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Drug Education Money Scandal Exposed by Michigan Senate Investigating Committee

Michigan State Senate
Family Law, Mental Health and
Corrections Committee

Final Report
Michigan Department of
Education's Management of
Federal Drug Free Schools and
Communities Act Funds

Introduction

On October 12, 1993 the Senate Family Law, Mental Health, and Corrections Committee heard testimony from Michigan Office of Drug Control Director Robert Peterson regarding alarmingly high student drug use rates in Michigan and alleged mismanagement and misuse of federal drug education funds provided by the federal Drug Free Schools and Communities Act.

Director Peterson provided the Committee with a survey report by Western Michigan University with the findings of over 160,000 eighth, tenth, and twelfth graders surveyed from across the state. These findings clearly demonstrate that these 160,000 students were using nearly every drug surveyed at rates exceeding national averages. In fact, for drugs like marijuana and inhalants, use was two times the national average. Subsequent surveys, including that of the 1993-94 school year, consistently confirm these alarmingly high drug use rates among Michigan youth.

While Director Peterson did not blame any single cause for drug use rates among Michigan youth, his testimony did provide shocking statements regarding the use and misuse of federal drug education funds in our state. Director Peterson provided state and federal audit reports and extensive documentation amounting to thousands of pages in support of his concerns and allegations. These documents and testimony from all sides were reviewed by the Committee.

The State Department of Education testified that the state's primary vehicle of drug prevention is the state developed health program, the Michigan Model for Comprehensive School Health. The effectiveness of this K-8 program on our children's health and in preventing drug use was never evaluated despite investing over \$35 million of our children's drug education funds into its development and promotion. This Committee has avoided delving into the controversial ideological and political aspects of the health program.

On an objective basis, this Committee cannot fail to note that over one million students were exposed to this program and that the eighth and tenth grade students who now reflect record drug use

The Michigan State Senate has exposed a giant scandal in the use of federal anti-drug funds by the Michigan State Department of Education. The Senate Family Law, Mental Health and Corrections Committee reported that state bureaucrats illegally diverted millions of dollars of federal anti-drug funds into pressuring local school districts to use the controversial health, sex and psychological curriculum called the "Michigan Model." This diversion of funds included a variety of unethical actions in the granting of contracts, conflicts of interest, double-dipping by state employees, markups on materials, and unnecessary payments to high-priced consultants and friends of the bureaucracy, plus a massive attempt to cover up these actions. This diversion of funds also included an organized campaign to discredit and intimidate parents by keeping files on parents, making photos and videos of them, training coordinators how to "handle" parents, having a computer bulletin board to exchange information on parents, labeling them with epithets, and inviting People for the American Way to assist in the anti-parent campaign.

This entire issue of *Education Reporter* is an excerpt from the lengthy Senate Committee report. See *Education Reporter* of October and November 1992 for the text of another Michigan Senate committee report that exposed the objectionable content of the "Michigan Model."



Senator Jack Welborn
Committee Chairman

rates in Michigan are among the first classes of students who received their primary drug prevention education through the Michigan Model beginning in kindergarten. Michigan 8th graders are using inhalants and marijuana at twice the national average. Especially alarming is that inhalant lessons were not taught at all and although federal guidelines recommend teaching about marijuana by grade three, the topic is only touched on in grade 7.

Responding to allegations that the State Department of Education and the State Board of Education mismanaged and wasted anti-drug funds and might be in violation of the federal regulations governing the state's use of these funds and that such misuse may be contributing to Michigan's high drug abuse rates among youth, the Senate Committee pursued a subsequent in-depth investigation. The time line for review by the Senate Family Law, Mental Health and Corrections Committee was January 1, 1987 through December 30, 1994.

The Senate Family Law, Mental Health and Corrections Committee conducted hearings on the misuse of federal Drug Free Schools and Communities Act funds on October 12 and 19; November 18; and, December 2 of 1993, and October 5, 1994.

Findings and Recommendations

I. Was local school district choice of drug prevention programming illegally limited and were local school districts misled regarding the purpose of federal drug education funds?

The Committee agrees with the state auditor general, the U.S. Department of Education, and the Michigan Office of Drug Control Policy (ODCP) and finds that the Michigan Department of Education (MDE) improperly limited local school district choice for using Federal Drug Free Schools and Communities Act (DFSCA) funds for drug prevention.

The fact that the number of local schools directly funded *quadrupled* once administration of federal drug funds was transferred from MDE to the ODCP is strong indication that local school choice and control of funds had been suppressed.

The Committee finds that MDE misled local schools early on by linking federal drug prevention funds with non-existent health education requirements and purposes.

Local schools did sign drug free school funds over to regional health consortia, but with limited choice, lack of accurate information, misinformation, and pressure by the state, in many cases this choice was not

informed or without coercion.

The Committee finds it unlikely that local teachers, parents, law enforcement, and school administrators would freely direct nearly all of the funds intended to keep their children off of drugs to expensive general health materials. For example, in the Marquette-Alger area, budget documents reveal that of \$77,000 available for drug education one year, \$74,000 was spent on Michigan Model health materials, and in the next year \$95,000 of \$100,000 was spent on general health materials (such as giant plastic toothbrushes and teeth). The Committee finds it far more likely that a regional Michigan Model coordinator would spend drug prevention funds this way, than local school principals, teachers, parents, and law enforcement officials.

Minutes from the Michigan Model State Steering Committee (MMSSC) also demonstrate state control over federal drug education funds through regional Michigan Model coordinators and the Michigan Model State Steering Committee. As early as 1988, the MMSSC directed federal drug funds to the Michigan Model. For example, the January, 1988 MMSSC minutes include the following entry:

"The federal budget has been passed with an increase of 18.9% (\$1.2 million) in the funding for Drug-Free Schools. Rick suggested that the steering committee use this as an increase in FY-89.... The steering committee agreed to carry over the money."

MDE officials argue that the fact that nearly all school districts signed their drug prevention funds over to Michigan Model regional coordinators proves that this was a unanimous free will decision. The Committee finds that the wide diversity and unique needs in different communities and schools statewide do not make unanimous voluntary informed local choice for the same single state run health program likely. It is also unlikely that Michigan's local school superintendents are so outside the national norm that only 3% of them would elect local control of prevention funds, as opposed to 68% of their colleagues nationally.

The Committee is concerned about the extent to which funds are still controlled by individuals who serve as both drug free school and Michigan Model coordinators and perceives a potential conflict of interest could exist in some regions. The Committee also is concerned about allegations of instances in which pressure was exerted by regional coordinators to keep local districts from receiving direct drug prevention funding by warning of audit risks or threatening to withdraw or charge excessive fees for health curriculum and other services. These funds were returned to the direction of the same state department of education

How the Education Bureaucrats Connived to Change the Law and Avoid Prosecution for Their Misdeeds

In Michigan alone, \$57 million of federal Drug-Free Schools and Communities Act (DFSCA) funds entered the state between 1987 and 1994. Instead of complying with specific federal regulations, these funds were illegally used to bankroll the state-authored comprehensive health and sex education program called the "Michigan Model." The state's own empirical data show that Michigan children now use illicit drugs 200 to 300% more than the rest of the country. As a result of the diversion of these funds, hundreds of children have died and thousands more are addicted to drugs. Adolescent (14-19 yrs) AIDS cases directly related to drug use have jumped 6% since 1987. Sexually transmitted diseases among the 10 to 19-year-olds have jumped to all-time levels, and the fastest growing group of HIV-infected persons is the 20-24 year-olds, who are the first term graduates of Michigan's failed comprehensive health education program.

Two Michigan State Senate investigations and four State Auditor General audits (disclosing significant irregularities and misuse of DFSCA funds) have been conducted. Appeals from Michigan's own Director of Drug Control Policy, Robert E. Peterson, before numerous state legislative committees have been conducted. But the education bureaucrats who spend the taxpayers' money and control public school curricula have so far been able to protect themselves from prosecution or even censure.

In 1986 Congress was very specific about the use of DFSCA funds. Congress directed that these funds be used **only** for drug prevention education or those parts of health curricula that specifically deal with drug prevention education. The House Education and Labor Committee, chaired until Jan. 3, 1995, by Michigan's 18-term Congressman William Ford, is responsible for oversight of the federal DFSCA funds.

Under Ford's direction, Congress passed H.R. 6 on October 5, 1994. This bill reauthorized six years of continued monies, despite ample evidence of fraudulent use. There was one significant change. Congressman Ford inserted one short paragraph which legalized the previous illegal use of DFSCA monies and granted immunity to those guilty of past illegal actions. Here is the paragraph that attempts to protect Michigan school bureaucrats from criminal prosecution.

"(d) ADMINISTRATIVE PROVISIONS.—Notwithstanding any other provision of funds expended prior to July 1, 1995, under part B of the Drug Free Schools and Communities Act of 1986 (as in effect prior to enactment of the Improving America's Schools Act), the support of a comprehensive school health program shall be deemed to have been authorized by part B of such Act."

The above language change was designed to protect from prosecution those who had illegally used the funds and to protect the state of Michigan from being ordered to repay monies to the federal government. Congressman Ford was lobbied by Michigan Department of Education officials. Once the language was inserted, Congressman Ford worked in tandem with the chairman of the Rules Committee for two rather unusual modifications of the House procedural rules.

The first was in February 1994 when Ford requested and received from the Rules Committee a modified open rule on H.R. 6 that required all amendments to be printed in the *Congressional Record*. That ensured that no language could be inserted or removed without his knowledge. The second was Congressman Ford's September request of the Rules Committee to invoke House Resolution 556 waiving the 3-day-layover requirement for conference reports. This made sure that no one in the House would have time either to read the conference report or to hear it read prior to voting. In the September 30, 1994 *Congressional Record*, Congressman Gerald Solomon (R-NY) states,

"I asked him [Ford] why we needed to waive the 3-day-layover requirement. If we wait until Monday to vote on this conference report, the chairman [Ford] said, we would be flooded with phone calls on Monday morning when people found out what it really does. That testimony yesterday was the second day in a row that the Committee on Rules was asked by a chairman [Ford] to waive a 3-day rule for a conference report on the grounds they did not want there to be time for people to learn what was in their bills, for fear that opposition would mount. I always thought that our system of government was dependent on an informed citizenry. Now we are being told we cannot even afford to have informed representatives before we make decisions on massive bills costing billions of dollars like this."

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officials responsible for prior audit exceptions.

The Committee believes that local schools should make determinations on how to administer DFSCA funds and select programming based on local needs, community input, and the best interest of local students.

II. Did a small group of state employees secretly control, direct and guide DFSCA funds, grants, and contracts without proper authorization and oversight?

The Committee finds that state education and health department officials were not candid with the committee and misrepresented the role of the steering committee in a deliberate attempt to cover up the committee's role in directing, controlling, and guiding DFSCA grants, contracts, and funds.

The Committee finds that steering committee members engaged in highly questionable revenue generating schemes through mark ups on health materials without proper authority or oversight or reporting to the legislature of revenues generated that were controlled by state employees.

The Committee finds that the state departments of education and health failed to supervise and oversee the activities of members of the steering committee and to investigate improper actions or initiate disciplinary actions.

The Committee finds that legislative and executive branch contract and grant regulations and laws were subverted by the MMSSC practice of having CMU serve as a middle man to write contracts between state employees and individual contractors selected without competitive bidding or state authorization.

The Committee finds ample evidence in MMSSC minutes to support ODCP Director Peterson's concerns about the steering committee's control and direction over consultant fees, contract and grant funds, copyrights and royalties, vendor and consultant selection, and regional coordinator use of over \$30 million in DFSCA funds.

The Committee further finds that the attorney general and auditor general should thoroughly examine the financial and income records and relationship between key Michigan Model coordinators, steering committee members, CMU, and the vendors and contractors who profited

most from the Michigan Model materials and development.

The Committee was misled by representatives of the departments of health and education even when state employees were confronted with clear evidence contradicting their position. This attempt to deny the evidence exhibited in legal contracts and written meeting minutes was a low point in the history of legislative relations with these departments. More disturbing was the support given to those responsible for past steering committee action by current administration officials.

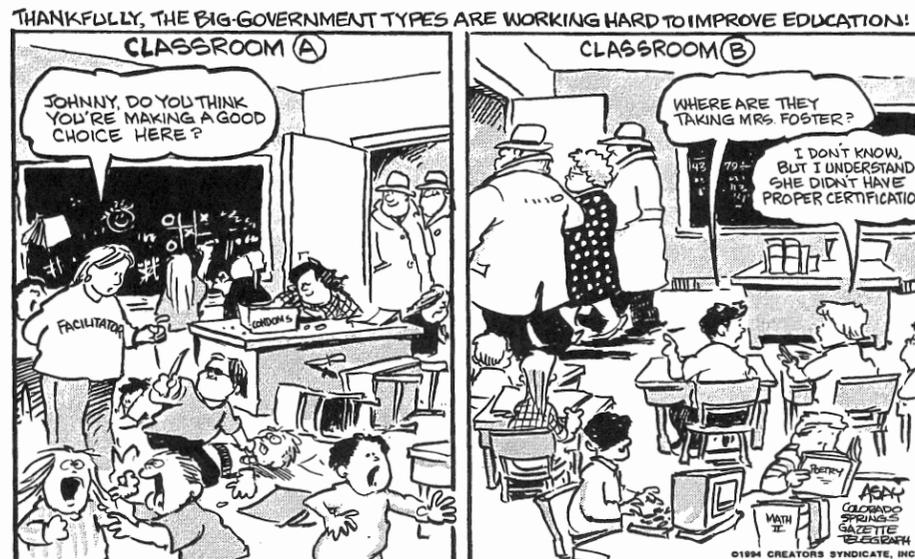
Of particular concern to the Committee is that this lack of oversight and accountability opens up the potential for kick back and embezzlement schemes to go undetected. The Committee did not find that such schemes existed, nor could the Committee rule them out. For example, a materials vendor could make hundreds of thousands of dollars in profits if his or her materials were included as part of the Michigan Model program. One or two steering committee members could exert considerable influence to determine if that material was to be included. We have no idea of the relationship between these vendors and contractors and the state employees making significant fiscal decisions. For the most part these decisions were made behind closed doors and at breakfast club meetings. The officials responsible deny that they ever even made such decisions or exercised such power despite overwhelming evidence to the contrary.

III. Were there conflicts of interest and double-dipping among state and local drug fund decision-makers?

The Committee finds that state steering committee members who were officers of organizations that were recommended for and received grants, had a potential conflict of interest and should not have been involved in these projects.

The Committee finds that out-of-state private consulting and fee setting by state employees to be highly improper and that further investigation into income and travel records is warranted by the attorney general and auditor general.

The Committee finds that adequate controls are not in place over private consulting activity of state and regional and local Michigan Model coordinators and that use of drug prevention funds for consultant



should require identification of all consultants, purposes, and fees paid.

It is apparent that the flow of drug prevention funds to the State of Michigan has increased the personal income of some Michigan Model coordinators, contractors, and vendors. The department of education may argue that outside consulting by education employees is a common practice, but there is no doubt that if not for the availability of federal drug prevention funds, many of these opportunities for personal consulting fees and contracts would not have been created.

The few examples reviewed by this Committee are troublesome. What is to prevent Michigan Model coordinators from exchanging consulting work with one another to supplement one another's income? How can one be certain that consulting work only transpired during time off and off work premises? Are regional superintendents and school boards aware of the private consulting arrangements of Michigan Model coordinators? Do state employees report all outside income for consulting directly related to their official duties?

Most employees are free to engage in business opportunities off the job. The conflict arises when job duties and private consulting tasks are interrelated and paid for with the same federal funds. A further conflict arises when one's public work colleagues have the power to grant one another private consulting contracts with public funds.

While the education establishment may not perceive the potential conflicts and problems with these arrangements, the Committee agrees with the Office of Drug Control Policy and the auditor general that these issues raise serious concerns.

The Committee has found that the state employees in a position to benefit most from out of state consulting to be less than candid with the Committee on other issues. The Committee is not convinced that an out-of-state private consulting fee schedule was developed just in case it was needed. A confidential investigation by law enforcement authorities of travel and reimbursement records would clarify matters.

IV. Were federal funds for drug prevention diverted to other activity in possible violation of federal law?

The Committee finds that federal Drug Free School and Community Act funds were diverted to activity not related to drug prevention and other highly questionable and wasteful activity.

ODCP Director Peterson estimated that \$32 million of federal drug education funds were diverted to underwrite the development and expansion of the state authored, controversial school health education program, called the Michigan Model for Comprehensive School Health. This included over \$10 million dollars in federal DFSCA funds expended on general health education materials through Central Michigan University's Michigan Model Materials distribution center. These figures were not contested.

Federal law is clear that only the drug

prevention portion of a comprehensive health program may be funded with federal DFSCA funds. The state auditor general cited the department of education for using federal drug prevention funds to support non-drug related portions of the health program. The department of education claims that 3/4 (74%) of general health lessons are drug related. The auditor and the Office of Drug Control Policy contend that the proportion of lessons related to drug prevention are under 60%. Budget documentation reveals that some regions spent 100% of their drug prevention funds on the health curriculum.

Specifically, it was alleged that federal drug prevention funds were improperly utilized to support the following activity:

- High priced sex education consultants and other consultants and training
- A computer bulletin board for personal

were expended, they merely argued that such expenditures were legal. Even if some of these expenditures were technically legal, in many cases they were excessive, wasteful, and have no apparent impact on preventing drug use among students.

The lack of concern by the department and small percentage of funds ever reaching local schools, students, and parents is appalling. Instead of funding counselors, student and parent groups, and diverse school-community prevention approaches, regional bureaucracies and administrative overhead costs grew and expensive consultants were hired for training unrelated to drug education.

Even if the department of education believes that spending \$3,700 on dog bone kits or \$82,000 on plastic toothbrushes and teeth was a wise use of our children's drug education funds, it does not justify this out-

V. Were federal drug free school funds mismanaged and were federal and state regulations and/or laws violated?

The Committee finds a history of poor grant management and oversight by the department of education is evident and that critical records are missing or were never maintained.

The Committee finds that further audit and possible attorney general investigation should be undertaken on EDC, Cheboygan computer grants, and a sample of other grants and contracts to determine if contract conditions were ever met and whether funds were legally expended.

The Committee finds that greater accountability for public funds granted to the department of education must be instituted by the legislature and an inspector general's office should be considered.

The Committee finds that regional and local subrecipients should be held to greater accountability standards for use of public funds.

The legislature and the public should be able to trace how every dollar of public funds was spent by educational agencies. Files and records should reflect exactly what was funded, competitive grant systems, and include a final report on exactly what was accomplished with the funds. This is especially critical with funds intended to help keep our children off of drugs. The cavalier and careless fashion in which these funds were administered, is a poor example to youth and parents statewide.

VI. Did the state use drug free school funds to create Michigan Model promotional material and aid a campaign against parents concerned about the health program?

The Committee finds that federal drug education funds were utilized to promote the Michigan Model health program and to lobby for program support and counter parents opposed to the health program.

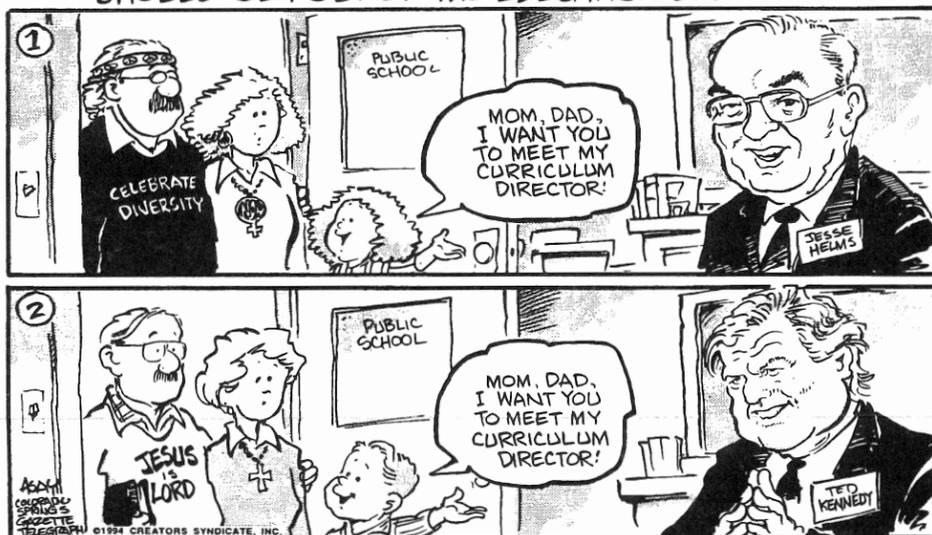
The Committee finds that the \$946,000 emergency grant program was mismanaged by the department of education and that adequate fiscal and program records were not kept.

The Committee finds that use of federal drug funds for the Michigan Model parent booklet, "Good For You," was excessive and questions the \$120,000 cost for the prototype, the lack of competitive bidding for this grant, and the relationship of most of this booklet to preventing drug use among youth.

The Committee finds that an abuse of government power took place in keeping and exchanging information on parents opposed to the health program and that an organized effort to thwart parent opposition took place, supported in part by drug free school funds.

Some of the government activity that took place to thwart parents smacks of McCarthyism. In particular, keeping files, videos and photos of parent organization leaders, such as Bob Lemieux of the DADS Foundation is highly inappropriate. The DADS Foundation was the first grass roots parent organization to question the misuse

TWO GOOD REASONS WHY THE FEDERAL GOVERNMENT SHOULD GET OUT OF THE EDUCATION BUSINESS



and health messages among coordinators

- Excessive administrative overhead, travel budgets, and salaries for regional and intermediate health office staff
- Expensive general health materials
- Substitute teacher costs
- State board of education drug grants not related to drug education

The Committee finds that the auditor general's findings and review by ODCP regarding the Michigan Model's drug prevention content to be correct and agrees that the department of education's prior analysis was inaccurate and exaggerated the drug related content.

The Committee finds that the department of education and state board of education issued grants for activity not authorized for drug prevention and failed to monitor the use of DFSCA funds by regional consortia and local schools.

The Committee finds that \$10 million in health education materials with drug free school funds was excessive and not in the best interest of preventing drug use among Michigan youth.

The Committee finds that State Board of Education drug grants were issued to highly questionable activity lacking connection to drug prevention and that state board of education recordkeeping and grant management was dismal and inappropriate.

The department of education did not contest the findings on how DFSCA funds

rageous use of drug prevention funds. The Committee finds such a position untenable and does not believe that taxpayers, local school teachers, parents or students agree with the state's priorities for DFSCA funds. The Committee further believes that local communities, parents, and school districts were not given adequate information and representation when DFSCA fund use decisions were made.

The Committee is disturbed that over \$200,000 to Cheboygan ISD could not be accounted for. MDE had no grant application, budget documents, or final report for these funds. The only record they had were award letters and documents that the funds were issued. If these funds paid for computers, federal capital acquisition rules were not followed. If the funds were spent on consultant fees, there are no records of the price or identification or selection procedure for such expenditures. The Committee is also concerned that the SBE awarded funds each year for data collection that never took place and that the board failed to monitor progress on this project nor did it cut off funds for failure to deliver the data.

Furthermore the Committee is concerned that federal law was violated by clear messages on the federally funded bulletin board to lobby Congressman William Ford against Governor Engler's drug education plans and to lobby state legislators for funds and support.

of federal drug funds on Michigan Model activity. This Committee is indebted to that organization for providing official documents and budgets obtained through their independent investigation.

Numerous documents, and training and conference agenda were submitted that listed Michigan Model steering committee members and coordinators as speakers on the topic of "handling opposition" to health programs. One of these "opposition" sessions is listed on the agenda for a Michigan School Health Association meeting. The Office of Drug Control Policy indicates that federal drug prevention funds may have paid for this meeting with the grant MSHA received. That grant was questioned in the conflict of interest section of this report.

The computer bulletin board funded with federal drug funds carried messages regarding how to obtain information, pictures and videos of parents opposed to the Michigan Model. Parents were labelled in apparent sarcasm as the "Bob and Mary" show. The department of education's press secretary received an award from the Michigan Model coordinators for his efforts to advance the Michigan Model. The steering committee minutes reflect discussion of having the attorney general looking into suing the national Christian 700 Club program for allegedly defaming the Michigan Model program. The MMSSC also asked the attorney general for help with citizen requests under the Freedom of Information Act.

Sample press releases and editorial letters were also circulated among state and local Michigan Model officials. National liberal groups like "People for the American Way" were welcomed to assist, according to state steering committee minutes. Parents with concerns about the Michigan Model were often spoken of as "extremists" and the "opposition."

Despite political or ideological differences, state and local government and public agencies do not have a right to use the power of the government to "handle" or label those who challenge them. Unlike many of the Michigan Model coordinators and officials who make their living off of this program, or who have benefitted from consulting contracts, the DADS Foundation is non-profit and does not receive government grants or contracts.

The Committee agrees with ODCP that some of the emergency drug funds were inappropriately applied to develop Michigan Model promotional material, such as the grant to Pontiac Schools. The Committee lacks adequate records to determine how the bulk of those funds were expended, but agrees that they should not have been limited to health education (i.e. Michigan Model) parent material development.

VII. Did the State Department of Education fail to address diverse prevention needs of minorities, deaf and blind children, and detained juveniles?

The Committee finds that the Michigan Model State Steering Committee lacked adequate multi-cultural representation and sensitivity to unique community needs and

priorities.

The Committee finds that drug fund priorities did not reflect diverse community needs and that the city of Detroit did not receive adequate technical assistance as cited by the auditor general.

The Committee finds that the school for the deaf and blind, juveniles in detention, and non-public schools had been denied required drug prevention funds and services by the department of education.

Recommendations

1. An oversight drug prevention committee should be established, or the current state drug education advisory committee continued by the Office of Drug Control Policy to monitor and ensure that free and informed local school district choice and control of DFSCA funds continues, communicate directly with local schools, and receive complaints or concerns regarding pressure or coercion by regional or state entities.

2. The department of education should continue to annually inform local school districts of their allocation amounts and provide assistance and simplified processing of local, ISD, and consortia applications.

3. Local schools, ISDs, and consortia should consider separating DFSCA funds and operations from Michigan Model administrative activity.

4. A Performance Audit be conducted upon the Michigan Department of Health, Central Michigan University Michigan Model Materials Center, Michigan Department of Education and consultants who received funding from the state or CMU for projects funded under Drug Free Schools and Communities Act money.

5. Individuals responsible for the misappropriation of the federal Drug Free Schools and Communities Act funds should be held accountable for the failure of the program and the increase in drug use among our children.

6. Performance audits must be conducted upon organizations who received DFSC and other federal funds to perform services to determine whether or not those services were ever completed.

7. Members of the State Steering Committee and the "Breakfast Club" must be held accountable and prosecuted to the extent the law allows for potential violations of the Michigan Open Meetings Act, and for their "Breakfast Club" meetings.

8. Legislation should be enacted that mandates departments or officials of Department within the Michigan Governmental structure, or those who receive public funds or funding be required to provide any and all documentation to any and all committees or committee members of a state legislative committee to support their actions, dispersal of funds, or other conduct that might be under investigation by said committee or committee member. Failure to do so within a prescribed time frame will result in serious disciplining of the party or parties failing to comply. This discipline may include dismissal or transfer.

9. All DFSC funds directed to unauthorized programs, agencies and "consultants" should be returned to the federal government as provided by DFSC Act of 1986 and

prior to its amendment on October 5, 1994.

10. The Committee has concluded that although the Department of Education has made some minor corrections to the exceptions found in the Auditor General's Single audits, many questions still remain unanswered. At this time the Committee is not comfortable with the open ended situation and feels that the concerns outlined in this report must be turned over to the attorney general and auditor general for further investigation and prosecution where necessary.

11. Prior to acceptance of DFSCA monies, departments must demonstrate in writing the ability to comply with all rules and regulations governing the acquisition and use of such funds as well as any pertaining to Michigan law. Inability to comply shall result in the forfeiture of access to federal DFSCA funding.

12. The Department of Education must monitor all subrecipients in accordance with the Single Audit Act of 1984 and applicable OMB circulars. Violations of the above shall result in return of all DFSCA funding received and the potential for future funding for not less than one year.

13. The Department of Education must enhance its subrecipient monitoring procedures to ensure that all audit reports are reviewed on a timely basis. Violations of the above shall result in the return of all DFSCA funding under said contract as well as the elimination of future funding for not less than one year.

14. It is recommended that the department document the follow-up and resolution of material items of noncompliance as cited in the Department of Education, Financial Audit including the provisions of the Single Audit Act and the recovery or resolution of questioned costs. The time frame for these items will be 6 months. Violations of the above shall result in the return of all DFSCA funding under said contract as well as the elimination of future funding for not less than one year.

15. The Committee should write to each school district in the state and other state education departments to determine which speakers they have trained, spoken to, or consulted with regarding Michigan Model or general health issues. It is alleged that many of these "speakers" are already employees of state or ISD's and are "double-dipping" into the funds provided under DFSC grants to the state. A complete list of all consultants paid for with DFSCA funds, and the amount of funds paid to each, should be obtained and cross-checked by the auditor general and attorney general.

16. The most significant finding of the four (4) audits conducted upon the MDE is the realization that, due to their mismanagement and possible illegal handling of the DFSC funds available to the State under the Drug Free School and Communities Act of 1986, the State could be required to repay the \$35 million dollars and significant penalties to the federal government for possible misappropriation of these funds. The Committee notes that the MDE, through its representatives, also apparently illegally lobbied the Congress, and in particular Congressman Ford

and Kildee, in an attempt to have the federal statute changed to make their activities and expenditures legal. The Committee notes that on October 5, 1994, the Congress and the President signed into law a revised Bill authorizing, after the fact, the prior misconduct and diversion of drug prevention funds to health education of the MDE and its agents to now be considered legal. Although this may serve to negate any "refund" of the illegally expended monies of the past, it does not permit the MDE to continue on without significant accounting standards attached to their future conduct and management of the funds available to the state from the federal government. It is the recommendation of the Committee that all individuals connected with the original oversight of the DFSC funds distribution be censured and removed from involvement with federal fund programs and that further disciplinary action, up to and including dismissal, be examined. Their waste and mis-management of these funds, even if no technical criminal activity is proven, constitutes a violation of the public trust and warrants strong action.

17. Grants approved, overseen, or recommended by the MMSSC should be reviewed for potential financial and other conflicts of interest with key MMSSC members. The relationship, if any, with vendors of Michigan Model materials and MMSSC members and associates and CMU materials center employees also should be examined.

18. State employees should be barred from recommending, voting on, or approving grants or contracts to organizations on which they belong as members or serve as officers.

19. Out of state travel and outside consulting and other fees earned by state employees should be monitored, run through an approval process, and detailed records kept for public review.

20. The legislature, auditor general, and attorney general should review and recommend tighter rules for state contracts to disallow contracts that create subcontracts between state employees and subcontractors and are not subject to public scrutiny and subvert state contracting rules.

21. The attorney general should review this entire report and supporting documents and report to the legislature within 30 days on what further action will be taken to investigate concerns and correct abuses found.

22. The auditor general should be granted greater authority to monitor subrecipients and regional, intermediate and local school districts receiving DFSCA and federal and state funds.

23. State agencies should be prohibited from keeping files on, exchanging information about, or giving training sessions on private citizens, and the departments of education and health should publicly apologize to citizens named in MMSSC minutes, electronic bulletin board messages, and correspondence. Regional ISD superintendents should be informed of employee activity documented regarding related anti-parent activity by their Michigan Model coordinators and employees. ■