Fraud Deterrence is proactive, preventative measure; and differs from detection, which is a reactive response or action taken to recognize whether fraud has occurred or is occurring. Deterrence aims at engagement of all stakeholders, with strong emphasis on governance and the leadership of an organization, to invest in anti-fraud measures and internal controls to deter fraud on the front-end, rather than incurring costs or losing funds that may, or may not, be recovered when fraud occurs. The reputation of our district is formed by each experience that our stakeholders have with us, and how we portray ourselves. It is up to every employee to ensure that those experiences demonstrate our integrity. An error in judgment irreparably damages the reputation of our district and its employees. Therefore, each interaction, every decision we make, must reflect the fact that integrity is our highest priority.

In many cases, we may have heard over the grapevine or perhaps seen/read the news about devastating consequences to former district employees, vendors, and contractors because of their unethical choices. Some of these improper decisions were made by individuals in leadership positions. Employees at lower levels may well be asking: what difference does it make if I’m ethical, when the people at the top are not? Therefore, to encourage a strong ethical culture throughout any organization, it should all begin through word and deed with a strong tone at the top.

TONE AT THE TOP

Everyone who cares about our district - board officers, the administration, and generally all employees - are responsible to the same Code of Ethics and should be held to the same standards. Those in leadership positions should be held to a higher standard of accountability; and be expected to set the appropriate tone as an example to establish a culture that supports and rewards ethical decisions. As school district personnel, we have a fiduciary responsibility to protect the public funds and trust given us to educate the community’s young people, and tomorrow’s leaders.

“The quality of a leader is reflected in the standards they set for themselves”
Ray Kroc (founder, McDonald’s Corporation)

Those charged with our district’s governance can have an effective role in fraud deterrence by:

- Being familiar with the requirements for ethical conduct programs that comply with the law;
- Being proactive – adopting policies and procedures for ethics, fraud, anti-retaliation, whistleblower protection, etc.,
- Encouraging senior administration to exercise ethical leadership and lead by example;
- Ensuring that our district embraces fraud awareness, training and prevention programs;
- Understanding the volume and nature of fraud allegations reported to the Office of Inspector General; including whistleblower complaints; and
- Requesting periodic updates about substantiated allegations, and resultant corrective action(s) taken by administration which may include employee discipline issued and/or vendor suspensions or debarments.

TOOLS FOR AN ETHICAL CULTURE

Although many studies have shown that fraud exists everywhere, there is no national data on fraud in school districts. Most fear that it will tarnish their reputations. Simply because it is not reported by some, doesn’t mean it is not occurring. And if it is not detected or deterred, you’re not going to find it until it hits you. Some school districts have had to implement anti-fraud measures after having been defrauded. Others haven’t caught up yet to this reality. The most universal tool to reduce the presence of fraud is a sound system of internal controls that provides assurances that irregularities will be timely addressed, that employees can feel comfortable reporting potential or suspected frauds without fear of retaliation, and that those found to have committed misconduct are appropriately disciplined for their actions.

“Leadership must be established from the top down”
Sam Rayburn (American politician and lawyer)

Everyone should be a role model

Senior administration isn’t the only ones in a position to set an example for ethical decision making.
They have the responsibility to manage fraud risk and ensure that controls are effectively implemented by all employees, including those in positions of authority. But everyone should be a role model for others. Let others see you use the Code of Ethics in all your daily activities. When you're making a decision, let others hear you say, "What are the ethical implications?" Be part of a culture that makes our district a place where ethics and values are considered the norm in every decision and action. Everyone should have a basic understanding of fraud and be willing to participate in maintaining a strong control environment that includes designing and implementing internal controls, which ultimately leads to a stronger performance for our district.

Q&A

Employees are being asked to attend ethics training, and we try to do the right thing all the time. What are our leaders doing to support this effort?

Our district leadership is encouraging everyone, including central office and school administrators, to commit to integrity and ethical decisions. Everyone should seek to receive ethics training and anti-fraud awareness and should view this as a continuing effort that will be reflected in everything we do.

In these challenging times, can we afford to make this commitment to ethics and fraud awareness training? It seems like everyone is spending time that could be spent on more meaningful things.

Ethics and good stewardship is part of our district's success. It's all about honesty and integrity, which is the foundation of successful relationships with our stakeholders. It's even more important for us to maintain a reputation as an honest and revitalized school district, if we are to attract confidence and maintain the public's trust.

Detroit Public Schools Community District
Office of Inspector General

Main office phone:
313-870-5664
Call the Fraud Hotline:
313-870-3436

Deterring Fraud, Waste and Abuse