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November 3, 2015

The Honorable Arne Duncan
Secretary of Education
U.S. Department of Education
400 Maryland Avenue, S.W.
Washington, DC 20202

Dear Secretary Duncan:

I am writing to obtain a status report from your office on the Department's involvement in the investigation of nineteen public charter schools in Illinois, Indiana and Ohio controlled by Concept Charter Schools. Based on past *Arizona Daily Star* reports, there are a number of schools in Tucson that are affiliated with the same organization overseeing these schools. As a member of the House Subcommittee on Early Childhood, Elementary and Secondary Education, I have a particular interest in charter school operations that are funded with public taxpayer dollars. I believe that we have an obligation to ensure that no federal funds are being misused in these schools.

The Chicago Sun-Times reported that FBI raids in June 2014 sought the financial and clerical records of the company's executives and their contractors. These raids yielded 48 boxes of business records--including vendor contracts, details on executive compensation, and other company financials. According to the grand jury subpoena and search warrants, federal authorities are investigating Concept's use of the E-Rate program, which provides federal funds for schools to "expand telecommunications and internet access."

Although the FBI has said only that their raids are part of an "ongoing white-collar crime matter," reports suggest that they were the culmination of a years-long federal investigation into complaints filed by whistleblowers. Additionally, many states have launched investigations into the contracting practices of this particular network of charter schools. Most recently, a 2015 report by the California State Auditor's office determined that after reviewing 225 vendor transactions by certain charter schools linked to those under investigation, 23 percent of the expenses lacked "either clear authorization or sufficient support" for the transactions. The same organization that operates this network of charter schools operates more than 130 schools in more than 25 states.

It appears that among other probes into the procurement practices of these schools, the investigation has brought specific focus on their use of E-Rate funding. Taxpayers deserve to



know that federal E-Rate funds are being spent properly and that existing competitive bidding and procurement policies are being followed. I am also interested in your general assessment of the current ability of the Universal Service Administrative Company (USAC) to properly manage the E-Rate program, especially in light of the increase in program funding authorized by the FCC in December of 2014.

I appreciate in advance your anticipated response to my inquiry.

Sincerely,


Raúl M. Grijalva
Member of Congress