



Richmond City Auditor

## **Office of the Inspector General**

*Fighting government waste, fraud and abuse.*

**Umesh Dalal, CPA, CIA, CIG**  
Richmond City Auditor/Inspector General

July 16, 2009

Honorable Members of the Richmond Public School Board  
Dr. Yvonne Brandon, Superintendent of Schools

### **Re: Investigation of embezzlement of funds from a federal grant**

#### ***Background***

During the Richmond Public Schools (RPS) grants administration audit, auditors noticed that “Even Start” federal grant funds of \$15,000 were used to procure 90 gift cards in various amounts. Auditors suspected misuse of funds and, accordingly, referred the case to the Office of the Inspector General. This investigation examined whether the gift cards were used for the grant’s purposes. In addition, the investigator verified the appropriateness of certain other expenditures reimbursed to the Program Coordinator out of the federal funds.

#### ***Legal Requirement***

In accordance with the Code of Virginia, §15.2-2511.2, the City Auditor is required to investigate all allegations received alleging fraud, waste and abuse. Accordingly, an investigation was initiated by the Inspector General’s Office.

### ***Purpose of the Even Start Grant***

This program targets low-income families for improving the academic achievement of parents and their young children, specifically in reading skills. The Even Start program has three goals:

1. To help parents improve their literacy or basic educational skills.
2. To help parents participate in educating their children.
3. To assist children in reaching their full potential as learners.

The United States Department of Education funded Even Start programs through the Virginia Department of Education (VDOE). VDOE allocated the funds on a competitive basis to school districts within the Commonwealth that had applied for the funds. In 2004, Richmond Public Schools (RPS) was awarded an Even Start grant that provided for yearly funding for the program. The RPS Even Start grant expired in 2008.

Funding for the Even Start program occurred on a cost-reimbursement basis. This means that RPS would fund the expenditure and then request the reimbursement from VDOE. Only costs necessary and reasonable to meet the objectives of the program were authorized for reimbursement. RPS employees received instructions and training specifically stating that the funds obtained under the Even Start program could not be used for personal benefit.

### ***Facts and Results***

The following are pertinent facts and the results of the investigation:

- RPS hired a Program Coordinator to manage the Even Start grant in August, 2005. A Grants Technician monitored the grants program including the Even Start grant. On June 22, 2007, the Grants Technician obtained a check for \$15,000 payable to a financial institution to purchase gift cards to be distributed as a reward to the program participants.

- The check was deposited in the personal account of the Grants Technician. The money was used to obtain 15 gift cards for \$750 and a card issuance fee of \$30. The Technician obtained a cashier's check drawn in favor of the Program Coordinator for \$14,220.
- The Program Coordinator deposited the check in her personal account and used the funds to obtain 75 gift cards for \$11,500 along with a card issuance fee of \$150 and withdrew cash of \$2,572 for personal use. During this process there was a bank error of \$2.
- The Investigator traced the amount spent using gift cards and identified that spending included several personal purchases at grocery stores, department stores, etc.
- The Investigator obtained appropriate documentation and identified that the cards were used by the Coordinator for herself or for the benefit of her relatives.
- During interviews, the Coordinator admitted the money was not used for the purposes of the Even Start program. She charged \$9,950 in gift cards for her or her relatives' benefit. Further investigation revealed that she was reimbursed for the following amounts:

<b>Date</b>	<b>Vendor Name Used</b>	<b>Amount Reimbursed</b>
2/1/2006	Catering Concepts	\$350.00
5/10/2006	Catering Concepts	\$400.00
7/25/2006	Simms and Co. Catering	\$250.00
10/27/2006	Happy Chef	\$250.00
1/13/2007	RSHT	\$150.00
4/20/2007	Western Union	\$53.27
7/10/2007	Thomas Green Photography	\$400.00
5/21/2008	Thomas Green Photography	\$375.00
	<b>Total</b>	<b>\$2,228.27</b>

The investigative procedures revealed that the Program Coordinator had submitted fraudulent invoices for the above reimbursements and embezzled the proceeds.

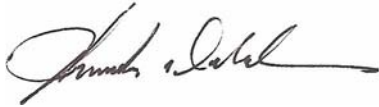
- In total, the money misappropriated by the Program Coordinator is summarized as follows:

Cash withdrawals	\$2,572
Gift cards used for personal use	\$9,950
Fraudulent reimbursements obtained	\$2,228
<b>Total</b>	<b>\$14,750</b>

- In August 2008 the Even Start program expired. The employment of the Program Coordinator was terminated effective that date. When confronted by law enforcement officers on April 29, 2009 about her handling of the Even Start funds, the Program Coordinator confessed to the misappropriation of the funds for her own benefit.
- During his work, the Investigator identified that Even Start funds were used for procuring \$10,000 worth of bus passes from GRTC. The purpose of this procurement was to provide means of transportation for the program participants to the program locations. The Program Coordinator could not produce any lists that identified the bus passes recipients. The passes were purchased on 6/26/07 for the program year ending in August 2007. Only 46 individuals participated in the program during that program year. During an interview, the Program Coordinator admitted that she distributed these passes to the program participants as well as non-participants. Paying bus fare for non-participants of the program is an unallowable expenditure. This situation led to the misuse of the grant funds.
- The \$15,000 check was issued without appropriate authorization from the Grant Manager. The internal controls over the grant's expenditures appeared to be weak. A detailed discussion about the internal controls in the grants process will be discussed in a separate report to be issued shortly by the City Auditor's Office.
- The Program Coordinator plead guilty to the above charges in federal court on July 14, 2009. She will be sentenced on October 13, 2009 and is facing maximum incarceration of up to 10 years and/or \$250,000 in fines. She will be required to pay restitution to the federal government for the amount she misappropriated.

The Office of the Inspector General appreciates the cooperation and assistance offered by the Federal Bureau of Investigations (FBI) and the United States Attorney's Office. Please call me if you have any questions or need additional information.

Sincerely,

A handwritten signature in cursive script, appearing to read "Umesh Dalal".

Umesh Dalal, CPA, CIA, CIG  
City Auditor/Inspector General

Cc: The Honorable Members of the Richmond City Council  
The Honorable Dwight Jones  
Byron Marshall, Chief Administrative Officer  
Chris Beschler, Deputy CAO Operations  
Suzette Denslow, Chief of Staff for the Mayor  
Daisy Weaver, Chief of Staff for the City Council