



STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DIVISION OF STATE AUDIT  
JUSTIN P. WILSON, COMPTROLLER  
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## NEWS RELEASE

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### SPECIAL INVESTIGATION BY COMPTROLLER'S OFFICE LEADS TO RECOVERY OF \$425,725 FOR TENNESSEE DEPARTMENT OF EDUCATION

Full Report: <http://www.comptroller1.state.tn.us/repository/SA/ag08065.pdf>

**NASHVILLE, Tenn.** – A special investigation into overbillings by a vendor of the Tennessee Department of Education has resulted in the recovery of \$425,725.

Appalachian Education Laboratories (AEL), an education research and development corporation now named Edvantia, Inc., repaid the Tennessee Department of Education (TDOE) \$244,815 for over-billed costs and \$180,930 for interest, investigative and legal costs associated with the administering of Exemplary Educators (EE) program grant contracts. The EE program provides support to schools by assigning exemplary educators and administrators to schools in greatest need of improved performance.

The grants in question covered the period from November 2000 to June 2005. In February 2005 AEL voluntarily disclosed initial contract overbillings of at least \$198,196 and requested that the State perform its own review of the matter. The Comptroller of the Treasury's Division of State Audit investigative staff completed the investigation in conjunction with TDOE's internal auditors. The Tennessee Attorney General's Office negotiated the settlement on behalf of the Comptroller and TDOE.

The overbillings by AEL were accomplished by inflating the actual labor costs associated with certain EE contracts. During the course of the investigation it was determined that AEL had previously notified TDOE officials in early 2004 of the potentially fraudulent nature of the overbillings but that the gravity of the situation was not communicated to TDOE's commissioner and the information did not trigger further review by TDOE's staff.

"The fact that the overbilling came to light through the voluntary disclosure by the vendor and was not detected through normal department review procedures for vendor invoices disclosed weaknesses in the Department of Education's controls over the vendor billing and payment processes. These weaknesses contributed to the duration and extent of the overbilling," said Comptroller Justin P. Wilson.

Formal notification to TDOE of potential dollar amounts and details of the overbilling scheme did not occur until approximately ten months after AEL verbally notified TDOE officials. The Comptroller's office was notified of the apparent overbillings two months later.

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“State of Tennessee officials have the responsibility and obligation to promptly and fully disclose indications of fraud, abuse or illegal acts to the appropriate authorities as soon as they occur,” said Wilson.

The special investigation finding is included in the department’s regular financial and compliance audit report for the period of May 1, 2006 through June 30, 2008 and is available at <http://www.comptroller1.state.tn.us/repository/SA/ag08065.pdf>

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The Comptroller of the Treasury’s Division of State Audit conducts financial and compliance, waste and abuse, information system, and performance audits; conducts investigations; and performs special studies to provide the General Assembly, the governor, and the citizens of Tennessee with objective information about the state’s financial condition and the performance of the state’s many agencies and programs. The mission of the Office of the Tennessee Comptroller of the Treasury is to improve the quality of life for all Tennesseans by making government work better.

Tennessee Code Annotated, Section 8-19-501 requires any official of any agency of the state to immediately report to the Comptroller of the Treasury any shortages of moneys of the state, or unauthorized removal of state property, brought about by either malfeasance or misfeasance in office of any state employee.

A toll-free hotline is provided for citizens to report fraud, waste, and abuse of government funds and property. If you observe an agency director or employee engaging in any activity which you consider to be illegal, improper, or wasteful, please call the fraud, waste, and abuse hotline at 1.800.232.5454.