

THE LAW FIRM OF
MORENO, LEE & BACHAND, P.C.
A PROFESSIONAL CORPORATION
206 West Missouri Avenue - P.O. Box 1174
Pierre, South Dakota 57501-1174
Telephone: (605) 224-0461 • Fax: (605) 224-1607
www.pirlaw.com

Mark A. Moreno *
Thomas E. Lee
Paul E. Bachand
Edward S. Hruska III

Charles P. Schroyer (Ret.)

August 22, 2017

* Also admitted in NE

Mr. David Anderson
29177 477th Avenue
Hudson, SD 57034

Mr. Justin Cronin
310 Dakota Street
Gettysburg, SD 57442

Ms. Jean Hunhoff
2511 Mulligan Drive
Yankton, SD 57078

Mr. Stace Nelson
24739 420th Avenue
Fulton, SD 57340

Ms. Deb Peters
705 N. Sagehorn Drive
Hartford, SD 57033

Mr. Wayne Steinhauer
26581 E. Shore Place
Hartford, SD 57033

Mr. Billie Sutton
919 Franklin Street
Burke, SD 57523

Mr. Neal Tapio
PO Box 846
Watertown, SD 57201

Mr. Craig Tieszen
3416 Brookside Drive
Rapid City, SD 57702

Ms. Susan Wismer
PO Box 147
Britton, SD 57430

Dear GOAC Committee Members:

I am in receipt of the August 4, 2017 correspondence from Senator Deb Peters and Representative Jean Hunhoff on behalf of the Government Operations and Audit Committee, directed to Dr. Melody Schopp, Secretary of the South Dakota Department of Education, and to Ms. Tamara Darnall, South Dakota Department of Education. Those letters requested written answers to various questions and invited Dr. Schopp and Ms. Darnall to the next GOAC hearing.

Please recall that on July 10, 2017, I wrote the entire committee and provided a copy of the civil complaint against Mid Central (Hughes Co. Civ 17-140) and accompanying exhibits. In that correspondence, I addressed the pending civil action and the fact that I might have to direct Dr. Schopp not to answer certain questions at the July 24, 2017 GOAC hearing.

On July 24, 2017, Dr. Schopp provided GOAC with a detailed presentation regarding the Department's actions and oversight of the GEAR UP grant. The questions that followed were, for the most part, honest efforts to more fully understand this situation. However, Dr. Schopp also answered questions from a member of the committee that were at times unprofessional and derogatory, including questions that attempted to blame Dr. Schopp for the deaths of the Westerhuis family. At no point during the questioning did I stop Dr. Schopp from providing a response, even though some questions addressed and impacted the pending litigation.

I'm mindful that most of the committee legitimately seeks relevant follow-up information based upon information presented during the July 24 hearing, and I believe these answers will help the committee to conclude this matter.

In advising Dr. Schopp and Ms. Darnall on their answers, I have attempted to balance the committee's statutory authority under Chapter 2-6 with my clients' right to maintain privileged communications and deliberations, along with the State's ability to successfully pursue its civil action, based on the following:

1. Answers are not provided if to do so would violate attorney-client privilege or executive privilege.
2. Answers attempt to note misstatements of fact within the questions; however, to the extent that an answer does not address each and every misstated fact, the purported or alleged "fact" should not be deemed to be admitted.
3. Answers may not be fully answered if doing so would endanger the State's ability to successfully pursue its pending civil action.
4. To the extent that the question contains immaterial, impertinent or scandalous matters, answers will not be provided.

Based upon the extensive and detailed presentation on July 24, 2017, along with the responses to the enclosed questions, Dr. Schopp and Ms. Darnall will not personally appear at the GOAC hearing scheduled for August 29, 2017. This is likewise based upon my advice. For your information, Secretary Schopp has a memorial service which she will be traveling out of state to attend.

Due to the pending litigation, I believe it is best that I respond to questions 46-48 directed to Secretary Schopp regarding match. GEAR UP was a federal grant program that provided funds to help at-risk students attend college. In South Dakota, the program primarily served Native American students. The grant required that federal dollars be matched on a 1:1 basis. This match could be provided with direct financial support or through in-kind contributions. If a product or service was donated to GEAR UP, it could only count toward the match if the product or service was actually used to support GEAR UP programs.

The State's contracts with Mid Central required that Mid Central satisfy the match requirement. One method used by Mid Central to accomplish this contractual requirement was

based upon donated Microsoft licenses. Originally, the Microsoft partnership focused on the high school summer program students. In FY2014, the software donated included 500 licenses for a suite of software which included: Visual Studio Ultimate, Visio Professional, Windows 8, Microsoft Project Professional, Azure, OneNote, MS Press eBooks, and Pluralsight on Demand. The donation also included C# training materials and support. Microsoft provided documentation to Mid Central indicating that the 500 licenses were being donated at a value of \$4,000 per user, per year, for a total gift value of \$2,000,000 in FY2014. In FY2015, Mid Central sought to expand the partnership with Microsoft to the 38 partner schools during the academic year as well. Microsoft agreed to the expansion of the program and the donation was changed to include 1,240 licenses of DreamSpark Premium and of Azure Student Grants. The market value for DreamSpark Premium was quoted at \$499 each, and for Azure Student Grants the market value was quoted at \$1,200 each, for a total gift value of \$2,106,760 in FY2015.

As a part of SD DOE's FY2014 audit, the Department of Legislative Audit questioned the valuation placed on these licenses, because DLA's independent research indicated that the licenses were only worth \$500 per license, rather than \$4,000 per license. DLA raised this issue with SD DOE. SD DOE requested supporting documentation from Mid Central and was provided documentation from Microsoft indicating the valuation of the suite of software was actually over \$18,000 per user. The United States Department of Education independently verified the valuation of \$4,000 per license and accepted the valuation of donated licenses as an in-kind match of the federal dollars.

US DOE also requested documentation supporting the usage of the software. Requests to Mid Central for further documentation on the usage were unfulfilled. Mid Central claimed that the match documentation was destroyed in the fire at the Westerhuis property. In a phone call from the federal program officer on February 2, 2016, US DOE informed SD DOE that it would stop requesting documentation on usage and accept the match. Later, in a June 8, 2016 conversation with the federal program officer and his supervisor to discuss reporting match going forward, the supervisor confirmed that, due to lack of access to records, as well as the resolved 2014 audit, SD DOE should report matching funds with Mid Central according to the methodology accepted in the past.

In the FY2015 audit of SD DOE, the Department of Legislative Audit questioned the usage of the Microsoft products. SD DOE again requested documentation from Mid Central to support the usage. While Mid Central was not able to produce a list of students using the software or computers the software was installed on, they did provide the course syllabus for the 2015 summer honors program which included several classes on Microsoft Programming. This documentation was provided to US DOE and accepted. However, US DOE indicated that depending on the outcome of future audits and program reviews, it reserved the right to take further administrative action, including, but not limited to the recovery of funds.


The state's pending civil litigation against Mid Central involves the Microsoft match to the extent that Mid Central was aware of its contractual obligation to provide the necessary federal match and sufficient documentation of such non-federal match (paragraph 47). The State alleges that "The Audits found that MCEC did not comply with the matching requirements of the

GEAR UP grant.” (Paragraph 55). Paragraphs 58 – 61 further discuss match and allege that Mid Central failed to appropriately document matching requirements. It certainly might be an issue with US DOE that Mid Central is unable to document that the Microsoft software licenses were used to support GEAR UP programs. If that is true, it would mean that the match, regardless of the value, could not be used to match federal funds.

The State filed its lawsuit in part as a result of the DLA audit finding related to Mid Central not complying with the matching requirements of the GEAR UP grant. The audit finding, absent some resolution with US DOE, means that monies may need to be repaid to US DOE. It is alleged in the civil complaint that it was Mid Central’s responsibility to acquire and document the local match, and Mid Central received the federal funds to administer GEAR UP. Therefore, if the federal government requires that \$4 million be repaid, Mid Central should repay it. Mid Central is a cooperative of school districts, and those districts are ultimately responsible for operating Mid Central and for covering its liabilities. That is why those districts are also named as defendants, but note that individual school board members and superintendents were not personally named. As it currently stands, DLA has an audit finding (Finding No. 2015-003) that states that “The Mid Central Educational Cooperative (Cooperative) did not comply with the matching requirements of the Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) grant.” Absent a determination otherwise, money will need to be repaid.

The allegations contained in the lawsuit are simply allegations that must be proved or admitted to by the defendants, and nothing contained in this correspondence or the accompanying responses to questions are meant in any way to prejudice the defendants’ right to contest any matters contained in the civil action or impact their ability to a fair and impartial trial.

Sincerely,



Paul E. Bachand
Special Assistant Attorney General

cc: Tim Flannery

PEB:rh

Answers to GOAC questions to Melody Schopp

8/22/17

1) Under the GEAR UP grant, when claims were found that did not have required documentation, the supporting documentation was requested before payment was made. If the documentation was not supplied, the claim was denied.

2) This was the conclusion of audits by Eide Bailly and the Department of Legislative Audit. GEAR UP funds were paid to Mid Central on a reimbursement basis, and once funds were reimbursed to Mid Central, the funds became Mid Central's. Misappropriation of money occurred from Mid Central's accounts. Rep. Wismer explained it accurately in her recent interview on the Greg Belfrage show when she said it "wasn't news to anyone who had read the audit report – Westerhuses were using the bank account of Mid Central as their own little piggy bank. They would use it as what looked like loans and then they would pay money back."

3) No. All GEAR UP reimbursements from the State to Mid Central were federal dollars.

4) I discussed this in my July 24 presentation to GOAC and have inserted a copy of the relevant slide.

Grant Payment Process

- Funds retained at US DOE
- Subrecipient (MCEC) provides services according to agreement
- Subrecipient submits claims for payment to SD DOE
- SD DOE determines if claims are allowable, allocable, and reasonable based on Federal cost principals defined by Office of Management and Budget
- SD DOE pays subrecipient
- SD DOE requests funds from US DOE

5) Invoices submitted to the S.D. Department of Education for reimbursement under GEAR UP listed the individual or entity paid by Mid Central for work on the GEAR UP grant and for which Mid Central sought reimbursement.

6) Except as provided in answers to other questions, I am not generally aware of any such issues.

7) It is my understanding that Mid Central did.

8) Only to the extent that SD DOE Finance and Management staff reviewed the budget, and SD DOE submitted the final application.

9) After graduating from the University of Mary, I took a job as a teacher at McKenzie Country School in McKenzie, North Dakota. After that, I taught in the Lemmon School District for 23 years. I joined the Department of Education in 2000 as a technology integrationist. I became Director of Teacher Certification and Accountability, and then Deputy Secretary. Governor Daugaard appointed me as Secretary of Education in 2011. Since joining the Department of Education, my supervisors have primarily been the cabinet secretaries of the department.

10) My exposure was minimal.

11) Taken broadly, this question may apply to a number of people. For example, I am aware that LuAnn Werdel, while employed at SD DOE, was also involved in the Wakan Gli grant. Our office had no oversight of the Wakan Gli grant; that grant was direct from the U.S. Department of Education to Mid Central. (See Department of Legislative Audit's special review for more information on findings related to Wakan Gli.) The question may also refer to other individuals listed in these questions. "ANYONE involved in GEAR UP" could include employees of every school district encompassing Mid Central, to the extent that the district was a part of Mid Central. Mid Central was involved in multiple grants with SD DOE as discussed at the July 24 GOAC meeting. In addition, Mid Central had grants directly from the federal government, in which SD DOE had no involvement.

12) This is a reference to Scott and Nicole Westerhuis' work for AIII. Department of Legislative Audit staff raised this issue to Tami Darnall on 9/16/15, and it was incorporated as additional grounds for termination in our written termination letter. See also answer to question #18.

13) This is in response to questions 13, 21, 22, 23, 24 and 26. These questions all deal with roles that were held by Don Kirkegaard, Kelly Duncan, Stacy Phelps and Julie Mathiesen, each of whom are current or former members of the South Dakota Board of Education, which I will refer to as "the board."

These questions all seem to be premised on a belief that these board members were able to use their position to influence their outside work. This belief may be based on a mistaken understanding about the role of the board in relation to SD DOE.

Significantly, the board has no management responsibility over SD DOE or K-12 school districts. The board has no oversight or influence over SD DOE personnel, finances, contract awards or grant oversight. In the context of the GEAR UP grant, although the board may have been briefed about GEAR UP programs as an informational item, it had no oversight or influence over this grant or decision-making relating to the grant. It also had no oversight or influence over any of the grants or contracts referred to in these questions.

The board sets various policies that govern K-12 schools. For example, the board approves high school graduation requirements and the state K-12 content standards for subject areas such as mathematics, English, and science. The board sets standards for school accreditation and accountability and for academic assessment. It also sets standards for teacher preparation programs, educator certification, and teacher and principal evaluations. In 2017, the board's name was changed to "Board of Education Standards" to more clearly reflect its areas of responsibility.

This is important to understand because, generally, the board has been made up of those with expertise in the education field, and very often its members may do work that involves SD DOE, a school district, or another educational institution. Each of the four board members in question was well-known for their many years of experience in education in South Dakota.

A board member doing this type of work can create an appearance of impropriety, however, and for that reason I supported HB 1214 in 2016 and HB 1170 in 2017, which were both proposed in response to the Mid Central situation.

These two bills have created a new statutory framework that prohibits board members from having a direct interest in any contract with the department or with any school district or cooperative, unless that conflict is disclosed at a public meeting and the other board members publicly vote to waive the conflict. In addition, relationships involving a board member's employer must be disclosed publicly.

Because of this new law, at the July 17, 2017 board meeting, Don Kirkegaard publicly disclosed his employment as Meade School District superintendent and received a waiver from the board to continue in that position. Mr. Kirkegaard also publicly disclosed that his school district receives several grants and contracts from SD DOE, such as Title funds, IDEA grant funds, Perkins grant funds, and school nutrition program funds.

Had these laws been in place at the time, Don Kirkegaard, Kelly Duncan, Stacy Phelps, and Julie Mathiesen would each have had to publicly disclose the examples of work cited in these questions. Don Kirkegaard, who is the only one of these four still on the board, is no longer associated with Dakota Education Consulting, and therefore it was not included in his July 2017 disclosure.

The new disclosure laws have brought transparency to this process by requiring board members to publicly disclose any work that they do for SD DOE or for other school entities, and it has also caused board members to be more cautious about avoiding situations that create an appearance of impropriety.

14) I have been generally aware of Mr. Phelps' association with AIII for quite some time. He is a long-time educator and has done extensive work in the area of serving Native American students.

15) I do not know if the premise of this question is accurate. I was generally aware that some Phelps family members were employed, but I did not see this as an overriding concern as it is common for related parties to work on programs given the small, rural nature of South Dakota, and so long as they perform the work required and are paid appropriately. As a reminder, the Eide Bailly audit determined that there was no missing GEAR UP money.

16) I do not know if the premise of this question is accurate, and I am not aware of this.

17) I was aware of Mr. Phelps' relationship with AIII. I was not aware of the relationships with these other corporations by Mr. Phelps or Scott or Nicole Westerhuis.

18) See my response to question #38. I believed that Mid Central's board was aware of Mr. Westerhuis' dual role and had mitigated any risk. When audits later cited concerns about lack of internal controls and segregation of duties, the S.D. Department of Education asked Mid Central to submit a corrective action plan.

19) Tami Darnall informed me of Scott Westerhuis' role as the registered agent after the decision to terminate the GEAR UP contract. I do not know if Scott Westerhuis was the creator of Oceti Sakowin, and I do not know if Nicole Westerhuis was the business manager.

20) I was not aware of this until it was disclosed in the DLA FY2015 Special Report and Audit of Mid Central, which I first reviewed in May 2017.

21) See answer to question #13.

22) See answer to question #13.

23) See answer to question #13.

24) See answer to question #13.

25) She was employed by Black Hills Special Services Cooperative to work on a disability employment initiative grant beginning in November 2011. SD DOE has no involvement with this grant. My daughter's employment is not relevant to this matter.

26) See answer to question #13.

27) SD DOE does not have a board called the Oversight Board for Native Education. The department does have an Indian Education Advisory Council, but Rick Melmer does not serve on the board.

28) I became aware a few months into the grant period when our fiscal office requested that signed affidavits certifying work on the grant be submitted. Under federal education regulations, a certificate of activities is considered sufficient, and time and effort logs are not required. The U.S. Department of Education accepted this documentation.

29) I do not know if the premise of this question is accurate. Rick Melmer was paid from \$1,000 to \$4,500 a month for allowable GEAR UP services, to offer advice and direction on the coordination of services to Native American students. I do not know anything about other services provided by Mr. Melmer to Mid Central, and SD DOE would have had no role in that.

30) I do not know if the premise of this question is accurate. I probably heard about this in the news at the time. After receiving this question, Tami Darnall shared with me the investigative report she found online, which indicated that the U.S. Attorney's Office for the Eastern District of Virginia declined to prosecute this matter. The report is actually titled: "Investigative Report of Brian Drapeaux," and it appears to refer to actions by Keith Moore and Brian Drapeaux, not Rick Melmer.

31) This is a mischaracterization of my testimony. I informed the GOAC committee that through a RFP, PerGroup was the organization that was to do the evaluation for the second year of the grant. I did not personally offer this contract to PerGroup. The department followed the normal State request for proposals, or RFP process, which is defined at SDCL 5-18A-7. I would refer you to Tami Darnall's answer on this matter.

32) No. I did not lie or mischaracterize any fact in my statements to GOAC. PerGroup notified Mid

Central of its voluntary withdrawal from the evaluation contract in March of 2014 and explained its reasons for doing so in a letter attached. (See Appendix A) Further, I do not know if the premise of this question is accurate.

33) Once again, this question contains statements that aren't true. SD DOE did not provide any GEAR UP reimbursement to Brinda Kuhn for airplane rides. There was an invoice and request for payment for \$10,000 to Pixie Air LLC, which is owned by Brinda Kuhn, in July of 2015. This claim was denied by SD DOE and not reimbursed with GEAR UP funds.

I had no involvement with the 2005 GEAR UP grant application, and I do not know if the premises of these questions are accurate. So far as I know, Ms. Kuhn never managed the GEAR UP grant for Mid Central. Brinda Kuhn's role was not related to the conflicts cited in terminating the GEAR UP contract.

34) Again, this is a mischaracterization of my testimony. I became the Secretary of SD DOE on January 10, 2011. The initial GEAR UP grant, which commenced in 2005, was winding up. The 2nd GEAR UP grant was not yet in place. At this time, I was dealing with numerous, existing personnel issues with Ms. Werdel, and I asked her to resign on January 10.

Ms. Werdel sent an email shortly after she was asked to resign, and it was obvious that she was distraught and was lashing out. Her statements regarding comingling of data seemed to relate to her work as the data consultant for the Wakan Gli grant and the fact that Stacy Phelps wanted that responsibility to be handled by someone else. (See Appendix B)

The very next day, on January 11, Ms. Werdel sent a number of apology emails. One email sent at 2:17 p.m. was sent directly to me. (See Appendix C) Another was sent at 3:19 p.m. to management team members in which she stated: "I was way out of line yesterday and took my anger out on Melody. The things I said were very inappropriate ..." (See Appendix D) The next apology email at 3:30 p.m. states in part: "If my mother were alive she would be embarrassed and mortified by my behavior." (See Appendix E) Notably, Ms. Werdel also sent an email to US DOE that same day at 2:37 p.m. expressing her confidence in both Dan Guericke and Stacy Phelps. (See Appendix F)

35) As I explained in the previous question, Ms. Werdel made these statements after she was asked to resign. I made the decision not to retain LuAnn Werdel in her role, due to the erratic nature of her behavior and ongoing personnel issues. I informed her of my decision on my first day as interim Secretary and she provided a resignation email the following day. (See Appendix G)

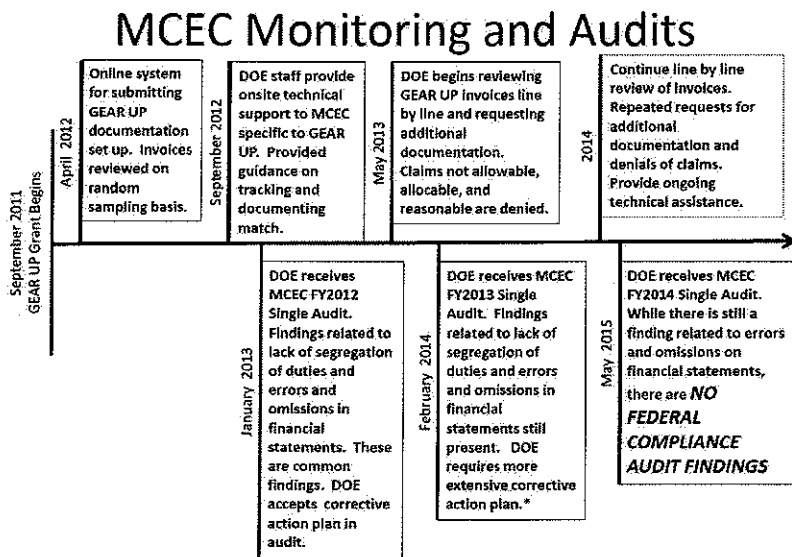
36) No.

37) SD DOE's concerns with the grant were based on requests for reimbursement of expenditures. As payment requests came in, grants management staff reviewed the claims and would question those items and deny those that we determined to be not allowable. These concerns led to increased monitoring and ultimately to the decision to terminate the contract.

38) I hired Mr. Campbell in March 2011. The GEAR UP contract with Mid Central was signed in March 2012, and GEAR UP became one of Mr. Campbell's responsibilities. Mr. Campbell first expressed concerns in spring 2012, one of which was that the business manager for Mid Central was also CFO for All.

At the July 24, 2017, GOAC meeting, I referred to the fact that SD DOE staff had concerns going back to 2012, and I described the increased monitoring activities regarding GEAR UP in response to those concerns.

Some of these increased activities included: onsite technical assistance (Sept. 2012), additional review of invoices (Nov. 2012), and follow-up with the independent auditor (June 2013) regarding the finding of errors and omissions, in which the auditor stated that he was confident that the proper claim for reimbursement was occurring and that 100 percent of the deposits were examined to determine accuracy of state and federal funds received. Below is a copy of my presentation slide showing the timeline I am referencing.



I specifically recall one in-person meeting with Mr. Guericke, Mr. Westerhuis, Mr. Phelps, myself and SD DOE staff, including Mr. Campbell, which was very heated and included what I considered to be personal attacks on both sides. This back and forth was not only counterproductive, but also odd, because Mr. Phelps had suggested Mr. Campbell as a potential candidate for the Indian Education Director position. I likewise felt this was negatively impacting the grant's purpose.

I believe Mr. Campbell had the department's interests in mind, and his suggestions led to increased oversight and accountability for Mid Central. I have attached a copy of Mr. Campbell's resignation letter, which does not reference any purported illegal activity. (See Appendix H)

39) Once again, it seems that a certain member of GOAC is attempting to blame the deaths of the Westerhuis family on me. That is reprehensible, and frankly bizarre, and I will not dignify it with a response.

40) I do not believe that the premise of this question is accurate. I would refer the committee to my July 24 presentation for the process that led to the termination of the GEAR UP contract, along with my answers to the questions related to Ms. Werdel and Mr. Campbell.

41) My communications with the Governor and his staff are privileged.

42) Prior to termination of the grant and subsequent audits, I was not aware of any fraud, misappropriation, or criminal activity. I fully cooperated with the investigation following the Westerhuis fire.

43) This is a very convoluted and rambling question. To the extent it asks about SD DOE's oversight of the GEAR UP grant, that was addressed in my July 24 presentation to GOAC. Mid Central was created and operated by its member school districts, and its board is ultimately responsible for its oversight. The special report issued by DLA on May 19, 2017, indicated that the Mid Central board failed to provide adequate oversight of the financial activity of the cooperative.

44) Any answer to this question would be highly speculative.

45) I do not agree with the premise of the question.

46) Refer to cover letter for information regarding match.

47) Refer to cover letter for information regarding match.

48) Refer to cover letter for information regarding match.



Dr. Melody Schopp

Secretary

South Dakota Department of Education

Appendix A



PERGROUP

431 South Pierre Street
Pierre, SD 57501

March 31, 2014

Dan Guericke, Director
Mid Central Education Cooperative
612 Main Avenue
Platte, SD 57369

Dear Dan:

This is in reference to the GEARUP Evaluation Contract between Mid Central Education Cooperative (MCEC) and Personal Group, Inc. (Pergroup).

Effective immediately, it is Pergroup's intent to withdraw from performance of this contract based upon the following reasons:

1. The presence of real or perceived conflicts of interest in Pergroup's relationship with MCEC as both a subcontractor and the evaluator of MCEC's performance of GEARUP objectives.
2. The unworkable relationship between Pergroup's evaluation team and MCEC's technical advisor, who oversees our performance. As a result, there is a clear difference of opinion about the scope and extent of deliverables expected in the contract. Please refer to my email addressed to you dated Tuesday, March 11th.

As we discussed during our conference call during the first week of March, we have substantially completed deliverables B. and C. of the scope of work in accordance to the contract. We have received full payment for all services rendered.

Sincerely,

Tom Livermont
President/CEO

Appendix B

Schopp, Melody (DOE)

From: Werdel, LuAnn (DOE)
Sent: Monday, January 10, 2011 8:39 AM
To: Schopp, Melody (DOE)
Cc: Wilson, Mark; Stadick Smith, Mary; Barnett, Deb; Darnall, Tamara; Siebersma, Dan; Pogany, Wade; 'janet.rickets@state.sd.us'; 'lwerdel [REDACTED]'; 'mstone@redstoneeducation.org'; 'jhaas@redstoneeducation.org'; Gingerich, Sam
Subject: Thank you

Melody, it has been a pleasure working at the South Dakota Department of Education. I have met a lot of really nice people. It is unfortunate that it had to end this way. By ending my appointment as an exempt employee of the Department of Education you have effectively sided with people who have no integrity or morals when it comes to managing grants and federal funds. I have told you over and over what Stacy Phelps and Mid Central is doing with the GEAR UP grant and the College Access grant. Stacy Phelps told Dr. Stone and John Haas, my evaluators for the College Access grant, during this past LNI that he would get me fired. Well, I guess he has. To conclude, you know only too well that I have been frustrated with the daily operations of the SD GEAR Up Grant and the SD College Access Grant. In front of everyone last Friday at the last College Access meeting, Stacy Phelps directed all College Access staff to send College Access data to his GEAR UP data lady, Misty Mousseau. This co-mingling of data is illegal. Stacy Phelps remains Project Coordinator in charge of daily operations. This arrangement did not work previously and I'm not sure why we would expect a different result. He is also designated 100% GEAR UP and once I showed you and Mr. Oster the budgets a couple of months ago you were appalled. What has changed? Marl Wilson and Tiffany Sanderson were at the last College Access Staff meeting. Mark pulled me outside of the meeting and said he could not believe what he was hearing in regards to the data and how mismanaged this grant has been due to Midcentral management. Dr. Kelly Duncan's role in College Access, besides being ill-defined, raises a variety of ethical considerations. I have been praying about the difficulties I have experienced, and I truly believe God has my best interests in mind. I have a great faith that everything happens for a reason. I can look at myself in the mirror in the morning and go to bed with a peaceful heart. You told me last week not to worry so much about the grants and to focus on larger policy issues-how can one focus on other issues when the foundation of the Office of Indian Education is based on unethical foundations. My advice to you Melody, as I think you are a wonderful lady, is to remember some of Tom's parting words-without integrity, you have nothing.

LuAnn Werdel

Office of Indian Education-Director
South Dakota Department of Education
800 Governors Drive
Pierre, SD 57501-2291
O 605.773.3783
F 605.773.6139
C 605. [REDACTED]
www.doe.sd.gov

Schopp, Melody (DOE)

Appendix C

From: LuAnn Werdel [REDACTED]
Sent: Tuesday, January 11, 2011 2:17 PM
To: Schopp, Melody (DOE)
Subject: Re: Resignation letter/email

personal email redacted

Melody,

I just want to apologize to you. I never should have said what I did in the email yesterday nor cc'd the other people. I hope you can forgive me, but if you cant, I understand. You have been a friend and I lashed out at you. I was angry, which is no excuse. I was devastated as I had given my whole heart to this job-and at the end of the day, I lost sight that it is just a job and I cant solve the world. I think the fact that I was away from my family and seeing and hearing all the suicide stuff about the kids was just too overwhelming. Also, I could see no end it sight for solutions. I am going to see my pastor as I cant sleep and I feel this terrible guilt that I have hurt you. I admired you and Tom so much-and I let both of you down. I am going to make my myself sick and I need to take care of my uncle. He has a pressure sore in his bottom and I know how those escalate. My mom was in horrible pain from bedsores when I was taking care of her in hospice. I also promise you right now not to email anybody as of this minute- I did lose sight of the big picture-programs for students. Students are the ones who will lose out if any program is embarrassed. The only emails I am going to send is to Lana resigning as Project Director of Wakan Gli and the new one that I was named in, I dont even remember its title-I'll have to look it up. I will even do a public apology to you and cc the people I had on the email yesterday. Oh Melody, I never thought this was going to happen, I had such high hopes. Please forgive me,

Sincerely,

LuAnn

LuAnn Werdel

-- On Tue, 1/11/11, Melody.Schopp@state.sd.us <Melody.Schopp@state.sd.us> wrote:

From: Melody.Schopp@state.sd.us <Melody.Schopp@state.sd.us>
Subject: Resignation letter/email

[REDACTED] *personal email redacted*
Cc: Karen.Watson@state.sd.us, Phyllis.Perkovich@state.sd.us
Date: Tuesday, January 11, 2011, 11:41 AM

LuAnn,

Karen Watson is working on payroll today and to code in a resignation we need an email or faxed letter by 5:00

Schopp, Melody (DOE)

Appendix D

From: LuAnn Werdel [REDACTED] *personal email redacted*
Sent: Tuesday, January 11, 2011 3:19 PM
To: Gingerich, Sam; Wilson, Mark; Pogany, Wade; Darnall, Tamara; Ricketts, Janet (DOE);
Siebersma, Dan; Barnett, Deb; Stadick Smith, Mary
Cc: Schopp, Melody (DOE)
Subject: Apology

My dear former colleagues

I want to apologize to Melody in front of all of you. I was way out of line yesterday and took my anger out on Melody. The things I said were very inappropriate and never should have been cc'd to people-I would hope that in the year that I have been up there that I do not leave you with such a terrible impression of my behavior that most certainly caused Melody embarrassment and anguish. I don't know what else to do other than to apologize. I hope you all can forgive me-especially Melody, and if forgiveness is not possible, maybe someday you can find it in your heart to forgive me.

With deepest regret,

LuAnn

Appendix E

Schopp, Melody (DOE)

From: LuAnn Werdel [REDACTED]
Sent: Tuesday, January 11, 2011 3:30 PM
To: Mitchell Stone; John Haas
Cc: Schopp, Melody (DOE)
Subject: Apology

personal email redacted

Gentlemen:

I want to apologize to Dr. Melody Schopp in front of both of you. As you know, I have been under alot of pressure and I lashed out at Melody. Being under pressure is no excuse. I apologize for embarrassing Melody and probably causing her pain and anguish. She is one of the people at the state who always treated me good. If my mother were alive she would be embarrassed and mortified by my behavior. I have no excuse, and I hope that you all can forgive me for dragging you into such sordid behavior. If I had any concerns I should have done it privately-please forgive me Melody.

With deepest regret,

LuAnn Werdel

Appendix F

Schopp, Melody (DOE)

From: LuAnn Werdel [redacted] *personal email redacted*
Sent: Tuesday, January 11, 2011, 2:37 PM
To: LanaShaughnessy
Cc: Schopp, Melody (DOE); Guericke, Dan; stacy Phelps; Scott Westerhuis
Subject: Re: Annual Report

Lana,

It is with regret that I will be resigning from Wakan Gli as Project Director. I have resigned from my job as Director of Indian Education of South Dakota to go home to Chadron, NE. I have a family member that has lived with us for close to 50 years. I promised my mom when she was dying that I would always take care of her brother.

As you know, this program was based on the very successful Freshman Academy at Pine Ridge back in the early 2000's that I directed, so I have a very strong interest in the program. However, I can assure you that the program is in good hands. Mr. Dan Guericke, CEO of MidCentral Education, authorized representative of Wakan Gli, has a very experienced staff in regards to Indian Education. His program manager is Mr. Stacy Phelps, who sits on President Obama's Advisory Council on Indian Education. I would not leave this program in anyone's hands if I didn't have the utmost confidence in their ability to run the program. They have a long history of providing quality programs in SD. I enjoyed our last visit together Lana, and I hope you will soon get more help as I know how hard you work in your office. Once my family situation gets better, maybe we will work together once again:)

Kindest regards,

LuAnn Werdel, M.Ed
Project Director
Wakan Gli-United States Department of Education Discretionary Grant
S299A090028 #
Cell (308) [redacted]
Fax (308) 432-4015
Office (308) 432-2204

"Let us not become weary in doing good, for at the proper time we will reap a harvest if we do not give up."

--- On Mon, 12/13/10, Shaughnessy, Lana <Lana.Shaughnessy@ed.gov> wrote:

From: Shaughnessy, Lana <Lana.Shaughnessy@ed.gov>
Subject: Annual Report
To: [redacted] *personal email redacted*
Date: Monday, December 13, 2010, 3:33 PM

Hi Luann: Thanks for the annual report on year 1 of this project S299A090028. I have the signed ED 524B Cover Sheet by Dan Guericke on Aug. 16, 2010. The Executive Summary revealed that LOTS had been accomplished in year 1. The breadth of this project is large and you are to be commended for the coordination

involved – 600 students in 10 schools. And considering the geography – a lot of miles to cover as well.

The small learning communities concept is very promising. This project is off to a great start.

Although the GPRA measure will look to 2013 for outcomes, the monthly review done you/project staff to ensure students are on track to stay in school, to address any academic issues and the collection of report cards are excellent measures to ensure data can be reported out and project objectives are accomplished.

The budget information was provided and reflects the approved category expenditures. Thank you for using the template. Today in GAPS I find a balance of \$145,036. There are six months to go. With continued regular draw downs, I don't anticipate a large balance if any on June 30, 2011. This is good! And, the indirect cost rate agreement is current – this is also good!

The next report due is the second year annual report. It is due on Friday, May 27, 2011 – 4:30PM EST. You may need to guesstimate on some of the information/data but I need to have this report no later than May 27, 2011, in order to process the continuation funding for year three. I will have the report window open on April 27, 2011.

The 2011 Demonstration Grant for Indian Children competition will most likely be announced in late February. I will notify all project directors as to the opening and closing dates. The applications will be available and must be submitted through grants.gov. You can register now or update the registration at www.grants.gov

In the meantime...I hope you will take time to relax this holiday season and enjoy this special time with family and friends. Merry Christmas!

Lana

Office of Indian Education

202-205-2528 phone

202-260-7779 fax

Appendix G

Schopp, Melody (DOE)

From: LuAnn Werdel [REDACTED]
Sent: Tuesday, January 11, 2011 1:49 PM
To: Schopp, Melody (DOE)
Cc: Watson, Karen (BOP)
Subject: Re: Resignation letter/email

personal email redacted

Dear Melody:

It is with regret that I submit my resignation from the South Dakota Department of Education due to health issues of a family member named Uncle Ira. I must return to Chadron NE and take over full time care for him. He has been in a wheelchair for close to 50 years. Thanks for all of your help Melody,

Respectfully

LuAnn Werdel

--- On Tue, 1/11/11, Melody.Schopp@state.sd.us <Melody.Schopp@state.sd.us> wrote:

From: Melody.Schopp@state.sd.us <Melody.Schopp@state.sd.us>
Subject: Resignation letter/email
To: [REDACTED]
Cc: Karen.Watson@state.sd.us; Phyllis.Perkovich@state.sd.us
Date: Tuesday, January 11, 2011, 11:41 AM

personal email redacted

LuAnn,

Karen Watson is working on payroll today and to code in a resignation we need an email or faxed letter by 5:00 pm today. You can send that directly to me and cc' her if you prefer.

Melody

Appendix H

February 28, 2013

Dr. Melody Schopp, Secretary
South Dakota Department of Education
800 Governors Drive
Pierre, SD 57501
Re: Resignation

Dear Secretary Schopp,

This is to inform you that I am resigning my position as Director of the Office of Indian Education effective March 10, 2013. I am requesting that my accrued annual leave be paid to me over the course of time that it will take to exhaust the balance as well as any additional leave accrued. I also request that all accrued sick leave that I am eligible to receive upon termination of my employment be paid to me in a lump sum.

It has been my privilege and honor to serve the department as the Director of the Office of Indian Education. I am grateful to have had this opportunity to help improve the educational outcomes of tribal students across the state. I feel that the department has a good foundation with the inclusion of department-wide strategies to address the achievement gap that exists between native and non-native students. It is my hope that the Department of Education will maintain this direction that identifies proven educational delivery that is data driven as well as inclusive to all entities, both public and tribal.

Again I thank you for this opportunity and I wish the department and its hard working staff all the best as they move forward with your initiatives.

Respectfully,

Roger Campbell

[Redacted signature block]

Personal contact information redacted

**Answers to GOAC questions to Tami Darnall
8/22/17**

- 1) See the cover letter for explanation of match.
- 2) This is a reference to Scott and Nicole Westerhuis' work for AllI. Department of Legislative Audit staff raised this issue with me on 9/16/15, and Secretary Schopp decided to add it as additional grounds for termination in the written termination letter.
- 3) Refer to Secretary Schopp's answer to question #13.
- 4) This was included in the grant application.
- 5) I was not personally aware of who the employees for the GEAR UP summer program were until the contract with Mid Central was terminated. I do not know if this question is accurate. As a reminder, the Eide Bailly audit determined that there was no missing GEAR UP money.
- 6) I was not aware of this and do not know if this question is accurate.
- 7) I first became aware of this on 9/17/2015, after the decision to terminate the GEAR UP contract, when I ran a search on the Secretary of State website after meeting with DLA the afternoon before. At that time, Scott Westerhuis was listed by the Secretary of State as the registered agent for seven corporations; I do not know if he created these corporations.
- 8) I know this was noted in the grant application, although I did not become aware of it until later.
- 9) I first became aware of Scott Westerhuis' role as the registered agent on 9/17/2015, after the decision to terminate the GEAR UP contract, when I ran a search on the Secretary of State website after meeting with DLA the afternoon before. I do not know if Scott Westerhuis was the creator of Oceti Sakowin, and I do not know if Nicole Westerhuis was the business manager. I was aware of payments to Oceti Sakowin for allowable costs.
- 10) I was not aware of this until it was disclosed in the DLA FY2015 Special Report and Audit of Mid Central, which I first reviewed in May 2017.
- 11) See Secretary Schopp's answer to question #13.
- 12) See Secretary Schopp's answer to question #13.
- 13) See Secretary Schopp's answer to question #13.
- 14) See Secretary Schopp's answer to question #13.
- 15) The S.D. Department of Education does not have a board called the Oversight Board for Native Education. The department does have an Indian Education Advisory Council, but Rick Melmer does not serve on the board.
- 16) I became aware a few months into the grant period and requested that signed affidavits certifying

work on the grant be submitted. Under federal education regulations, a certificate of activities is considered sufficient, and time and effort logs are not required. The U.S. Department of Education accepted this documentation.

17) I do not know if the premise of this question is accurate. Rick Melmer was paid from \$1,000 to \$4,500 a month for allowable GEAR UP services, to offer advice and direction on the coordination of services to Native American students. I do not know anything about other services provided by Mr. Melmer to Mid Central, and SD DOE would have had no role in that.

18) I vaguely recall news stories about this but was not aware of the details, and I do not know if this question is accurate. In response to this question, I was able to find the investigative report with a Google search, which indicated that the U.S. Attorney's Office for the Eastern District of Virginia declined to prosecute on this matter. The report is actually titled: "Investigative Report of Brian Drapeaux," and it appears to refer to actions by Keith Moore and Brian Drapeaux, not Rick Melmer.

19) I don't believe this question accurately reflects what Secretary Schopp told GOAC. A Request for Proposal was released in March of 2012 through the State procurement process (RFP #26087), and responses were received in April of 2012. Four proposals were received and reviewed by a team that consisted of the Director of Indian Education, who at the time was Roger Campbell, and staff from the Division of Finance and Management. A scoring matrix was used and all of the bidders earned similar scores, so cost became the deciding factor and the contract was awarded to the lowest bidder. PerGroup withdrew from performance of the contract in March of 2014.

20) I was not employed at SD DOE in 2005, and I had no involvement with the 2005 GEAR UP grant application.

SD DOE did not provide any GEAR UP reimbursement to Brinda Kuhn for airplane rides. There was an invoice and request for payment for \$10,000 to Pixie Air LLC, which is owned by Brinda Kuhn, in July of 2015. This claim was denied by SD DOE and not reimbursed with GEAR UP funds. I would refer you to Secretary Schopp's answer for this question.

21) I had no recollection of this email until these questions were submitted. The subject of the email is "Thank You," and the email starts out saying it has been a pleasure working for SD DOE and that she had worked with a lot of really nice people. This is all that would have shown up in the preview pane, so at that point I must have stopped reading the email and deleted it, assuming it was a lengthy email about how much she enjoyed her job and I did not feel it was important to read further.

22) I was not involved in this decision and have NEVER been asked to destroy ANY emails.

23) No.

24) Any concerns with the grant that I was aware of were based on requests for reimbursement of expenditures. As payment requests came in, grants management staff reviewed the claims and would question those items and deny those that we determined to be not allowable. These concerns led to increased monitoring and ultimately to Secretary Schopp's decision to terminate the contract.

25) Roger Campbell worked with my staff to address concerns he expressed about the grant's fiscal documentation. I was not aware that Mr. Campbell ever raised concerns of illegal activity.

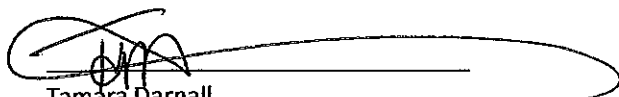
26) I communicated with the Secretary about the steps the department was taking to address the concerns about the fiscal documentation. These steps were shared at the July 24 GOAC briefing. These steps commenced shortly after the grant agreement was signed.

27) Prior to the Westerhuis fire, I was not aware of any fraud, misappropriation or criminal activity. I fully cooperated with the investigation following the Westerhuis fire.

28) No.

29) I did not lie in my testimony to GOAC and resent any implication otherwise.

See cover letter for explanation of match.

A handwritten signature in black ink, appearing to read 'T. Darnall', is written over a horizontal line. The signature is stylized and includes a large loop at the end.

Tamara Darnall
Chief Financial Officer
South Dakota Department of Education