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CPS IG Finds Pre-K Billing Marred by Mismanagement

CPS fails to collect up to $2 million in parent pre-K payments, including nearly $215,000 from 138 CPS employees

Chicago — CPS left as much as $2 million in parent pre-K payments on the table over the last four school years, including money it was shorted by nearly 140 of its own employees, according to a Significant Activity Report released today by the CPS Inspector General.

The programs at issue are CPS's tuition-based pre-K, which this school year cost parents nearly $14,000 per full-day seat, and the sliding-scale pre-K program, which has charged parents copayments ranging from $260 a year to just over $4,400 a year for half-day seats, depending on family size and income.

Over the last four school years and across those two pre-K programs, CPS could have collected an additional nearly $1.6 million to $2 million but failed to do so due to pre-K application fraud by its own employees, lax debt collection, mismanagement, poor oversight of a tuition-collection arrangement with a for-profit vendor, and human or data errors, the OIG's Performance Analysis Unit found.

"Access to pre-K is critical to many parents across the city," said CPS Inspector General Nicholas Schuler. "Our performance review showed the billing of two CPS pre-K programs was poorly managed. Scores of CPS employees took advantage of CPS by misrepresenting their incomes to gain free pre-K seats or by failing to pay their pre-K bills. At the end of the day, taxpayers picked up the unpaid bills."

The OIG recommended that CPS seek recovery of pre-K debts wherever possible and also issued several recommendations to discourage further gaming of the system.

In response, CPS officials say they will seek recovery of pre-K debts from CPS employees, as well as possible discipline. Collection actions also will be sought against non-employee debtors. Improvements to the CPS debt policy and pre-K application form also are planned. The CPS response is detailed in the OIG's Significant Activity Report, which can be found at cpsoig.org.

Key takeaways from the OIG's performance review include the following:

Overall CPS-Employee Schemes: Overall, 138 CPS employees shorted CPS nearly $215,000 by either ignoring their tuition-based or sliding-scale pre-K bills or understating their incomes on applications for pre-K seats.

CPS Tuition Debtors: Sixty-four CPS employees owe more than $100,000 total in pre-K tuition or sliding-scale copays. Such debtors include 2 principals, 2 assistant principals and 25 full-time teachers.

Understated CPS Incomes: Seventy-eight employees understated their incomes on applications for sliding-scale seats, shorting CPS more than $110,000 in copays. Most — 51 of 78 — obtained free pre-K seats for their children under this scheme.

Double-Year Debtors: The biggest pre-K debtors were double-year debtors whose 63 children attended a second year of sliding-scale pre-K, despite ending their first year with pre-K debt. These parents had on average even higher debts in their child's second year. This included a Chicago police commander with a six-figure annual salary who owes nearly $8,900 in copays. Double-year debtors accrued nearly $138,000 in debt across both years. Yet CPS Early Childhood Education officials doubted they ever removed a child from the sliding-scale program due to debt.

Flawed Application Form: Although CPS ended sliding-scale copays this school year, it continues to offer free pre-K to needy students using a flawed pre-K application form that does little to prevent gaming of the system. The OIG recommended that this form include an attestation of truthfulness, a signature box and a warning that misrepresentations on pre-K applications could result in criminal penalties under the state public benefit fraud law.

Uneven Discipline: Current Board rules state that employees can be disciplined or fired for overdue City of Chicago parking tickets or water bills. No such penalties are attached to pre-K debt. The OIG recommended adding pre-K debt to Board rules.

Poor Oversight: CPS was negligent in overseeing its agreement with a for-profit vendor who collected nearly $20 million from parents on CPS's behalf over the four years analyzed. Key CPS officials did not know critical elements of the contract, did not know the vendor had been operating on an expired contract since mid-2016, did not realize that parents often were charged higher fees than those in the contract and did not audit the vendor during the period analyzed. Also, hundreds of parents mistakenly were not billed for three months, resulting in a loss of nearly $324,000. CPS officials did not try to determine the reason for this error.

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