



U.S. Department of Justice

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PRESS RELEASE

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Former Director of Internal Audit for the District of Columbia Public Schools Pleads Guilty to Theft of Federal Funds

Washington, D.C. - Eugene P. Smith, 46, the former Director of Internal Audit for the District of Columbia Public Schools, has pleaded guilty to a one-count criminal Information charging him with theft concerning programs receiving federal funds, U.S. Attorney Jeffrey A. Taylor announced today.

Smith, formerly of Odenton, Maryland, pleaded guilty earlier today in the U.S. District Court for the District of Columbia before the Honorable Rosemary M. Collyer. In connection with the guilty plea, Smith admitted that from January 1997 through July 2002, he was employed by the District of Columbia Public Schools. Smith also admitted that his last position with DCPS, from February 1999 through July 2002, was as the Director of Internal Audit. Smith faces a statutory maximum term of ten years in prison for the theft, though his likely sentence under the U.S. Sentencing Guidelines will be between 12 and 18 months of incarceration. He is scheduled to be sentenced on March 14, 2008.

According to the government's evidence, on September 6, 2001, the District of Columbia Public Schools Board of Education revoked the charter of a public charter school, the New Vistas Preparatory Public Charter School ("New Vistas"). On September 7, 2001, in his capacity as the Director of Internal Audit for DCPS, Smith became responsible for closing out New Vistas' financial accounts. On September 7, 2001, Smith designated himself as the sole signatory on a bank account held in the name of New Vistas (the "original account"). On October 4, 2001, Smith closed the original account and transferred the balance of the original account,

approximately \$518,125.66, into a new account he opened at the same bank (the "second account"). According to the charges, the U.S. Department of Education had provided benefits to DCPS and DCPS, in turn, had provided benefits to New Vistas. Smith admitted that he was the sole signatory on the second account. He also admitted that he obtained a business check card, or debit card, for the second account, even though any outstanding debts would have been, and in fact were, paid through purchase orders and checks.

On or about July 31, 2002, Smith's employment with DCPS was terminated. At the time of his termination, New Vistas' vendors had been paid off and the balance in the second account was approximately \$52,679.90. However, Smith did not close the second account before the termination of his employment and did not relinquish possession of the associated debit card. Instead, Smith admitted that between April 2003 and July 2003, following his termination from DCPS, he made unauthorized expenditures of approximately \$46,742.94 in cash and incurred fees for his personal benefit from the second account as a result of approximately 114 transactions using the debit card associated with that account in the State of Maryland and the Commonwealth of Virginia.

In announcing the guilty plea, U.S. Attorney Taylor praised the investigative efforts of Special Agents Michele Rankin and Sean Ryan of the Federal Bureau of Investigation, Special Agent Kerthalia Peavely of the District of Columbia Office of the Inspector General, and Special Agent Derrick L. Franklin of the U.S. Department of Education. He also recognized the efforts of U.S. Attorney's Office Legal Assistant Lisa Robinson. Finally, he commended the efforts of former Assistant U.S. Attorney Kim Herd and Assistant U.S. Attorney Michael K. Atkinson, who prosecuted the case.

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