Our district operates on accountability, promotes integrity and fiscal responsibility, and assists district leadership and management in adhering to the internal control process to prevent, detect and deter fraud, waste, and abuse.

**WHAT IS FRAUD, WASTE AND ABUSE?**

- **FRAUD** is a willful or deliberate act or omission by which an individual intends to unlawfully deprive the district through an unauthorized benefit, services, property or something of value by deception, misrepresentation or other unethical or unlawful means. Fraudulent acts include, but are not limited to:
  a. Forgery, falsification or alteration of our district’s documents or records;
  b. Offer, payment or acceptance of bribes or gratuities;
  c. Falsification or misrepresentation of reports, timesheets, travel claims for reimbursement or other expense reimbursement claims;
  d. Authorizing or receiving compensation for time not worked;
  e. Destructions, unauthorized removal, theft or inappropriate use of the district’s supplies or other assets;
  f. Embezzlement or misappropriation of funds or impropriety in handling or reporting of money or financial transactions of our district;
  g. Accepting or soliciting anything of material value from contractors, vendors, or persons providing services to our district.

- **WASTE** is the thoughtless or careless expenditure, consumption, mismanagement, use or squandering of district resources to the detriment or potential detriment of our district. Most waste does not involve a violation of law; rather, it relates primarily to inappropriate actions and inadequate oversight, which may result in a monetary loss or unnecessary costs to our district. Wasteful acts include, but are not limited to:
  a. Inappropriate or unallowable expenses charged to federal or state grants;
  b. Excessive or unnecessary purchases;
  c. Mismanagement or gross neglect of duty resulting in the loss or misuse of our district’s assets.

- **ABUSE** involves behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice, given the facts and circumstances. Abuse can occur in financial or non-financial settings, and does not necessarily involve fraud, violation of laws, or regulations. Abusive acts include, but are not limited to:
  a. Misuse of authority or position for personal benefit or advantage, or those of an immediate or close family member or business associate;
  b. Personal use or misuse of district vehicles, property, equipment, supplies or other assets;
  c. Conducting personal business on district time;
  d. Abuse of authority and/or actions taken to circumvent our district policies and procedures or established procurement rules.

Fraud can be difficult to detect because, often, the fraudster will attempt to conceal their actions and may stop at the first sign of suspicion, making the deception even harder to spot. Business areas such as finance and accounting are most vulnerable to fraud, since they provide the greatest access to assets. However, it is important to recognize that other areas of our district where controls are less stringent may be even more vulnerable to fraud.

Most employees are honest people who would never consider stealing. Most of us have a hard time imagining how we would commit a fraudulent act or how to spot one being committed by someone else. The more we understand the type of fraud schemes that have hurt our district in the past, the more able we are to prevent them from reoccurring, in the present or in the future.

**WARNING SIGNS OF FRAUD, WASTE AND ABUSE**
The district has safeguards and procedures in place that make it difficult to commit fraud. Even with such strict systems and procedures, many organizations continue to experience costly fraud. We constantly need to be aware of internal control gaps that provide opportunities for wrong doing to occur in our district.

**CONTROLS AND PREVENTION**

- Be sure you fully understand and observe procedures and controls in your area. Encourage your co-workers to do the same.
- If you are assigned to approve a transaction, be sure to thoroughly review it. Don’t automatically “rubber stamp” it; no matter who sent it through. As a principle, “Trust, but verify.”
- Provide a truthful and accurate record of all transactions. Be sure all authorized transactions reflect the correct amount, date and assigned account. Of course, you should also be certain that all recorded transactions have actually occurred and are recorded truthfully.
- Safeguard access to district assets. This includes both physical access (controlling storage and security), as well as access to information such as computers, documents or authorizations.
- If you notice a procedure that opens the opportunity for fraud, or if you suspect fraudulent behavior, immediately contact the Office of Inspector General Fraud hotline.

Prevention of fraud is up to everyone. Be diligent about following the policies and procedures put in place to prevent fraud and report any areas where you note potential problems. These actions will help us see the “red flags” of fraud before extensive damage or costs are incurred.

“Our character is what we do when no one is looking.”
— H. Jackson Brown (author)
Q&A

Our timesheet process is a big waste of time. We have to sign in and out daily. Why can’t the district just trust us?

The district trusts you to report your time honestly, but there is still good reason to follow a strict process. This is important to ensure accuracy of payroll reporting for employees, and a standard business practice to make sure that everyone is fairly paid for hours worked.

I’ve been doing my job several years. However, my supervisor still insists that my weekly reports be cross-checked by another person. Why doesn’t he trust me?

Your supervisor probably has no reason to distrust you or any other employee, but cross-checking is one of the ways to prevent fraud or other costly mistakes from occurring. Any lapse in procedure may open an opportunity for a dishonest person to commit fraud. Your supervisor is correct to follow all procedures no matter how long someone has been on the job. Employees should always cooperate with efforts that ensure accountability.

I’ve been asked on more than one occasion to approve billing for a service or goods that were not really provided. People do it all the time; they say the money all comes from the same place, so it doesn’t really matter if we report procedures inaccurately. Is this true?

No. Authorizing payment for a procedure that did not occur is making a false report, which is against our district’s procurement policy. If a payment is made based on your approval, you are part of a fraudulent process. Both false reporting and fraud is unethical, and against our polices and most probably against the law.

Q&A continued

I recently discovered that an error had been made when we submitted some reports to the state. I know we should correct the facts, but I don’t want to make the district look bad. I don’t think anyone will ever find out, so can’t I just keep quiet?

No. You have an obligation to report what you have found. Even if it casts the district in a poor light, we will be better off “self-reporting” this error rather than waiting to be found out and having to explain the discrepancy to regulators.

Detroit Public Schools Community District
Office of Inspector General
Main Office phone: 313-870-5664
Call the Fraud Hotline: 313-870-3436