November 30, 2011

Hon. Dennis M. Walcott
Chancellor
New York City Public Schools
Department of Education
52 Chambers Street, Room 314
New York, NY 10007

Re: PS 184
SCI Case #2010-3068

Dear Chancellor Walcott:

Over a period of approximately 18 months, this office has investigated significant financial allegations concerning PS 184 in Manhattan, which is also known as the Shuang Wen School. One complaint involved the possible theft of $81,000 and other allegations concerned school trips to China, including how the 2010 trip was financed. We did not find any theft of funds in connection with any of those complaints. We did, however, confirm a number of practices that violated either a Chancellor’s regulation or standard operating procedures. Many of these practices were either accepted or overlooked by the Department of Education (“DOE”) as they were allowed to continue for a period of years. In the course of the investigation, we examined additional allegations as well. The issues investigated by SCI are summarized below.

The Shuang Wen School opened as a Mandarin and English dual language school in September 1998 in a building on East Broadway.¹ It began with two Kindergarten classes and added grades until it was a pre-K through 8th Grade school. Beginning in 1998, there was an after school program run by the Shuang Wen Academy Network (“SWAN”), a community based organization, which continued to be involved in the school.² Mandarin was taught in the after school program in order to assist the students during the regular school day.

¹ Translated from the Mandarin, Shuang Wen means double language in English. For the 2006-2007 school year, it moved to its current location on Cherry Street.
² SWAN was also involved in the founding of the school and the hiring of the school’s director in approximately December 1996.
During this investigation, we interviewed more than two dozen individuals (some more than once), reviewed hundreds of documents, and spoke with former Principal Ling Ling Chou several times, including a formal interview under oath.3

The $81,000 Transaction

This investigation began on June 15, 2010, when a confidential complainant contacted the Office of the Special Commissioner of Investigation (“SCI”) and questioned the transfer of $81,000 in funds from the PS 184 Parents Association (“PA”), without the approval or authorization of the PA or its Executive Board, to the not-for-profit organization SWAN as a “gift.”4

In approximately 2005 or 2006, the PA collected donations for the SWAN after school program. The money was raised because it was not clear whether the New York City Department of Youth and Community Development (“DYCD”) would fund the program. Ultimately, DYCD did award the grant and fund the program.5 It was decided to place at least $75,000 of the donated money in an interest bearing Certificate of Deposit (“CD”). In approximately April 2010, the CD was worth about $81,000, and the funds were transferred to SWAN for its program. Two witnesses explained that SWAN needed the money because DYCD cancelled its funding. In a letter dated May 10, 2010, DYCD informed SWAN that DYCD cancelled the contract with SWAN effective June 30, 2010 due to budget constraints. The matter of the transfer of the funds was discussed in April at a PA Executive Board meeting and no objections were raised.6 The general membership vote was not held until September 2010, after the funds transfer had already occurred. According to an official from the Department of Education’s (“DOE”) Office of Family Engagement and Advocacy (“OFEA”) who attended the September meeting, the vote was 139 to 1 in favor of the transfer.7

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3 The former principal was reassigned at the end of the 2010-2011 school year but not as a result of the investigation conducted by this office.
4 The PA was frequently referred to as a PTA. The following day, a similar allegation and some additional complaints made by another individual were forwarded to SCI by the Department of Education (“DOE”).
5 The original DYCD contract with SWAN covered the period from September 1, 2005 to August 31, 2008. The contract was renewed pursuant to the original award for September 1, 2008 through August 31, 2011 but was cancelled effective June 30, 2010.
6 The confidential complainant was present at that meeting.
7 OFEA was later known as the Office of Family Information and Action and is now named the Division for Family and Community Engagement.
The China Trips

SCI also investigated complaints about the 2010 8th Grade school trip to China. Our main focus was the allegations of financial irregularities.8 At least one of the complaints was received from another agency. Our findings were referred back to that agency which closed its file.

Among the most serious allegations about the 2010 trip were questions concerning the use of a grant to partially fund the trip, the funding for the trip in general, and the purchasing of tickets.9 A representative of the foundation which awarded the grant explained that because the DOE required DOE chaperones, their expenses were a proper use of the grant. We did not find any money missing. The district superintendent approved the 2010 trip as well as two earlier trips.

Additional Allegations

From 1998 until 2008, no one – neither the parents nor anyone from the DOE – complained to SCI about alleged misconduct by the principal at PS 184 or questioned the propriety of the operation of the dual language and after school programs.10 Starting in 2008, and continuing throughout the course of this investigation, SCI received a constant stream of complaints about the Shuang Wen School. One faction of vocal parents made steady complaints about SWAN – the community based organization which helped found the school – the PA, and Ling ling Chou, the former principal. Another faction countered with other complaints. Chou also reported allegations as she was required to do. This caused overlapping investigations. Additionally, a federal lawsuit was filed by one faction against the other faction and the DOE. That action is pending in the U.S. District Court for the Southern District of New York.

In addition to the SCI investigation reported on here, an investigation of some allegations is pending at the Chancellor’s Office of Special Investigations (“OSI”). At

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8 There were a number of other complaints which did not involve allegations of financial irregularities. Those allegations of misconduct were unfounded.

9 During the investigation, investigators inquired about the earlier trips to China – 2007, 2008, and 2009. The former principal secured a large, three year grant to help finance the 2008, 2009, and 2010 trips to China. The first two grant checks were deposited into the General School Fund (“GSF”) and the last check into SWAN’s bank account. The first check issued did not contain a tax identification (“tax I.D.”) number, but the second and third checks reflected SWAN’s tax I.D. number. The foundation providing the grant, which required documentation from the Internal Revenue Service (“IRS”) that the recipient was a 501(c)(3) organization, received a copy of an IRS letter addressed to “Shuang Wen Academy Network” and the word “SWAN” on the next line underneath it. SWAN, a 501(c)(3) corporation, was used to accept the grant which was used for the 8th Grade trips.

10 During that decade, SCI received a handful of particularized allegations against specific individuals.
the request of OSI, in 2009, the DOE’s Office of the Auditor General (“OAG”) began an audit of the financial records and bank statements of PS 184. A fuller audit of the school’s General School Fund (“GSF”) account was conducted by a consultant auditing firm.

In August 2010, OAG provided SCI with copies of audit documents and records from the school as well as observations gleaned from its audits. Some of these documents were used to interview the former principal. We have concluded that no school funds for the 2008-2009 school year appear to be missing and no deliberate misconduct occurred despite the unorthodox procedures used by the school.

With the influx of allegations, SCI expanded this investigation. SWAN, the PS 184 PA, and the school are separate entities. However, it appears they were not always viewed and treated as such. When the school started in 1998, the finances were handled by District 1. In approximately 2006, the school established a GSF at a nearby bank. Many of the practices employed regarding the GSF did not comply with the DOE’s standard operating procedures. With assistance from OAG, some of these problems were corrected.

**SWAN**

SWAN, located in the school building, runs the after school and the summer programs at the school. 11 SWAN did not pay to operate programs in the school building. 12 In September 2006, the former principal joined the SWAN Board as an *ex officio* member and acted as the PS 184 liaison to SWAN. She resigned from the SWAN Board in October 2010 on the advice of her union.

Most of the checks the parents gave to the PA for the SWAN after school program were negotiated through the school’s GSF because the parents wanted a tax “write off” which they could not take if the donations were made to the PA. Most parents, however, did not understand that a direct donation to SWAN – a 501 (c) (3) not-for-profit corporation – allowed them to claim the deduction; some parents were concerned that SWAN would not continue to exist and worried that they would “lose” their money.

SCI received an additional allegation concerning the expenditure of taxpayer money to use the school as a “summer camp.” The extended use and summer permits for PS 184 appear to have been centrally funded. Permits for school based programs are centrally funded and are paid for by the DOE. Payment by the DOE is appropriate when...

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11 SWAN has maintained an office in Shuang Wen since 1998.
12 According to a high ranking DOE official, payment of costs by the DOE, rather than the organization, was appropriate when the services were provided only to students from the school.
a community based organization operates the program for the exclusive use of the students at the school. The summer program run by SWAN was open only to PS 184 students.

**Grants**

Over the years, grants were obtained by both the school and SWAN. Grants of $10,000 or more made to the school were not reported to and processed through the DOE as required by standard operating procedures.

**Allegations about a Parent**

**SHSI**

A parent alleged that the children of a particular, non-Title I family attended the Specialized High School Institute (“SHSI”) at Stuyvesant High School as Title I students. Only two of the children from the family in question participated in the program, which was not restricted to Title I students when the older of the two attended. The requirements for the younger student to be eligible were good grades, good attendance, and a Title I designation. Based on the Application for Free and Reduced-Price Meals form completed by a parent, the Title I designation was determined by the Department of Education (“DOE”) and was computer generated. The DOE deemed the younger child as an eligible student for the SHSI and notified the parents by letter.

**Purchase by a Parent**

Another allegation involved the mother of the student who attended SHSI. An unidentified parent claimed that the mother did business with her own company on behalf of PS 184 without obtaining competing bids. The questioned transaction was proper. The mother had no connection with the company. The mother obtained approximately five bids from vendors and worked with the PA Board to select the company, based on price and quality, from which to purchase uniform polo shirts for the school.

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We refer this matter for your information and appropriate action. To the extent that PS 184 did not operate according to standard procedures, we refer the propriety of their actions for your review. We also recommend that OAG and OFEA provide financial accountability training and assistance to the school and PA respectively so that each can operate in compliance with the relevant procedures and regulations.
We note that some of the conduct described here may violate the conflict of interest provisions of the New York City Charter which is administered by the New York City Conflict of Interest Board.

We are forwarding a copy of this letter concerning this investigation to the Office of Legal Services. Should you have any inquiries regarding the above, please contact Special Counsel Ann Ryan, the attorney assigned to the case. She can be reached at (212) 510-1493. Please notify Special Counsel Ryan within 30 days of receipt of this letter of what, if any, action has been taken or is contemplated regarding PS 184. Thank you for your attention to this matter.

Sincerely,

RICHARD J. CONDON  
Special Commissioner  
of Investigation for the  
New York City School District

By:  ___________________________________  
Regina A. Loughran  
First Deputy Commissioner

c:  Michael Best, Esq.  
    Theresa Europe, Esq.