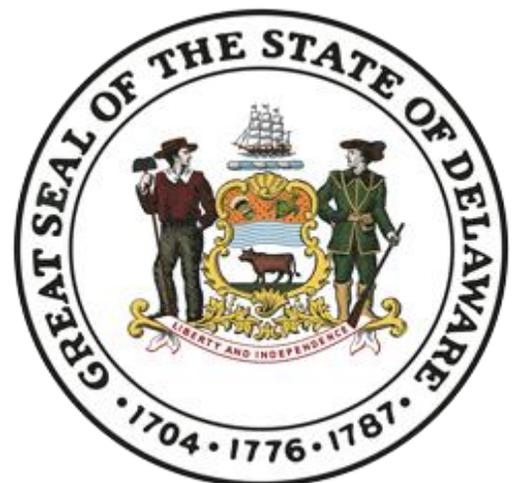


State of Delaware Office of Auditor of Accounts

Business, Industry, Education Alliance Special Investigation

Fieldwork End Date: March 1, 2012
Issuance Date: March 1, 2012

R. Thomas Wagner, Jr., CFE, CGFM, CICA
Auditor of Accounts





State of Delaware
Office of Auditor of Accounts
R. Thomas Wagner, Jr., CFE, CGFM, CICA

At a Glance

Working Hard to Protect YOUR Tax Dollars

Why We Did This Review

The Office of Auditor of Accounts (AOA) received the following allegations regarding the Delaware Business, Industry, Education Alliance (BIE):

- The Director of BIE incorrectly reports her time. She would come in late, leave early, and take long lunches.
- The Director had the State pay for her Rotary Club dues.
- Although the future of the agency is uncertain, the Director is spending more than \$11,000 on printing materials.
- BIE is reserving Perkins funds in a separate account that is not listed as part of the budget.

Background

BIE is a State-funded program under the Department of Education whose primary focus is to serve as the liaison between the educational and business community to implement free, educational programs for students in Delaware's public and charter schools.

This investigation was conducted in accordance with the President's Council on Integrity and Efficiency, *Quality Standards for Investigations*.

For further information on this release, please contact:

Kathleen O'Donnell
(302) 857-3919

Business, Industry, Education Alliance

What We Found

BIE closed on June 30, 2011 after the Governor recommended, and the Legislature passed, a cut to pass-through programs. Since BIE relied so heavily on funding from the State, they, unlike other entities that also suffered under the budget cuts, had to close their doors.

Our investigation into the allegations against BIE and its Director found three of the allegations to be unsubstantiated and another to be inconclusive.

The investigation did lead to the discovery of some administrative issues; most notably, all required board meetings were not held, and a detailed contract was never established for the Director.

During our investigation, we learned that staff at BIE had a history of alleging misconduct against Directors, not just the Director reviewed during this investigation.

Table of Contents

| | |
|-----------------------------|---|
| Background | 1 |
| Allegations and Conclusions | 2 |

Background

The Delaware Business, Industry, Education (BIE) Alliance operated as a pass-through program under the Department of Education (DOE) until June 30, 2011. BIE’s mission was to support education in the following manner:

- Serve as the liaison in building partnerships between business and education communities for Delaware School Districts.
- Create and implement classroom programs that address Performance Objectives of the Delaware Content Standards in Math, Science, Social Studies, English, Language Arts, and other subjects for students in grades Kindergarten through 12 (K-12).
- Create and implement programs that expand the knowledge of teachers and counselors through programs that address career opportunities available for their students and the skills required.
- Support classroom teachers’ curriculum by implementing programs that engage students in learning to achieve a successful future.

BIE received funding primarily through State funds, corporate grants and donations, and contractual services provided to school districts. The amount of funding received for Fiscal Year ended June 30, 2010 (Fiscal Year 2010) is reflected in the table below.

| Table 1: Delaware BIE Alliance Total Income Fiscal Year 2010 | |
|---|------------------|
| State Funds | \$258,200 |
| Corporate Grants and Donations | 4,500 |
| Contractual Services (School Districts) | 28,200 |
| Rebate (Copy Machine Purchase) | 150 |
| Carry-Over Fiscal Year 2009-Corporate Grants and Contractual Services | 173,220 |
| Carry-Over Fiscal Year 2009-Job Fair Account | 23,222 |
| Total Income | \$487,492 |

Faced with a budget deficit and an uncertain economic climate, the Governor recommended the elimination of all K-12 pass-through programs from the Fiscal Year 2011 operating budget. Although BIE survived being cut and received funds during Fiscal Year 2011, the Governor again recommended elimination of some K-12 pass-through programs from the Fiscal Year 2012 operating budget. The Fiscal Year 2012 Final Operating Budget Act did not provide funding for BIE and another K-12 pass-through entity.

The conclusion of the allegation is defined as follows:

- | | |
|--------------------------|--|
| Substantiated: | The allegation has been verified by competent evidence. |
| Partially Substantiated: | A portion of the allegation has been verified by competent evidence; however, competent evidence to verify the entire allegation could not be provided by the agency or obtained by AOA, or competent evidence was found to dispute a portion of the allegation. |
| Unsubstantiated: | Competent evidence was found to dispute the allegation. |
| Unable to Conclude: | Competent evidence to verify the allegation could not be provided by the agency or obtained by AOA. |

Allegations and Conclusions

In May 2010, the Office of Auditor of Accounts (AOA) received the following allegations:

Allegation #1 – Unable to Conclude

The Director of BIE incorrectly reported her time. She would come in late, leave early, and take long lunches.

Results of our Review

BIE's employment letter to the Director did not define specific contractual details such as standard work hours per week or what expenses were reimbursable to the Director. Further review of BIE board minutes revealed that the Board did not discuss the contractual details for the Director, making it difficult to determine the Board's intent. In addition, we found that the governing board failed to meet a minimum of two times during both Fiscal Years 2010 and 2011 as required¹.

Due to the lack of specific details regarding the Director's contract, we found no evidence supporting that the Director incorrectly reported her time. AOA did, however, discover a blank timesheet already signed by a board member, leaving an opportunity for the Director to submit hours without Board review or approval.

Additionally, a review of the Director's timesheets and mileage reimbursements uncovered three instances where the Director was incorrectly reimbursed for \$124 of mileage and tolls on days she did not submit time for, indicating that she did not work on those days. There was also one instance where the Director was reimbursed for mileage and tolls totaling \$44; however, we could not obtain the timesheet to verify that she submitted time worked that same day.

Allegation #2 - Unsubstantiated

The Director had the State pay for her Rotary Club dues.

Results of our Review

Per our review of the invoice received from The Rotary Club of Dover, dues were paid for BIE to become a member of the local chapter. The invoice was addressed to BIE and did not include any indication that it was for the Director's personal membership. AOA spoke with the former Board President of BIE, who had no recollection of any discussion of BIE becoming a member of The Rotary Club of Dover, but stated that there were various discussions in reference to the Rotary Club and its benefits, including networking opportunities to garner interest in BIE's programs and find new speakers.

Allegation #3 - Unsubstantiated

Although the future of the agency is uncertain, the Director is spending more than \$11,000 on printing materials.

Results of our Review

Based on a review of BIE's expenditures obtained from the State's accounting system for Fiscal Year 2010, we determined that BIE spent \$3,754.97 on supplies with printing vendors. That amount, even if it was for printing materials, is substantially less than the alleged \$11,000.

Allegation #4 - Unsubstantiated

BIE is reserving Perkins funds in a separate account that is not listed as part of the budget.

¹ 144th General Assembly, Section 366 of Senate Bill 300

Results of our Review

BIE stated that they could not determine the source of the funds received from the school districts in their appropriation. They did not receive any federal stipulations from the school districts or the Department of Education stating how to spend the funds; therefore, the money was not Perkins funds.

These accumulated funds served as a contingency fund for retirement payouts. Since BIE is not a State agency, they are not covered by the contingency fund established by the State and it is acceptable for them to reserve money on their own. BIE experienced a lack of sufficient funds to pay for a retirement in the past, so we feel that BIE made the appropriate choice when establishing a contingency fund.