

EXECUTIVE SUMMARY

BACKGROUND

The Legislature appropriated \$250,000 in Section 104e, Public Act 143 of 2017 to the Michigan Department of Education (MDE) for the implementation of an assessment of digital literacy preparation pilot project for pupils enrolled in grades K to 8. Section 104e required that MDE allocate the funding to a local school district that has a partnership with a third party experienced in the assessment of digital literacy and the preparation of digital literacy skills.

The Office of the Auditor General's (OAG's) Fraud Investigative Services Team investigated MDE's process for awarding the Section 104e grant to a district and the district's ensuing contract award to a third-party vendor (Vendor A) after receiving allegations of conflicts of interest and potential improprieties.

INVESTIGATION CONCLUSIONS

1. We did not identify any MDE employees involved in the administration of this grant who had a conflict of interest with the district or Vendor A. However, we did identify a conflict of interest between a district employee, who was the de facto Section 104e contract manager, and Vendor A.
2. MDE did not sufficiently address irregularities with the development of the district's request for proposal (RFP), other conflicts of interest, and the district's process to score the vendors' bids.

The circumstances illustrated in this report demonstrate opportunities for MDE to improve its grants management procedures in order to better ensure fair and objective third-party vendor selection processes and identify potentially less-than-arm's-length transactions that may sully public perception regarding the appropriate use of State funding. Although several circumstances in this report resulted in Vendor A having an unfair advantage in the district's competitive selection process, our scope did not include and we did not conclude on the vendor's capacity to successfully carry out its contractual responsibilities.

MDE RESPONSE

MDE indicated that it agreed with the investigation conclusions and will clarify the responsibilities and procedures of the MDE Grants Coordination Unit and program office staff administering grants.