



FY2023
ANNUAL REPORT

OFFICE OF THE INSPECTOR GENERAL

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Students Rise. We All Rise.



MESSAGE FROM THE INSPECTOR GENERAL

Board of Education:

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

I am pleased to submit to you the OIG's Annual Report for Fiscal Year 2023; summarizing our key activities and significant accomplishments for the reporting period between July 1, 2022 and June 30, 2023. In accordance with the Principles and Standards for Offices of Inspector General, we issued 20 final 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 ethical conduct, economy, efficiency, and accountability within the Detroit schools' system.

Overall, there were 28 investigations initiated during this reporting period; bringing the total number of completed OIG investigations to 1,186 since onset; of which 1,162 were closed, 11 with reports issued and awaiting District responses and/or corrective actions, and 13 that were still pending completion, as of June 30, 2023.

Additionally, the OIG continues its proactive role in providing fraud awareness training through its outreach program. For the new fiscal year, we will make greater effort to communicate with and engage school leaders and central office managers to ensure that staff obtain the necessary training to maintain the District's core value of Integrity at the forefront in all programs and operations.

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

Bernadette Kakooza, MBA, CIG, CFE
Inspector General

HIGHLIGHTS

The mission of the Office of the Inspector General for the Detroit Public Schools Community District is to promote 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

INVESTIGATIONS AT A GLANCE

Figure 1: Investigation Type and Status

As of June 30, 2023

TYPE (in alphabetical order)	TOTAL	CLOSED	INACTIVE	PENDING
Abuse (AB)	103	98	2	3
Criminal Activity (CA)	58	58	0	0
Contractor Fraud (CF)	17	17	0	0
Employee Disclosure (ED)	17	17	0	0
Employee Misconduct (EM)	37	35	1	1
Ethics Violation (EV)	213	203	7	3
Financial Mismanagement (FM)	82	78	1	3
Insurance Fraud (IF)	168	168	0	0
Misuse of District Vehicle (MV)	8	8	0	0
Payroll Fraud (PF)	99	98	0	1
Theft (TH)	236	236	0	0
Unauthorized Employment (UE)	41	40	0	1
Vendor Fraud (VF)	64	64	0	0
Waste (WS)	42	41	0	1
Whistleblower Retaliation (WR)	1	1	0	0
TOTAL	1186	1162	11	13

Overall, in FY23, the OIG witnessed an increase in complaints related to abuse of District assets, ethical violations, and financial misconduct. Generally, this type of situation signifies a need for increased oversight and internal controls within District programs and operations. As the office continues to accomplish its mission of promoting integrity, economy, and effectiveness within the District, we offer our recommendations to District leadership to take appropriate corrective actions to prevent, detect, and deter the occurrences of fraud, waste, abuse, and unethical conduct among employees, contractors, and others who conduct business with the District.

MONETARY BENEFITS

Figure 2: Total monetary benefits as of June 30, 2023

Restitution totaling \$76,388 collected during the year; \$90,420 in monetary loss prevented; and \$261,828 in cost savings resultant of OIG investigative work for the year.

Summary of Fraud Statistics	Amount
Monetary Loss identified	\$10,915,373
Monetary Recovery	147,762
Court Ordered Restitution	12,467,906
Restitution Payments Received	3,613,579
Cost Avoidance	12,385,947
Cost Recovery	3,033,110
Total	\$42,563,677

STATISTICAL ACCOMPLISHMENTS DURING FY2023

In this report, we also offer statistical accomplishments resulting from investigations handled by the OIG. Below represents the actions that have occurred:

- **186** employees referred for administrative discipline
- **95** employees suspended or placed on administrative leave
- **99** For cause terminations
- **89** other administrative actions (demotions, verbal, or written reprimands)
- **5** external persons barred from District facilities
- **118** successful indictments, arrests, and convictions
- **17** vendor suspensions or debarments
- **119** subpoenas and search warrants issued
- **16** referrals to Federal law enforcement agencies
- **9** referrals to State agencies
- **51** referrals to Wayne County Prosecutor’s Office
- **15** referrals to local law enforcement

SIGNIFICANT INVESTIGATIONS DURING FY2023

Forensic Audit Determining the Accuracy of Timekeeping Records

As a follow-up to a FY2022 investigation involving time theft by a school ancillary staff member, the OIG expanded the scope of the prior investigation to determine whether staff payroll time was accurately reported, and attendance records maintained by the respective departmental unit. The forensic audit covered the period from September 1, 2019, through June 30, 2022, and included all Detroit Federation of Teachers (DFT) employees: active, retired, or terminated from one of the largest programs in the District. The audit results revealed there were incomplete and disorganized payroll records, internal policies and procedures for payroll were lacking at the department level, and erroneous payroll hours due to miscoded timekeeping and earnings codes. Also, as result of the audit, the OIG recovered a total of \$240,442 in payments that should have been categorized as personal illness, personal business, or personal emergency leave, but were paid as regular wages to the involved staff. Additionally, the District incurred a monetary loss of \$82,836 due to retired and terminated employees, whose leave banks were exhausted, and the improper salary payments could not be recouped. Based on these findings, the OIG recommended implementation of documented attendance reporting guidelines and a daily sign-in/out process for all departmental staff members. Furthermore, record retention procedures were required to be established at the department level, consistent with the state's requirements for payroll records' retention.

Alleged Forgery of an IEP Report

In late June 2022, the OIG received a complaint alleging a resource teacher was non-compliant in the responsibilities involving servicing of students under the Individualized Education Program (IEP). The investigation determined that the resource teacher forged an IEP report for a student by copying and pasting several statements from the student's previous IEP, and misrepresented that an IEP Team meeting had occurred, when in fact, it had not been held. Further, the OIG's investigation determined that several procedures related to servicing the Exceptional Students and the Education Administrative Guidelines to complete the IEP were not appropriately followed. The teacher admitted to the wrongdoing and as result, the OIG referred the matter for administrative discipline. Employee Relations' disposition is pending.

Alleged Gross Misconduct and various violations of School Board Policies

In July 2022, the OIG received a complaint alleging gross misconduct involving a school clerical. The OIG reviewed District policies, various sources of information, interviewed witnesses, and performed a forensic analysis to determine the validity of the allegations. The OIG's investigation determined that the school-based clerical utilized District's facilities without proper approval by running their personal catering business in the school kitchen, wrote school and District checks to themselves totaling \$30,551, attempted to distort monies from staff to obtain certain positions, allowed former school graduates to actively participate on sporting teams, and created a fraudulent summer school pay scheme where staff did not have to work, but were paid \$14,900 in wages. During the course of investigation, the employee requested and was approved for a Family and Medical Leave Act (FMLA) leave, although the OIG later discovered that they were working a full-time job elsewhere. Overall, the OIG's investigation also revealed that the school principal was aware of some of the misconduct but had failed to properly supervise and monitor the actions of their subordinate staff. The investigation identified several violations of school board policies, the state, and federal law. As a result, the OIG made referrals to the Office of Employee Relations for administrative hearings and is also referring the matter to the Wayne County Prosecutor's Office for further review.

Possible Abuse of the Fundraising Policy and Procedures

In July 2022, in an unrelated investigation, the OIG became aware that a school-based employee was soliciting public donations through various social media platforms, claiming to need the funds to purchase specified school items for students at the school. The investigation included a review of School Board policies, school ledgers, crowdfunding websites, donation reports, and interviews. The investigation concluded that the employee solicited unauthorized supplies, inappropriately used their students' pictures on crowdfunding websites, failed to obtain fundraising approvals, and did not report their donations to the District. As a result, the employee was referred to Employee Relations for an administrative hearing to address the violations of School Board policies.

Alleged Theft of District Property

In July 2022, the OIG received a complaint alleging that a Special Welding Instructor at a District technical school had willfully and without the administrators' authorization, taken possession of District property for their personal use. The property in question was described as an artistic welding project that the instructor designed, intended to be used by the school for displays during school visits, open house, and student recruitment efforts. Witness testimonies from school staff indicated that the instructor had taken ownership of the statue and removed it from the school premises. Prior administrative efforts to have the item returned to the school were not successful. The OIG's investigation determined that the instructor violated District Work Rules whereby employees "shall not convert Board of Education property for their own use", as well as engaged in fraud by unlawfully depriving the District by obtaining an item for their unauthorized benefit, and their actions would have resulted in possible criminal charges. Consequently, the instructor was made to return the District property, and issued a written reprimand for their misconduct.

Alleged Nepotism and Conflicting Employment Involving District Public Safety Employees

In September 2022, an investigation began, following an alleged familial relationship involving two District employees within the Public Safety Department who held a supervisory relationship. The complaint further stated that one of the employees engaged in improper use of sick time and abused District-approved FMLA leave by gainfully working at another job during their FMLA. The investigation determined that a conflict-of-interest violation occurred, due to the supervisory relationship that existed between the employees based on the higher rank of one spouse, their shared shift, joint assignments, and the potential for the one spouse to oversee the other's work. The OIG investigation further confirmed that the supervisory spouse neglected their responsibilities during critical incidents, had bypassed official departmental procedures, and overlooked multiple District and departmental violations committed by their spouse, influenced by their personal relationship. Further, the investigation obtained and executed a search warrant, which confirmed outside employment for one employee, resulting in an OIG recommendation to recover wages totaling \$1,600 from the employee, for District hours paid while they worked elsewhere. The OIG also suggested that the supervisory spouse be required to attend an administrative hearing to address the substantiated violations, and that compliance training be provided to all department staff. In response to the OIG's recommendations, the Chief of the Public Safety Department issued a 5-day unpaid suspension to the subordinate spouse, and the supervisory spouse voluntarily resigned from the District.

Alleged Financial Irregularities and other Improper Actions

In September 2022, an anonymous complaint was received by the OIG regarding unauthorized payments made by a District teacher to a volunteer for their services in assisting with after-school activities. The investigation revealed the volunteer was improperly recruited by the teacher and issued payments from both the school account and the teacher's personal funds; including for workshops, instructional services, and coaching. Furthermore, it was discovered that the teacher improperly arranged to pay three volunteers to chaperone a student field trip that a parent organization organized without following proper District procedures. The investigation also revealed mishandling of donations, an unpaid invoice of \$7,294 for the field trip, students' funds being improperly retained by the parent organization, and a lack of District oversight of support organizations. As a result, the OIG recommended the outstanding invoice be promptly paid by the parent group, and further recommended greater collaboration between specific District offices to improve donations tracking and internal controls regarding parent support organizations.

Fabricated Medical Documents Submitted to Explain Unauthorized Leave

In October 2022, a complaint was lodged with the OIG concerning a District employee who had received a 'Notice of Job Abandonment' and was facing possible discipline for unexcused absences from work. Upon request, the employee provided medical documents that were supposedly signed by a doctor. The OIG investigation confirmed that the said physician did not exist and that the documents did not originate from the claimed treating hospital. The employee also claimed they had suffered an automobile accident and were unable to commute to work due to prolonged repairs to their vehicle. The employee submitted work order estimates to the District indicating their vehicle was receiving extensive transmission repairs at an automobile repair shop. By employing surveillance and other investigative methods, the OIG determined that the car repair facility indicated by the employee was fictitious and that the employee had submitted fake repair documentation. The OIG conducted a survey of open-source intelligence including the employee's social media and determined that the employee was engaging in numerous social events that were concurrent with dates and times that they called off from their District duties and responsibilities. Overall, the investigation revealed that the employee had submitted fraudulent documentation to account for periods of unauthorized absence and demonstrated a lack of honesty when questioned about their reasons for not reporting to work. As result of the substantiated misconduct, the employee's employment was terminated, and a notice of "DO NOT REHIRE" was placed in their personnel file.

Alleged Unauthorized Fundraiser and Other Non-Compliance Issues

In November 2022, the OIG was made aware of a possible unauthorized school fundraiser organized by an Assistant Principal and a Parent Outreach Coordinator. The complaint raised concerns about the sale of unhealthy food items to students during the school day. The investigation confirmed the fundraiser was held without District approval, and that the Parent Coordinator provided their Michigan Bridge (SNAP) card to the assistant principal to purchase fundraiser items and accepted cash in exchange for use of their bridge card. Furthermore, the deposits from the fundraiser proceeds were not accounted for, and untimely submitted, in violation of the District's cash management policies and procedures. The investigation further revealed the school administration collected funds for field trips and made some payments outside of established procedures, with the knowledge and approval of the school principal. As a result, the OIG recommended the principal, assistant principal, and parent coordinator for administrative discipline as well as fundraiser and cash management training. The parent's misuse of their Michigan Bridge card was also reported to the state's Department of Health and Human Services for any action deemed appropriate.

Alleged Unethical Conduct by a Teacher

In January 2023, the OIG received a complaint regarding a teacher who was actively selling journal books she had authored, to multiple employees within the School District. The complaint further alleged that the teacher sought sponsorship from the District to attend various educational conferences with the intention of promoting their personal business at these conferences. The OIG investigation determined that the employee owned multiple educational/instructional businesses, actively advertised on social media and other websites, and had improperly used their District email to solicit staff to purchase their journal books, in violation of school board policy/work rule which prohibits solicitation and collection of contributions on District properties. No sufficient evidence was found to conclude that the employee had requested District sponsorship for conferences with the intent to promote their personal businesses. The OIG recommended that the employee's administrator issue a written reprimand and that departmental procedures be established to clarify the approval process for District staff who seek to attend or present at conferences and other non-District events.

Alleged Time Theft and other Unethical Conduct During District Duty Hours

In January 2023, the OIG received an anonymous complaint, alleging that a Public Safety Officer was abusing District duty hours. The complaint alleged that the misconduct was known throughout department staff because the officer boasted about working on their multiple rental properties during duty hours, instead of responding to central dispatch calls for service. The investigation included active surveillance of the officer's movements during District duty hours and substantiated the allegation of time theft as well as other violations of School Board policies. The OIG recommended a disciplinary hearing be held and recovery of wages that were paid to the officer due to falsified daily activity logs, and accounting for duty time while they were not performing services for the District. The OIG further recommended that the public safety department implement a system of real-time vehicle tracking, monitoring, and body cameras for officers, as in use by most law enforcement agencies; to ensure transparency, and that the officers' public activities are accurately recorded and monitored.

Alleged Abuse of Position and other Unethical Conduct involving a Senior Director

Over a course of time, the Office of the Inspector General (OIG) received multiple similar complaints regarding abuse of position by a Senior District administrator. The allegations included pressuring a contractor to sponsor a holiday party, engaging in a romantic relationship with a subordinate, operating a District vehicle without proper approval, possessing missing District equipment, receiving "kickbacks", altering District contracts, and using District facilities and equipment to train clients for their personal business. During investigation, the employee abruptly resigned from the District. The investigation revealed a significant risk to the District's liability due to the [former] employee's unauthorized access to District facilities, although the amount of monetary loss could not be determined due to the lack of community use records or other evidence of improper access to District facilities and equipment. Based on the findings, the OIG recommended that the [former] senior director be removed from all District contracts and that the involved contractor be instructed to stop granting the [former] employee unauthorized access to District facilities and equipment. In response to the OIG's investigation, the contractor agreed to compensate the District for the unauthorized access by the [former] senior director, and other procedures were implemented to prevent future unauthorized District access by the individual.

Alleged Time Theft and Improper Contracting Relationship involving a School Dean

In February 2023, the OIG received an anonymous complaint that a School Dean of Culture often arrived late for work, departed early before school dismissal, and improperly sold sports apparel to the school, in violation of the school board's conflict-of-interest policy. The OIG's investigation determined that the Dean of Culture provided an inaccurate disclosure record to the District, misrepresented their personal sports apparel business, and misused their administrative position to benefit themselves financially, taking advantage of their professional relationship with students, parents, and staff from whom they solicited for their personal business. As regards the alleged time theft, the investigation established that the school principal was aware and had approved of the Dean's adjustment to their work schedule. During OIG interview, the Dean admitted to their conflicting business interests, was referred to an administrative hearing, and was directed to cease and desist promoting their personal business on the school's website page and Instagram and to stop requiring the student athletes to purchase apparel from the Dean's personal business.

Alleged Forgery of Students' Science Fair Projects by a School Administrator

In March 2023, the OIG received a complaint alleging that a school administrator had submitted multiple projects on behalf of elementary school students to a local science fair and misrepresented that the science fair projects were independently completed by the students. The OIG's investigation determined that the administrator forged all the science fair projects submitted in the names of 15 students. Some of the fake students' written projects scored high in the science fair and were eventually selected by the judges for awards. Through interviews with the students and their parents, it was determined that the students were not involved with the science fair and had no knowledge of the projects that were submitted bearing their names. Additionally, the OIG determined that the administrator had recycled the same projects over multiple years, changing the project titles but submitting the same content under different student age groups, while participating in the local science fair at different schools. As result of the investigation, the administrator was referred for administrative discipline and the OIG further recommended recouping from the employee the cost billed to the District for the students who supposedly participated in the science fair.

Possible Abuse of FMLA by a School Principal

In May 2023, the OIG investigated a complaint involving a school principal, following an anonymous report that the administrator may have abused their District-approved Family and Medical Leave Act (FMLA) leave by traveling outside of Michigan. The investigation included a review of social media accounts and interviews with various staff. Based on results of the review, evidence was found that the principal had traveled, on more than one occasion, outside of Michigan, and their travels were not related to seeking medical assistance, nor had these travels been approved by the District's Health Services office. The investigation concluded that the principal violated the school board policy regarding FMLA leave, and as a result, was referred to the Office of Employee Relations for administrative action.

CONTINUING PROFESSIONAL EDUCATION (CPE)

As professional members of the Association of Inspectors General (AIG), OIG staff are required to obtain and document completion of Continuing Professional Education (CPE) of **at least 20 hours each year**.

This CPE training should consist of information that directly enhances one’s professional proficiency, with at least 12 hours being directed related to the member’s job responsibilities with the office and at least two (2) hours of ethics training. Below are some of the combined courses that OIG staff attended during the recently concluded FY2023:

DATE	PROFESSIONAL DEVELOPMENT TOPIC/COURSE (Sponsoring Organization)	DELIVERY TYPE
7/20/2022	Ethics in Investigations (AIG)	Webinar
8/29 – 8/30/2022	Open-Source Intelligence Techniques (AIG)	Webinar
9/2/2022	Using OSINT Resources and Automation in Investigations (ACFE)	Webinar
9/8/2022	Finding Fraudulent Activity (Southeast MI Chapter of the ACFE)	In-Person meeting
9/16/2022	Fall 2022 Association of Inspectors General (AIG) – Illinois Chapter Training	Webinar
9/20/2022	The Essentials of Remote Interviewing Skills (ACFE)	Webinar
10/10/2022	Online Fraud & Scams: Assisting Law Enforcement w/modern technology (ACFE)	Webinar
11/3/2022	The Process of Fraud Rationalization (Southeast MI Chapter of the ACFE)	In-Person meeting
11/30/2022	Fostering Collaboration – The Auditor and the Fraud Examiner (ACFE)	Webinar
12/2/2022	The Truth about Data (Verracy)	Webinar
1/12/2023	Interviewing Tips and Tricks (Southeast MI Chapter of the ACFE)	In-Person meeting
1/19 – 1/20/2023	Advanced Interviewing for Office of Inspector General Professionals (Anderson Investigative Associates)	In-Person seminar
2/2/2023	The Bank of AP – Why and How Fraudsters continue to target Vendor Payments (Southeast MI Chapter of the ACFE)	In-Person meeting
2/8/2023	Fear-Not: Investigating Conflicts of Interest cases (AIG)	Webinar
3/2/2023	Fraud Fighters: Trends, Corruption, Flaws and Fakes (Southeast MI ACFE Chapter)	In-Person meeting
4/25/2023	Southeast MI Chapter of the Association of Certified Fraud Examiners: 29 th Annual Fraud Conference	In-Person Conference
5/4/2023	Using Analytics to Prevent and Detect Fraud (Southeast MI Chapter of the ACFE)	In-Person meeting
6/1/2023	Emerging Trends in IRS Criminal Investigations (Southeast MI Chapter of ACFE)	In-Person meeting
6/12/2023 – 6/14/2022	34th Annual Association of Certified Fraud Examiners (ACFE) Global Fraud Conference	Virtual Conference

GOING FORWARD

Additionally, the OIG continues to proactively serve the District through its Compliance Training and Outreach Program. As in past years, for each new fiscal year, the training dates are posted in **Frontline** as we make ourselves available to provide more training sessions both virtually and in-person (upon request).

The compliance courses include: Fraud Awareness, Ethics, Ethical Leadership, Conflicts of Interest, and Whistleblower Protection. Building on the District's 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