidance was sufficient as to the procedures needed to ensure an accurate calculation and deposit. As a result, there appeared to be inconsistencies, non-compliance, and frustration among the schools regarding how to perform the operations and be compliant. We believe that OSSE should ensure that the schools comply with the requirements of law by possibly enhancing communication through providing sufficient guidance, standard forms, and training. In addition, OSSE needs to ensure that all non-resident tuition inaccurately deposited in the DCPS Student Residency Fund gets accurately deposited into the OSSE Residency Fund.

Five out of the five schools we visited were not notifying parents and school staff about OSSE's Residency Fraud Hotline

3. We recommend that OSSE work with the schools to ensure that 1) there is only one District residency fraud hotline; 2) it is promoted in accordance with the law; and 3) investigations are addressed as required by law.

The D.C. Code requires OSSE to manage a residency fraud hotline and fraud investigations, including the referral of all residency fraud cases to OAG. The Act also requires that schools post flyers advertising OSSE's hotline where enrollment occurred and in the principal's office. Although OSSE did establish a hotline, we found that a number of schools did not post any OSSE hotline flyers and one school had different hotline flyers posted in at least two locations. Considering that there is not one single hotline, a number of tips received and investigations performed by DCPS and PCSB were unknown by OSSE.

In addition to OSSE's hotline, we learned through interviews that there were two additional hotlines operating in the District for reporting school residency fraud; DCPS operated its own hotline and PCSB accepted tips by phone and from its website. Further, we found during our unannounced visits to five schools – three DCPS and two PCS – that none were displaying OSSE's hotline flyer. On the contrary, one school was displaying flyers for the DCPS hotline as shown in Figure 3.

Figure 3 School Posting of DCPS Hotline Flyer

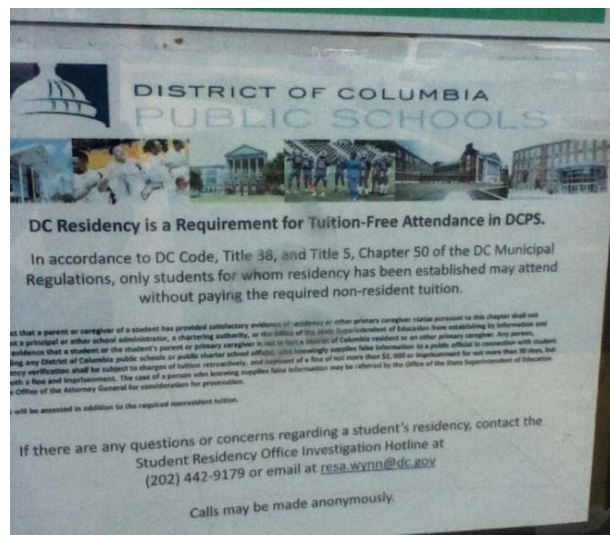


Photo of DCPS hotline flyer taken by the Auditor at a DCPS school

When we reached out to parent groups to determine the impact of the lack of compliance, they recommended that the OSSE hotline flyer be included in the enrollment packet for parents. They also stated that the hotline could be featured more prominently on the

websites of OSSE, DCPS, PCSB, and individual schools. Additionally, OSSE could create a web-based tip intake form similar to that used by PCSB.

According to OSSE, they did not believe that the additional hotlines presented a problem. DCPS and PCSB believed that the use of their hotlines were more efficient. However, OSSE did note that it would work to streamline tips and investigations. In addition, OSSE noted that schools should have been aware of the posting requirements of its hotline because they had informed them. However, during our school visits, there was a lack of staff awareness of the flyer posting requirements.

OSSE could not ensure that all residency fraud allegations were investigated

To determine if allegations were handled in accordance with the Act we reviewed 20 investigations – 11 DCPS and 9 PCS – and found that OSSE was informed of only 1 of the 7 closed investigations in our sample. We also found that while OSSE had not referred any cases to the OAG, DCPS referred at least one residency fraud case to the OAG without OSSE's knowledge. It is important to note that DCPS's independent investigations resulted in five families being assessed retroactive tuition, totaling \$66,406, of which \$5,430 was collected and again deposited in the DCPS Residency Fund account, not the Residency Fund maintained by OSSE, as required by the Act.

We believe that the primary reason OSSE was unaware of certain investigations was due to the multiple hotlines existing. Thus, a single hotline that is properly promoted is a key tool to prevent fraud, identify fraud and centralize fraud allegations.

Lack of investment in residency fraud investigations resulted in investigations on average taking longer than 100 days and in many cases more than 200 days

4. We recommend that OSSE comply with the Act and spend from the Residency Fund to support timely investigations.

Pursuant to law, the Residency Fund shall be used to fund enforcement activities concerning student residency verification. In addition, OSSE requested in communications to DCPS and PCS that an investigation be conducted within 30 days of tip referral. We found that the Residency Fund had not been used and OSSE did not have a budget for its planned use. We determined that investigations generally took between 100 and 200 days. As a result of the lack of investment in investigations, non-resident students may have taken educational opportunities from eligible resident students during the investigation period, which could extend into the subsequent school year.

In conjunction with our testing, our research revealed that the District's investigative staff to student ratio was weak when compared to certain jurisdictions. Particularly, one jurisdiction had 15 staff who investigated residency fraud for approximately 180,000 students and the other had 40 staff for approximately 150,000 students. It is important to note that in both cases the staff had other duties such as investigating student attendance; however, the staff to student ratio still outweighs the District's even after reducing the staff number in half. Figure 4 compares the student populations and investigative staff of the District and the two neighboring jurisdictions.

Figure 4

Comparison of Local Student Populations and Investigative Staff

Jurisdiction	# of Investigative Staff	# of Student Population
Neighboring School District A	15 (part-time)	~180,000
Neighboring School District B	40 (part-time)	~150,000
District of Columbia	DCPS: 1 (full-time) PCSB: contracted private investigator(s)	~46,000 DCPS ~33,000 PCS

The Residency Fund had not been used and OSSE did not have a budget for its planned use

OSSE noted that they have not used the Residency Fund because it was less than a year old. However, both PCSB and DCPS stated that it was impossible to conduct investigations within 30 days given their limited resources and staff relative to the number of allegations. DCPS had only one full-time investigator and PCSB contracted with an investigative firm on an as-needed basis.

We recommend that OSSE establish a budget to expend funds from the Residency Fund to support verification efforts such as investigations. Allowing the Residency Fund to accumulate and not be used for intended purposes, potentially increases the risk of noncompliance with the Act and decreases the Program's overall effectiveness and efficiency.

5. We recommend that OSSE incorporate additional internal controls to enhance the Program.

Internal controls help “government program managers achieve desired results through effective stewardship of public resources.”⁸ While we found that OSSE did have some controls in place such as supervision and segregation of duties, it could significantly improve the Program’s internal controls and operations by adopting formal policies and procedures (P&P) and increased monitoring.

OSSE did not have internal P&P to ensure compliance with legal and statutory requirements or to have strong internal controls

Policies and Procedures

Most compliant organizations have P&P in place that specifically address certain operations. Generally, the P&P are used to 1) clearly communicate the requirements of the applicable laws and regulations and 2) properly implement management’s authorizations concerning the applicable conduct. We found that OSSE did not have internal P&P to ensure compliance with legal and statutory requirements or to have strong internal controls. OSSE indicated that they planned to use the proposed regulations it drafted as P&P when they became implemented but will consider establishing internal operational procedures. We believe that the lack of implemented P&P created weak internal controls and significantly contributed to our findings of non-compliance with the legal requirements discussed in the previous recommendations.

OSSE was not conducting or directing schools to conduct random checks of student residency throughout the year

Monitoring

The Government Accountability Office (GAO) states that monitoring is a key internal control component. We found that OSSE could enhance its monitoring to increase compliance with the legal and statutory requirements. OSSE stated that the enrollment audit and hotline served as sufficient monitoring. We found, however, that additional tools to identify potential fraud were not being utilized.

Our review of the annual residency verification process revealed that students’ residency documentation could potentially be outdated by the beginning of the school year. Enrollment for the SY 2012-13 began on April 1, 2012 and was when parents began submitting residency documentation to schools for verification. Unless a hotline tip was received, families did not have to prove their residency again until April 2013, when enrollment began for the SY 2013-14. We found that OSSE was not conducting, or directing schools to conduct, random checks of student residency throughout the year. This best practice is something that several of the stakeholders that we spoke to – schools and parents – stated was necessary.

⁸ *Standards for Internal Control in the Federal Government*, Government Accountability Office, November 1999, p. 4.

There are multiple ways OSSE could improve monitoring of residency requirements

OSSE also was not using data analytics to identify potential fraud. For example, OSSE could have used SLED to see if the same District address was used for multiple families.⁹ Further, it could have selected a random sample of students' residency documentation to cross-check with data from another District agency such as the Office of Tax and Revenue which could ensure that the parent or caregiver was still paying District income taxes.

We also learned that some schools in neighboring jurisdictions used their regular mailings to parents as a way to verify residency. Mail that is returned to the school because it could not be delivered to the address provided by the parent would be referred for follow-up or an investigation. This same jurisdiction also reviewed student tardiness trends to identify potential non-residents, as it can be an indicator that a student is traveling from out of the area. Yet these were not formal processes required by OSSE.

We believe that OSSE can enhance its internal control environment by establishing additional methods to monitor compliance with legal and statutory requirements.

⁹ OSSE's independent enrollment audit firm and our office found weaknesses and inconsistencies in the student data contained in SLED. OSSE should implement the recommendations from the audit firm for improving data integrity.

Audit Results Summary

Our audit identified five recommendations that could strengthen OSSE's program. In order to ensure compliance with legislative requirements and management authorizations, we recommend that OSSE:

1. Work with schools to ensure all eligible resident students are enrolled before non-resident students in accordance with legal requirements;
2. Ensure tuition is calculated and deposited in accordance with the law;
3. Work with the schools to ensure that 1) there is only one District residency fraud hotline, 2) it is promoted in accordance with the law, and 3) investigations are performed in accordance with the law;
4. Comply with the legal requirements and spend from the Residency Fund to support timely investigations; and
5. Incorporate additional internal controls to enhance the Program.

Additionally, OSSE may benefit from reviewing Appendix One, which contains program enhancement ideas and requests for clarification from stakeholders whose feedback we solicited during our fieldwork.

Conclusion

Overall, we found that the Office of the State Superintendent of Education (OSSE) complied with several requirements of the law; however, compliance can be strengthened. Specifically, we found that schools did not enroll all eligible resident students before non-residents and non-resident tuition was incorrectly calculated and deposited. We further found that multiple fraud hotlines existed, OSSE's hotline was not promoted, and all investigations performed and retroactive tuition resulting from investigations collected were not appropriately deposited into and disbursed from the OSSE Residency Fund. While we determined that the Program had components that were operating effectively, others could be strengthened by establishing additional internal controls. Specifically, we found that OSSE did not have program-related policies and procedures, and had minimal program monitoring.

We formulated recommendations to address these weaknesses and strengthen the program, bearing in mind that the some provisions of the law, including the requirement of a hotline and the establishment of the Residency Fund, went into effect in May 2012, giving OSSE less than a year to fully implement the law during our audit scope. However, given the relatively young age of the Act, now is a good time to streamline processes and integrate internal controls and best practices to better ensure compliance.

We are pleased that OSSE has taken our recommendations into consideration and has already taken steps towards implementation regarding certain recommendations. However, OSSE did not agree with part two of Recommendation #2, "Ensure tuition is calculated and deposited in accordance with the law." Pursuant to D.C. Code § 38-312.02, OSSE is to administer the Student Residency Verification Fund. All payments pursuant to non-resident tuition shall be deposited into the Fund. Therefore, OSSE should ensure DCPS and PCS is compliant as part of their administrative responsibility.

OSSE also did not agree with the first part of Recommendation #3 that it "Work with the schools to ensure that 1) there is only one District residency fraud hotline..." D.C. Code § 38-312.01 mandates that OSSE establish a hotline and that DCPS and PCS post a sign notifying the public of the hotline.

It is the Auditor's opinion that the law only contemplates **one** hotline. We further believe that one hotline will decrease confusion and increase a centralized reporting and investigation process. To that end, OSSE should work with the schools to ensure compliance.

Sincerely,

Yolanda Branche, Deputy Auditor
for: Yolanda Branche
District of Columbia Auditor

Agency Response

On September 9, 2013, the Office of the District of Columbia Auditor submitted the draft report titled, “Audit of Non-District Resident Students Enrolled in Public Schools” for review and comment to the Office of the State Superintendent of Education (OSSE).

The Auditor received written comments from OSSE on September 23, 2013, including a copy of its Student Enrollment Audit Handbook, School Year 2013 – 2014. The OSSE response is included with this report. We did not include the full handbook, as it can be found on OSSE’s website: osse.dc.gov.



September 23, 2013

Ms. Yolanda Branche
District of Columbia Auditor
Office of the District of Columbia Auditor
717 14th Street NW, Suite 900
Washington, DC 20005

Dear Ms. Branche,

Attached for your review is the Office of the State Superintendent of Education's written responses to your September 9, 2013 draft report entitled, "Audit of Non-District Resident Students Enrolled in Public Schools." OSSE has responded to the five recommendations given in the report, and furthermore given explanation in detail to the recommendations. OSSE has taken all suggestions into consideration and is working diligently to continually enhance our residency and enrollment audit processes and procedures.

If you have any questions regarding OSSE's responses, please contact Dr. Unique Morris, Deputy Director of Office of Grants Management and Compliance at unique.morris@dc.gov or (202) 654-6108.

Sincerely,

Dr. Unique Morris
Deputy Director
Office of Grants Management and Compliance

Enclosure: Response to DC Auditor Report

Updated Enrollment Audit Handbook- SY 2013-2014



Office of the State Superintendent of Education

Response to Office of the District of Columbia Auditor Report:

Audit of Non-District Resident Students Enrolled in Public Schools

Prepared: September 23, 2013

Recommendation	Agency Agrees	Agency Disagrees
	Date Agency will Implement Recommendation	Alternative Recommendation
1. Work with schools to ensure all eligible students are enrolled before non-resident students in accordance with legal requirements.	OSSE works with all schools and LEAs to support in enrollment and residency efforts. This support is currently underway and on-going.	OSSE currently coordinates and provides ongoing guidance to all LEAs regarding student enrollment and non-resident admittance policies. OSSE does not have the capacity to conduct school-level monitoring to safeguard this process. <u>Alternative Recommendation:</u> OSSE continues to provide guidance on student enrollment to LEAs through the distribution of the Student Enrollment Audit Handbook, publishing new proposed regulations (under review) that give resident students priority in the enrollment process, monitoring, and on-site technical assistance sessions.
2. Ensure tuition is calculated and deposited in accordance with the law	OSSE agrees with the first part of this recommendation and will provide guidance and greater technical assistance to LEAs. As the report indicates, OSSE has collected nonresident tuition from LEAs. OSSE is developing a policy memo for	OSSE does not agree with the recommendation to become responsible for ensuring that student tuition is deposited in accordance with the law. While OSSE's policy memo will provide guidance regarding depositing payments, OSSE cannot ensure compliance by DCPS as OSSE does

	all LEAs with detailed guidance on procedures for tuition payment and receipt. This memo will include procedures for accepting and enrolling non-resident students and for calculating and obtaining students' tuition payments. OSSE will deliver this memo to LEAs within 30 days of submitting this report. Furthermore, these procedures are incorporated in the new proposed regulations (under review).	not have authority over DCPS's budget/cash flow processes. OSSE has notified all LEAs of the requirement that tuition payments be deposited into the OSSE Student Residency Verification Fund however, in the past, only the public charter school LEAs have been responsive. <u>Alternative Recommendation:</u> OSSE's policy memo will provide additional guidance to LEA(s) to encourage compliance with this recommendation. .
3. Work with schools to ensure that a. There is only one District residency fraud hotline b. It is promoted in accordance with the law c. Investigations are performed in accordance with the law	b. OSSE is clarifying the investigation process along with other issues relating to nonresident students c. OSSE is working to centralize residency investigations and ensure that our investigations are conducted, as required by the DC Residency Fraud Prevention Amendment Act of 2012 (DC Code 38-312.01).	a. OSSE is working to create one centralized point for residency fraud; DC Code 38-312.01 does not necessarily preclude LEA(s) from having their own hotline, as long as the LEA publicizes OSSE's as well.
4. Comply with the legal requirements and spend from the Residency Fund to support investigations	Since the new law took effect in May 2012, OSSE has strengthened non residency statutory mandates and continues to work collaboratively with all schools to ensure resident students have access to open spaces at schools. OSSE is working to strengthen	

	systems to ensure compliance with the residency law mandates, including appropriate actions following investigations.	
5. Incorporate additional internal controls to enhance the program	OSSE has reviewed the findings of the Report and will take into consideration recommendations as it revises its guidance, technical assistance and residency regulations. Currently, the regulations are in the final stages of review and will be proposed by the end of 2013.	

Auditor's Response to Agency Comments

The Auditor appreciates the comments provided by the Office of the State Superintendent of Education (OSSE). We are pleased to learn that OSSE is taking positive steps towards implementing some of the findings and recommendations presented in the report. While OSSE proposed alternative recommendations in disagreement with two of our recommendations, we believe our recommendations thoroughly considered OSSE's required role regarding student residency. Thus, OSSE should be prepared to carry out our recommendations to ensure compliance with the law.

Appendix One

Results of Auditor's Solicitation of Stakeholder Feedback on Residency Verification Processes to Better Facilitate Student Enrollment

As part of our audit, we reached out to stakeholders including, Parent Teacher Organizations/Associations, parents, parent advocates, and school registrars to gather data on how OSSE could ensure that the program facilitates enrollment rather than hinders it, as required by law. While some of these stakeholders thought the current system was working fine, some said it is not strong enough, or that the system was too labor-intensive for school staff conducting home visits. Additionally, some stakeholders indicated that the documentation process was time-consuming and antiquated. Despite their varying perspectives on the residency verification system, all stakeholders provided feedback for how the process can be improved including:

- Exploring the possibility that parents can electronically submit residency documentation;
- Exploring the possibility of instant residency verification through cross-checking with other District agencies such as the Office of Tax and Revenue;
- Holding round-table discussions on residency verification for stakeholders;
- Better publicizing cases of prosecutions for residency fraud;
- Additional training for school staff on how to identify fraudulent documents;
- Greater clarity for schools on how to make residency determinations for the large number of students whose parents are separated, or divorced but do not have legal documentation of custody arrangements
- Reviewing the form that contains the list of required proof of residency documents for relevance and clarity. For example, determining whether the form could better address:
 - Whether utility bills paid online that show proof of payment can be accepted;
 - Whether a paystub should require an additional supporting document because it is more vulnerable to

fraud, as the parent can provide their employer with a District address, but still have MD or VA taxes taken out;

- o Whether unemployment payments can be used to show proof of income; and
- o Whether Social Security income is accepted.

Reviewing and assessing stakeholder issues such as those stated above, can assist OSSE in effectively facilitating enrollment as required.