



OFFICE OF THE INSPECTOR GENERAL
ANNUAL REPORT FY 2022

Students Rise. We All Rise.



"Dream Classroom" by Christina Johnson
7th grade, Spain Elementary School





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MESSAGE FROM THE INSPECTOR GENERAL

TO: Honorable Members of the School Board
Superintendent Nikolai P. Vitti

I hereby submit to you the OIG's Annual Report for fiscal year 2022; summarizing our key activities and significant accomplishments for the reporting period between July 1, 2021 and June 30, 2022. During this period, we issued 26 reports on completed investigative matters, with information regarding various complaints of misconduct involving fraud, waste, abuse, ethical violations, and financial mismanagement. Accordingly, we offered District leadership our recommendations to promote economy, efficiency, and accountability within the DPSCD.

Overall, there were 24 investigations initiated during this reporting period; bringing the total number of completed OIG investigations to 1,157 since onset; of which 1,137 were closed, 11 with reports issued and awaiting District responses and/or corrective actions, and 9 were still pending completion, as of June 30, 2022. Although District leadership may have responded to some reports, a recommendation is not considered closed until it has been fully implemented. The status of each recommendation is tracked by the IG until resolution. The OIG encourages leadership to consider our recommendations to drive decision making and actions; and we remain objective in our work as well as the results of our investigations.

Over the past years, the OIG has been successful in contributing towards the downward trend in fraud, waste, and abuse within this district; in part, due to our outreach program. For this new fiscal year, the OIG will continue its mission to ensure that the District's core value of Integrity remains at the forefront in District programs and operations.

On behalf of the entire OIG staff, I thank you for your continued support.

Bernadette Kakooza, CIG
Inspector General

*The Office of the Inspector General for the Detroit Public Schools Community District
promotes integrity, economy, efficiency, and effectiveness in the District*

*by conducting meaningful and accurate investigations, forensic audits, and program reviews to prevent, detect, and deter
Fraud, Waste, and Abuse*

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INVESTIGATIONS AT A GLANCE

Figure 1:

Type	Total	Closed	Inactive	Pending
Theft	236	235	0	1
Ethics Violation	205	200	2	3
Insurance Fraud	168	167	1	0
Payroll Fraud	98	96	2	0
Abuse	93	90	3	0
Financial Mismanagement	78	75	2	1
Vendor Fraud	64	64	0	0
Criminal Activity	57	56	1	0
Waste	42	41	0	1
Unauthorized Employment	40	39	0	1
Employee Misconduct	35	34	0	1
Contractor Fraud	16	16	0	0
Employee Disclosure	17	16	0	1
Misuse of Vehicle	8	8	0	0
Total	1157	1137	11	9

CLOSED –

An investigative matter is considered closed when the District responds to the OIG’s recommendations and either takes action to implement the recommendation(s) offered in the OIG report or implements alternate actions to resolve the matter.

INACTIVE –

Matters where the investigation was completed, and a final OIG report issued; although a District response is not yet received, or corrective actions are not yet implemented.

PENDING –

Investigative matters are still in progress.

Typically, all complaints received by the OIG, which result in an investigation, are classified under any of the listed 14 investigative types. Any allegations received that are outside of the OIG’s investigative jurisdiction are referred to the appropriate authorities

FY22 STATISTICAL ACCOMPLISHMENTS

MONETARY BENEFITS FOR THE DISTRICT

At the conclusion of FY2022, monetary benefits for the District totaled \$42,135,040, which included \$212,402.44 collected in restitution payments for the year, \$17,570 in monetary loss prevented, and \$5,749,433 in cost savings resultant of OIG investigative work. For FY22, the OIG comprised of six (6) full-time District staff and 2 full-time contracted positions.

Figure 2: Total monetary benefits realized as of June 30, 2022

Summary of Fraud Statistics	Amount
Monetary Loss	\$10,824,953
Monetary Recovery	147,762
Court Ordered Restitution	12,467,906
Restitution Payments Received	3,537,191
Cost Avoidance	12,145,506
Cost Recovery	3,011,723
Total	\$42,135,040

Figure 3: OIG Budget for FY2022

OIG Funding (FY 2022)	
Salaries and Benefits (6 FTE)	\$ 911,347
Total Discretionary items	\$ 270,200
Total	\$ 1,181,547

The direct funded positions comprised of the IG, one Special Investigator, two Forensic auditors, a Compliance Officer, and an administrative assistant.

INVESTIGATION STATS

For FY2022, 24 new investigative matters were addressed, bringing the total number of investigations conducted by the OIG to 1,157 by close of the fiscal year. Of these, 9 matters remained open, while 11 were in inactive status by June 30, 2022.

Overall, the OIG's investigative work has resulted in the following actions to date:

- **178** employees referred for administrative discipline
- **89** employees suspended or placed on administrative leave
- **99** For cause terminations
- **89** other personnel actions (demotions, verbal, or written reprimand issued)
- **4** external persons barred from District property
- **118** successful indictments, arrests, and convictions
- **17** vendor suspensions or debarments
- **116** subpoenas and search warrants issued
- **16** referrals to Federal law enforcement
- **2** referrals to State law enforcement
- **50** referrals to Wayne County Prosecutor's Office
- **15** referrals to local law enforcement

SIGNIFICANT INVESTIGATIONS COMPLETED DURING FY2022

Alleged Time Theft Involving Outside Employment (Update)

In FY2021 annual report, the OIG reported on an investigation involving a specialty employee, who was assigned to multiple school locations, and was conducting outside employment during duty hours. The investigation determined that the employee had failed to notify management of any deviations to their scheduled times and locations and was not located on authorized District grounds during some and/or all of their duty hours on approximately 68 school days, causing a monetary loss to the District due to time theft. As result of the findings, the OIG submitted a criminal referral to the Wayne County Prosecutor's Office, and in April 2022, the specialty employee was accepted into the Wayne County "Pretrial Diversion" program where first offenders are given a chance to resolve their case without obtaining a criminal record. As part of this program, the individual was made to pay restitution to the District totaling \$7,845.

Alleged Abuse of FMLA by a School Principal (Update)

In FY2021 annual report, the OIG reported on an investigation involving a District Principal who obtained leave pursuant to the Family and Medical Leave Act (FMLA), with a possible fraudulent motive of engaging in outside interests. Through surveillance, and other investigative techniques, the OIG was able to determine that the employee had outside employment with a local health organization. The investigation showed that the principal was actively working midnight shifts while on approved District FMLA, even though their FMLA medical certification claimed that they were placed on "no-work restrictions" by a physician. The OIG referred the matter to the Wayne County Prosecutor's Office for law enforcement opinions. In May 2021, the former Principal was charged with a felony in making or using false pretenses to receive monies over \$1,000 but less than \$20,000. In January 2022, the former Principal entered into a court approved plea arrangement and were made to pay restitution of \$15,195 to the District.

Alleged Unauthorized Payroll Deductions by a Vendor

In November 2019, the OIG received several complaints and concerns regarding District employees having unauthorized voluntary benefits premiums deducted from their payroll. The OIG determined that a vendor was under contract with the District to offer voluntary benefits from a plan provider and receive the premiums by direct deduction from District employees' payroll, which over the life of the contract totaled at least \$2.8 million. During the pursuant forensic audit, the OIG provided a survey to 1,200 employees with direct payroll deductions to the plan provider, analyzed their payroll deductions, and interviewed over 200 of these individuals. The investigation determined that the plan provider's authorization process lacked proper controls; for instance, it did not require a "wet" or digital signature but utilized a security pin known to the vendor. The OIG also determined that employees were "signed up" outside of the contractual open enrollment period and the vendor offered an unauthorized voluntary benefit plan. Further, the OIG secured the plan provider's binding master application for the unauthorized plan which showed that the District's signature line was forged. The investigation revealed at least 79 District employees had over \$32,000 in unauthorized premiums taken from their payroll and over \$110,000 was collected in premiums for the unauthorized voluntary benefit plan. Based on the OIG investigation, and in consistence with the OIG's mission and duty to report any improper actions that are believed contravenes the law, in March 2022, the OIG referred the vendor to the State of Michigan Department of Insurance and Financial Services (DIFS) for further review and any actions deemed appropriate.

Possible Improper Unemployment Benefit Claims involving current and former District Employees

In FY2021 annual report, we reported that the OIG had initiated an investigation into possible improper unemployment benefit claims filed by both current and former District employees, since March 2020, when the District suspended in-person learning due to the Covid-19 pandemic. As part of the investigation, the OIG completed an analysis of personnel information and held interviews with individuals identified to have filed for state benefits, and in some cases, federal pandemic unemployment benefits, to determine the validity of these claims. A total of 1,316 individuals were identified including 254 who were victims of ID theft, and others who received unemployment benefits compensation that they were not entitled to. The results of this investigation revealed \$409,768 in monetary benefits to the District, due to some of the funds recouped from the improper payouts, in addition to \$5,301,375 in monetary loss prevented as result of timely HR protests, and OIG's actions to prevent additional ineligible payments. Those found to have engaged in fraudulent benefit claims were referred to the Office of Employee Relations for discipline and were reported to the state's unemployment fraud unit for further actions. Additionally, based on the OIG's recommendation to bring more awareness of unemployment insurance fraud among District employees, HR established a new page on the District intranet, with a wealth of information regarding unemployment insurance, who is eligible and who is not; about the School Denial Period; and Reasonable Assurances, with a goal of assisting District leadership's efforts in mitigating the risk of employees' falsely claiming UI benefits for which they may not be entitled to.

Unauthorized Occupation of District facility, Fundraising Improprieties, and Conflict of Interest involving an Outside Organization

In October 2020, in an unrelated investigation, the OIG identified the unauthorized occupation of District Property by an outside entity. Additionally, it was found that the organization had sponsored several District fundraisers without seeking authorization and participation in the required fundraising training. In their capacity as parent volunteers, the outside entity's owners managed to gain access to district property and administrative contact information, which they used to promote and engage in various business activities involving the District and school staff. The OIG investigation identified several violations to school board policies, resulting in various recommendations, including for the General Counsel to issue the organization a 'Notice To Vacate District Premises' and to 'Cease and Desist Fundraising Activities' that were misrepresenting the District; for the District to issue conflict of interest guidelines for volunteers; and for refresher training to be provided for all school staff involved in fundraising activities. Additionally, the OIG filed an external complaint with Michigan Attorney General - Charitable Organization Division - regarding the improper claim submitted by the organization in its pursuit to gain a charitable solicitation license based on its alleged relationship with the District.

Financial Improprieties and Failure to Disclose Outside Interests by a School Principal

In November 2020, in an unrelated investigation, the OIG identified a school's general ledger activity, totaling over \$15,800, involving a principal's personal business which was not disclosed to the District. The OIG investigation revealed that, without the District's knowledge and authorization, the Principal used his/her personal business to solicit monetary and non-monetary donations from the general public, and used the donated proceeds, together with school funds, to benefit a select group of graduating students. The OIG concluded that these actions were improper and did not comply with the purpose of the District, which is to educate students, and public funds cannot be used to gift individual students, no matter how worthy the cause.

As result, the principal was referred to the Office of Employee Relations for a decision on discipline, due to their having violated the School Board Conflict of Interest policy and misused general school funds. The OIG also recommended that additional internal audits be done of schools' general funds to ensure compliance with school board policies. Disposition of this matter is pending.

Alleged Time Theft During COVID-19 Reassignment

In February 2021, the OIG received a complaint that four District employees, who were required to report in person during the District's shutdown due to the pandemic, and were temporarily assigned to a new location, failed to show up and/or were departing early from work during their duty days. The OIG investigation determined that the school's original 'sign in' sheets were removed and replaced with fabricated 'sign in' sheets completed by the individuals. The investigation further established that the individuals lacked proper guidance and monitoring by school leadership, who failed to review and secure the original 'sign-in' sheets. Based on OIG recommendations, each employee received discipline of five to ten days of non-paid suspensions and the principal was counseled to ensure that all their employees were punctual, including securing and reviewing for accurate entries on attendance sheets. As the result to this investigation, along with other recent OIG investigations, the District is initiating a 'Punch Time' system for hourly employees and staff who are assigned to multiple District locations during the day, which will capture the actual time an employee punches in upon arrival and departure on the job.

Alleged Time Abuse and Undisclosed Outside Employment by a District Social Worker

In July 2021, the OIG received information that a social worker, assigned to several District schools, was working for his/her personal company during duty hours. The OIG investigation confirmed that the social worker owned a business, was also actively participating on social media during district hours, and further revealed that the individual was paid for District duty hours that he/she had not actually worked. The OIG recommended administrative discipline for the employee due to violations of staff attendance and disclosures per school board policies. A payroll adjustment was also made to the individual's leave bank by 112 hours, valued at \$4,251.27, which represented duty hours that the employee was paid for, yet was not working. The OIG further recommended a punch time system specifically for those staff assigned to multiple locations, which was agreed to by the District, and will be effective for the upcoming school year.

Abuse of Authority and Conflict of Interest involving a School Principal

In August 2021, the OIG received a complaint alleging that a principal allowed an outside entity to utilize District facilities without adhering to the District's community use guidelines, and possibly misreported vacation time. The OIG's investigation determined that the principal allowed the organization to host numerous events without seeking the District's authorization, resulting in fees amounting to \$29,000 that were not paid for facility usage. The OIG further determined that the principal had a conflicting personal relationship with an employee of the outside organization, which motivated the violations of District policy. Additionally, the principal approved various school business transactions with the family member, totaling \$8,890. However, the OIG investigation determined that the allegation regarding misreported vacation time was unfounded. As result of this investigation, the OIG referred the principal for administrative discipline and further recommended the District recoup fees owed for use of its facilities.

Alleged Contracting Irregularities involving a District Vendor

In September 2021, the OIG received tip information that a vendor who was contracted for a total amount of \$427,500, to provide enrichment services to District students during the summer break of 2021, had actively recruited individuals and directed them to report to District schools for work without undergoing background checks. The OIG's investigation determined that the vendor failed to comply with the terms of their contract, which specifically stated that "the supplier must follow and adhere to all background check and COVID safety requirements prior to the beginning of summer programming". Additionally, although required to use only licensed personnel with the requisite skills and experience, the investigation found that some personnel hired by the vendor were underaged and lacked the required skills for the job. The investigation confirmed that background checks were not implemented by the vendor and as result, 61 individuals assigned by the vendor to work in various District schools were not vetted, including one individual who was found to have a disqualifying criminal record. As result, the vendor was banned from future business with the District, while the District implemented additional security controls to ensure the proper screening of contractors and visitors who access school buildings and students.

Alleged Failure to follow Community Use Procedures

In December 2021, the OIG received information that a latchkey provider was operating a before-and-after childcare program without approval of the District's Office of Community Use and that the school principal was aware that the program was operating without authorization. The OIG investigation determined that there were three (3) latchkey providers operating at the school; all without the approval of the District; although properly licensed and insured. This failure on the part of the providers initially cost the District at least \$17,570 in lost facility use revenue and exposed the District to possible liability and litigation issues. Each provider acknowledged that they were fully aware of their requirement to secure approval and cited various reasons for failure to do so, including, being out of the country, returning to in person work after the Covid 19 pandemic closures, changes in personnel at the Office of Community Use and simple oversight on the part of all parties. The investigation determined that there was no mismanagement or misdirection of funds. Following the investigation, all three providers have applied for Community Use approval and have made significant payments towards the total owed to the District. The OIG recommended that the District emphasize the need for compliance with Community Use procedures, that the Office of Community Use finalize its invoicing for the remaining amounts due from the providers for their use of the facility, and that the principal be issued a written reprimand for the lack of oversight, which enabled the three providers to operate in the school without District authorization.

Alleged Time Abuse by a School Hourly Employee

In February 2022, the OIG received a complaint from a principal that an hourly employee was failing to work their assigned hours and was not properly signing in their arrival and departure times, along with taking leave without notification or obtaining proper approval. It was further alleged that during times of virtual learning, students complained that the employee was not available, and that the principal's contacts went unanswered. The OIG investigation confirmed the complaints and learned that the individual also had outside full-time employment, which was not disclosed to the District. The employee admitted to leaving prior to the last school bell and stated that they did not know that it was a District policy that they had to sign in upon arrival and departure. The employee was referred to the Office of Employee Relations for a decision regarding violation of

District policies for Outside Employment, Conflicting Employment, Work Rules, Employee Attendance and Punctuality, and Code of Ethics, and further, be required to update their mandatory outside employment disclosure records. The OIG further recommended that the school leadership consider updating its process of tracking employees' attendance to mitigate the risk of time sheet fraud by hourly employees.

Alleged Time Abuse by a Program Director

In February 2022, the OIG received a complaint involving an administrator who was frequently late or absent from work, non-responsive to supervisors, and who failed to request leave while away from their assigned District duties. During the investigation, the OIG determined that the Director regularly posted out-of-state vacations and other activities on social media, showing that s\he was unavailable on District duty days without authorized leave, while receiving full regular pay. The investigation also revealed that the Director routinely arrived for their duty day after 11:00 am. Furthermore, the Director provided false Approved Absence forms to misdirect the investigation. The OIG referred the employee to the Office of Employee Relations for an administrative hearing to address the substantiated violations, and to receive appropriate discipline. Also due to the unauthorized absences, 96 vacation hours (equivalent to \$4,291) were taken from the employee's leave bank, to adjust for their unauthorized absences from work.

Allegation of Nepotism and Conflict of Interest involving an Assistant Principal and Counselor

In March 2022, the OIG received tip information that an assistant principal and a school counselor, who were related by blood, were assigned to the same work location and that a supervisory relationship existed between the two individuals. The OIG's investigation revealed that the assistant principal was recently promoted to this position, that the siblings had disclosed the familial relationship and sought guidance from the school leadership regarding their conflicting reporting relationship, and due to no fault of theirs, the school administration failed to appropriately take action to manage the conflict. The matter was referred to Human Resources for consideration regarding placements for the upcoming school year.

Allegation of Conflict of Interest, Ethical Violations, and Financial Improprieties by a School Principal

In April 2022, the OIG received information that a school principal may have violated school board policy during the hiring process of a family member; further, that the principal engaged in an undisclosed conflicting vendor relationship involving a family member; falsified District fundraiser records including failure to account for cash collected from students; conducted outside personal business during duty hours; as well as abused their District position by engaging in improper personal relationships with subordinate staff. The OIG's investigation produced evidence of improper acts during the hiring process involving the principal's family associate, as well as the lack of accountability for cash collected from students during a student event. It was also determined that the principal knowingly failed to disclose the familial relationship involving a vendor and took efforts to obtain District approval to enable the vendor conduct further business with the school, in violation of District procurement policy and procedures. Other actions regarding the principal's personal business were noted, which were considered unethical. The allegations involving the improper relationships with staff were referred to HR; while the principal was referred to Employee Relations requesting that an administrative disciplinary hearing be scheduled.

Allegations of Conflicting Employment and Time Theft by a Teacher

In May 2022, the OIG received a complaint that a teacher was engaged in conflicting outside employment during District duty hours. The OIG investigation determined that the teacher was calling off sick from their teaching responsibilities in the District and instead, instructing courses at another educational institution. The OIG investigation revealed that the actions of the teacher defrauded the District out of 196 hours of instructional time, resulting in a monetary loss of at least \$12,009. At the conclusion of the investigation, the OIG made recommendations including an administrative hearing for the teacher and the recovery of the District’s monetary loss. The disposition of this matter is still pending.

OIG INTERNET ADDRESS

The FY 2022 OIG Annual Report and other OIG materials may be accessed on the District’s website at the following internet address: <https://www.detroitk12.org/Domain/5081>

CONTINUING PROFESSIONAL EDUCATION (CPE)

As a requirement of the Association of Inspectors General (AIG), members must demonstrate compliance with the Principles and Standards for Offices of Inspector General ("Green Book") by providing documentation to show successful completion of Continuing Professional Education (CPE) of **at least 20 hours each year**.

This CPE should consist of training that directly enhances one's professional proficiency, with at least 12 of those hours being directly related to the member's job/responsibility with the office and at least two hours related to ethics. Below are some of the combined courses that OIG staff attended during the recently concluded Fiscal Year 21-22.

DATE	PROFESSIONAL DEVELOPMENT TOPIC/COURSE	DELIVERY TYPE
8/20/2021	Financial Statement Fraud Post Pandemic	Webinar
8/25/2021	How To Optimize Controls and Address Access Risks	Webinar
9/2/2021	Human Hacking; Where Cyber-Security and Fraud Combine	Webinar
9/10/2021	Brilliant With the Basics: Planning	Webinar
9/15/2021	Investigating Online Fraud: Shifting From Detection to Prevention	Webinar
9/17/2021	Writing Effective Investigation Reports	Webinar
9/20/2021	5 Benefits of Using Reciprocity in Investigation Interviews	Webinar
9/20/2021	Protect Your Remote Workers from CEO Fraud	Webinar
9/23/2021	Misconduct or Missed Conduct? Ensuring Consistent SAR Reporting of Internal Misconduct	Webinar
9/28/2021	5 Keys to an Effective Ethics and Compliance Program	Webinar
10/4/2021	Report Writing	Webinar
10/5/2021	Triangulating Point Solutions to Gain Deeper Fraud Insights	Webinar
10/8/2021	Search Engine Skills for Workplace Investigators	Webinar
10/12/2021	The Monstrous Cost of Fraud	Webinar
10/15/2021	Brilliant With the Basics: Interviewing	Webinar
10/19/2021	Using AI to break the cycle of Online Fraud	Webinar
10/21/2021	5 Identity Fraud Predictions for 2021	Webinar
10/28/2021	Has Digital Fraud Changed Forever?	Webinar
11/15/2021	Deception Detection and Interview Techniques for Fraud Investigators	Webinar

Cont.	PROFESSIONAL DEVELOPMENT TOPIC/COURSE	Method of Delivery
12/2/2021	What Is Ethics Again	Webinar
12/10/2021	Brilliant With the Basics: Report Writing	Webinar
1/25/2022	Identity Fraud Predictions for 2022	Webinar
2/1/2022	Catch Me If You Can: Today's Pink Collar Criminal	Webinar
2/3/2022	Current Scams Trending Around Local Communities	Webinar
2/11/2022	Brilliant With the Basics: Fraud Prevention	Webinar
2/18/2022	Excel Formulas: How To Use the Powerful Index/Match Combination and much more	Webinar
3/17/2022	Moving Audits and Investigations into the Future: The Journey into Automation and Robotics for the Office of Inspector General	Webinar
4/7/2022	DIFS Fraud Investigation Unit	Webinar
4/19/2022	How A Former Comptroller Embezzled \$54 million	Webinar
4/21/2022	The 3 Cs for Managing Unconscious Bias	Webinar
4/22/2022	Online Fraud & Scams - Assisting Law Enforcement With Modern Technology	Webinar
4/28/2022	Southeast MI Chapter of the Association of Certified Fraud Examiners: 28 th Annual Fraud Conference	Virtual Conference
5/5/2022	Real Estate Fraud	Webinar
5/16/2022	An Introduction to Biometrics and Fraud Prevention	Webinar
5/17/2022 – 5/19/2022	Investigative Interview Techniques	Virtual Seminar
5/24/2022	Choose Your Own Adventure: An Interactive Case Study in Fraud Detection	Virtual Seminar
6/2/2022	IRS Criminal Investigations in 2022	Webinar
6/19/2022 – 6/24/2022	33 rd Annual Association of Certified Fraud Examiners (ACFE) Global Fraud Conference	Virtual Conference

GOING FORWARD

In FY2023, alongside our investigative efforts, the OIG will continue to draw District employees' attention to fraud prevention through its training and outreach program. The OIG is in the process of rolling out the training schedule for its courses which include: Fraud Awareness, Ethics, Ethical Leadership, Conflicts of Interest, and Whistleblower Protection. Building on the District's foundational mission and core values, the OIG's goal is to promote an ethical culture and increase access to vital information that District employees need to root out existing fraud and abuse, and effect significant change within the district, beginning with the Tone at the Top.

Scan the QR code below to visit the OIG webpage and learn more regarding our role and anti-fraud efforts.



The School Board is committed to the highest standards of openness, honesty, and accountability. In consideration of that, anyone with a serious concern regarding Fraud, Waste, Abuse, or Unethical Conduct should immediately contact the **OFFICE OF INSPECTOR GENERAL**

12th Floor, Fisher Building
3011 West Grand Boulevard
Detroit, MI 48202

Fraud Hotline tel.#
(313) 870-3436