

# Detroit Public Schools Community District

## Office of Inspector General



**FY2019 Annual Report**  
**July 1, 2018 – June 30, 2019**

Featuring

**2009 – 2019**  
**10 Years of Service –**  
**to the District and the Community**



**Background**

Established in March 2009, the OIG is the fraud investigative unit for the district. The IG reports directly to the School Board, thereby providing the OIG with the independence to be impartial and ensure the integrity of its operations.

*(This structure is a requirement per the Principles and Standards for operation of Offices of Inspector Generals.)*

The OIG was created to help improve the economy, efficiency and effectiveness of district operations. Its role is not only to uncover problems, misconduct, and inefficiencies, but to also recommend effective solutions to prevent, detect, and deter fraud, waste, and abuse.

**Our Mission**

*The mission of the Office of Inspector General is to promote integrity, economy, efficiency, and effectiveness in the operations of the Detroit Public Schools Community District by conducting meaningful and accurate investigations, forensic audits and program reviews; to prevent, detect, and deter fraud, waste and abuse.*

**OIG CORE VALUES**

- Professionalism
- Timeliness & Accuracy
- Relationships
- Dedication & Hard work
- Value Added

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**DETROIT BOARD OF EDUCATION**

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July 31, 2019

To the Detroit Board of Education, the Superintendent, and our Stakeholders:

In accordance with the Principles and Standards for Offices of Inspector General, I am submitting to you this Annual Report of the Office of Inspector General (OIG); for the recently concluded reporting period of fiscal year 2019 (July 1, 2018 through June 30, 2019).

In previous years, one of the general concerns shared by District employees was the lack of understanding of fraud, and the need to sensitize employees regarding ethics or ethical conduct. To address this gap, in FY2019, we focused on creating fraud awareness through our Compliance Training and Outreach program. Through this program, we have provided employees opportunities to receive instructor-led and online training, as well as disseminated information through various educational brochures; each explaining an important aspect involving fraud and ethics.

In addition to reporting on noteworthy accomplishments for FY2019, this Annual Report gives some examples of how this office has positively impacted the District over the ten-year period of its existence. Established in March 2009, the OIG has evolved, and not just in the scope of its activities, but in its relationships with other District units. For instance, during the past few months, we assisted District leadership in reviewing employee disclosures, with the goal of preventing, detecting, and remediating actual, perceived, and potential conflicts of interest involving employees. It is my sincere hope that this collaboration will extend into future years, as we continue to assist with the District's commitment to integrity and ethical work practices.

For FY2019, the OIG undertook 43 investigations, and transmitted Final or Summary Investigative reports to all School Board members, District leadership, and administrators with recommendations for corrective actions and/or discipline. The OIG continues to restore its staff capacity from prior budget cuts and attrition, consistent with our workload demands, through the hiring of additional investigative staff. Employee malfeasance and misfeasance investigations dominate most complaints, while a few allegations involving contractors or vendors still surface. We work hard at supporting the Superintendent's Strategic Plan and the District's core values, while sharing best practices and internal controls to prevent and/or mitigate the risk of fraud in the District. Expanding and defining the operational value of the Fraud Hotline will continue to be an important task in the new fiscal year. This initiative will also be supplemented by promoting the OIG's online reporting system through Fraud and Ethics related communications to all District personnel, vendors, contractors, parents, and students.

Our students deserve a learning environment where leaders lead by example, and set the highest standards of efficiency, accountability, and integrity. When Students Rise, We All Rise!

Thank you for your continued support.

Bernadette Kakooza, M.B.A, CFE, CIG  
Inspector General

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## A HISTORICAL PERSPECTIVE (2009 – 2019)



EM Robert Bobb (left) with John E. Bell, Jr., Inspector General (March 2009 – June 2010)

**March 3, 2009:** Robert Bobb, Emergency Financial Manager for the District established the OIG and appointed John E. Bell, Jr. as the Inspector General. Bell is a former Special Agent In Charge of the Detroit office of the FBI.

\*Under Bell’s leadership, OIG drafted the District’s original Code of Ethics, and Whistleblower Protection policies.

\*A paperless Case Management System (CMS), with search capability was developed, and is utilized to record complaints, results of investigations, track statistical accomplishments, and generate statistical reports.

\*OIG telephone, fax, and email hotlines were developed to channel actionable tips (complaints) from employees, and the general public.

\*The first few months of operation were indicative of a School District that previously lacked a fraud investigative unit. The lack of a deterrent factor explained the high level of wrongful and/or criminal behavior that was evidenced (Corruption, payroll abuse, and theft of District assets). The OIG successfully investigated several matters including improper billings by supplemental education service providers, and destroyed a computer theft ring, resulting in prosecutions and numerous criminal convictions.

Van Marsh, a former FBI Supervisory Special Agent was tapped by Bell to be one of his Deputy Inspector Generals in March 2009, and later became Inspector General in July 2010 following Bell’s retirement from DPS.

\*Marsh oversaw the District’s Police department operations and implemented a Drug Screening program for Police officers. Also implemented electronic security upgrades (surveillance cameras) in District space within the Fisher building & schools to improve safety and security.

\*In a joint venture with Wayne County Prosecutor’s Office, OIG assisted with the launching of a Teen Court program in some high schools; a juvenile diversion program that was run as an alternative to processing delinquency cases through the formal juvenile system.

\*Following consolidation of the Internal audit and Investigations units, he directed an audit for all district high schools, identifying control weaknesses and resulting in various recommendations to streamline cash transaction processes in schools.



Wilbert (Van) Marsh, Inspector General (July 1, 2010 – Feb 28, 2014)

Bernadette Kakooza, a 20-plus years’ employee with the District, previously served in various roles; including internal auditor and principal accountant; and became a certified fraud examiner in 2010. Kakooza joined the OIG in 2011 in the role of Senior Forensic Auditor and was appointed as Inspector General following Marsh’s retirement in February 2014. After a brief closure in June 2015, Judge Steven Rhodes, Transition Manager, reinstated the OIG in April 2016, and reappointed Kakooza as the Inspector General.

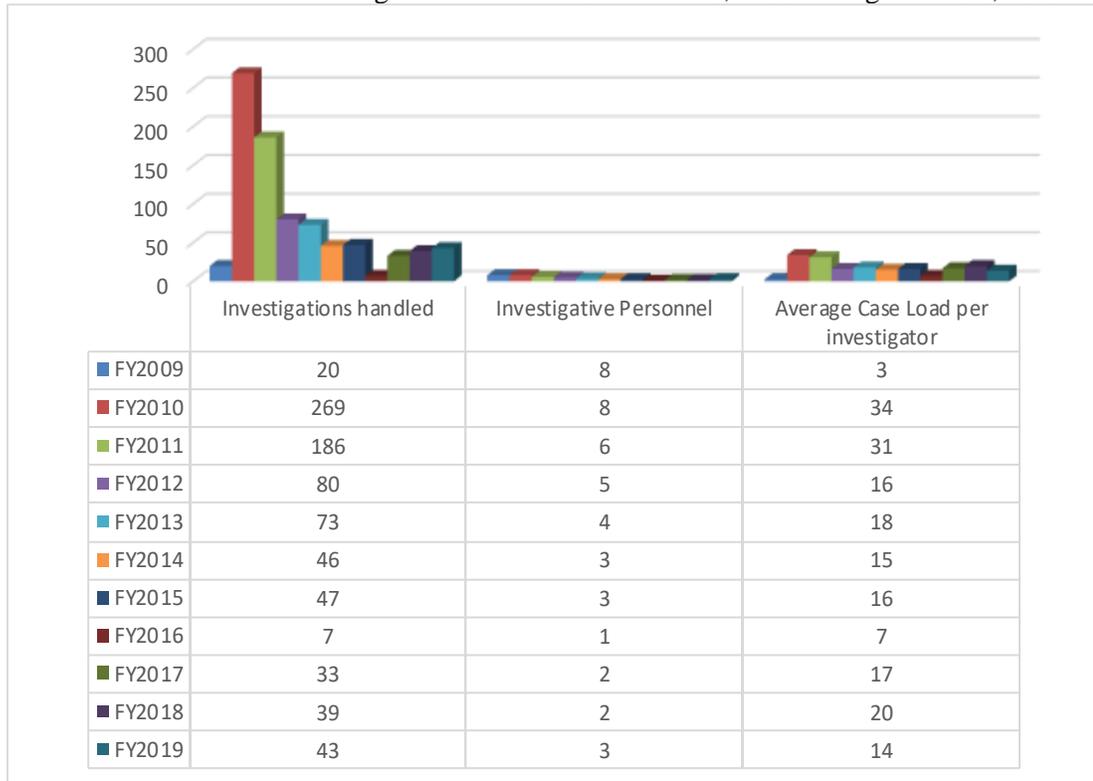
\*Worked with the newly elected School Board and District leadership to implement appropriate governing policy solidifying the OIG’s authority and responsibilities (Board Policy 1270), and a Fraud, Waste, and Abuse policy (Board Policy 8900)

\*Initiated OIG’s proactive approach through a Compliance Training and Outreach Program; to underscore the importance of ethical behavior and fraud awareness, and to protect whistleblowers; through the OIG’s slogan of “*Speak Up...Speak Out!*”



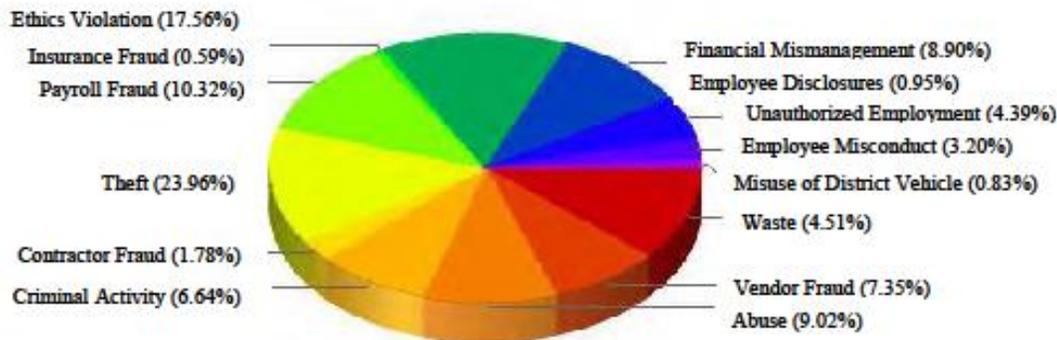
Bernadette Kakooza, Inspector General (March 1, 2014 – present)

Since inception, the OIG has conducted 843 investigations, based on 1,302 complaints received. The chart below reflects investigative statistics from March 3, 2009 through June 30, 2019.



(The school district’s fiscal year starts on July 1 and ends on June 30. FY2009 illustrates March – June 2009 only. Additionally, OIG was closed between July 2015 through March 2016; hence FY2016 covers April – June 2016.)

Sometimes, the OIG receives complaints that are outside of our jurisdiction. Such reports, if administrative in nature, are referred to other District units for resolution, while criminal matters may be referred to law enforcement agencies. Where a matter is determined to fall within the OIG’s purview, an investigation is initiated, and assigned a case number, based on the investigation type. The chart below shows the type of investigations (with percentages) that have been completed by the OIG since its inception in 2009 through June 2019.



Investigation Type	Count	Percentage	Investigation Type	Count	Percentage
Insurance Fraud	5	0.59%	Criminal Activity	56	6.64%
Misuse of District Vehicle	7	0.83%	Vendor Fraud	62	7.35%
Employee Disclosures	8	0.95%	Financial Mismanagement	75	8.90%
Contractor Fraud	15	1.78%	Abuse	76	9.02%
Employee Misconduct	27	3.20%	Payroll Fraud	87	10.32%
Unauthorized Employment	37	4.39%	Ethics Violation	148	17.56%
Waste	38	4.51%	Theft	202	23.96%

Source: OIG Case Management System (CMS)

## A Historical Perspective (2009 – 2019)

In March 2009 when this office was established, its staff consisted of the Inspector General, two (2) Deputy IGs (one for Investigations and the other for Forensic Audits) & five investigators.

Over the years, the investigative staff FTEs have been reduced, in line with the District’s budgetary needs, and a declining case load. In 2013, as part of a District-wide restructuring, the Deputy Inspector General position was eliminated.

Notably, the case load has declined since 2009, as was anticipated. The visibility of a fraud investigative office has positively contributed to the drop in fraudulent activity. While the quantity of our cases has reduced, the OIG’s level of efficiency, and dedication required to produce meaningful results and actionable recommendations, to improve internal controls in the District, has not diminished.

OIG investigative work has effected the following actions to date: 189 recommendations have been issued to District administration for corrective actions. Further, 140 employees have been referred for administrative discipline; 69 employees on suspension / administrative leave; 66 employee just cause terminations; 17 resignations; four demotions and 54 with other administrative actions taken. In addition, 15 vendors were suspended or debarred, and three barred from school entry; 46 search warrants were executed; 65 subpoenas served; 44 cases were referred to the Wayne County Prosecutor’s Office; six to the United States Attorney’s Office; 15 to local law enforcement; one to state law enforcement, and 14 to federal law enforcement, which resulted in 26 federal indictments, 33 arrests, and 54 convictions.

To date, OIG has achieved over \$35 million in monetary benefits for the District. Table 2 below categorizes the monetary benefits realized (FY2009-FY2019), as result of OIG investigations:

<b>Table 2: SUMMARY OF MONETARY BENEFITS</b>	
Monetary Recovery	\$ 128,863
Court-ordered Restitution	\$ 12,398,497
Restitution Payments	\$ 3,172,639
Cost Recovery	\$ 2,090,452
Cost Avoidance	\$ 6,764,253
Monetary Loss	\$ 10,596,608
<b>Total</b>	<b>\$ 35,151,311</b>

Source: OIG Fraud Statistics Report

**FY2019 monetary statistics highlights:**

\*\$1,079,226 was collected in Restitution payments; and

\*\$460,650 in monetary recoveries and other cost savings for the District.

**Some Notable (Non-monetary) Accomplishments of Value to the District (2009 – 2019):**

- An OIG investigation identified numerous stolen computers, leading to adoption of Absolute Software/LoJack to assist in recovering stolen computers from the District.
- An OIG audit of the Payroll Process resulted in improved procedures of verifying employees at each pay location and mitigating incidents of improper salary payouts made to individuals.
- An OIG audit of the Purchasing Card program identified inadequate controls that needed to be addressed to help prevent improper card usage and payments.
- An OIG forensic audit involving a supplier’s contract led to the revision in contract language to address expected service dates and other clauses protecting the District from overcharges and violations of contract terms and conditions.
- An OIG audit of Human Resources identified several current and former employees who had claimed unemployment benefits that they were not entitled to. Resultantly, revised reporting procedures were adopted to prevent employees not entitled to earnings (during the summer months or other periods of district shut down) from claiming unemployment benefits.
- An OIG investigation identified ineffective purchasing controls involving Restricted Checks (blank Accounts Payable checks advanced to schools and departments), resulting in elimination of the Restricted Checks process.
- The OIG drafted the original Code of Ethics Policy (*this policy has since been revised when the new Board took office in 2017*).
- The OIG introduced Whistleblower Protection and Non-Retaliation procedures, emulating the Whistleblowers’ Protection Act 469 of 1980. Further, after the elected School Board took office, OIG assisted District administration in drafting a Whistleblower Protection Policy.
- OIG assisted District administration in drafting the Conflict of Interest Policy and reporting requirements to guard against employees’ fiduciary or non-fiduciary conflicting interests.

**A  
 Historical  
 Perspective  
 (2009 – 2019)**

In reality, no two investigations are the same; which means the amount of time spent on a case, and investigative effort required, varies from one investigation to another. In fully addressing the typical case load, OIG investigators spend a significant amount of time on gathering witness statements, and post investigation tasks including document reviews & analysis, preparation for hearings, litigation, as well as other necessary activity. Every investigation results in an OIG Investigative report, with findings and recommendations. Recommendations are monitored by the IG to ensure timely handling and resolution. We are results-driven, and our investigations have withstood appeal challenges, both internally and at the judicial level.

The OIG continues to maintain active partnerships with law enforcement organizations (such as the FBI) and prosecution offices (Wayne County Prosecutor’s Office & the United States Attorney’s Office).

- An OIG investigation involving the Special Education Services program resulted in improvements to the delivery and accountability of services to Special Education students as required by their IEPs and the State.
- An OIG investigation identified a gap in controls when a student requiring discipline has a familial relationship with a school administrator serving in the same school building, which resulted in a revision to the protocol for discipline, as provided in the Student Code of Conduct.
- An OIG investigation involving the approval and payment process for external organizations utilizing District facilities for (private) community use events resulted in inclusion of language to the proposed Community Use policy to restrict individuals from future community use of District facilities until all outstanding charges are paid.
- OIG encouraged the development, assisted, and will continue to assist the District in reviewing employee disclosures, by conducting fact-finding investigations to verify the disclosed or undisclosed conflicts. Based on the employee's professional responsibilities that might be prejudicial to District operations, OIG provides recommendations to minimize the level of risk, and to assist District administration with preventing or managing the conflicting relationships.
- Generally, many OIG investigations/forensic audits have resulted in internal controls or corrective action that has been addressed in form of Board policies and/or operational procedures; including, but not limited to, the below policies: Family & Medical Leave of Absence (FMLA), Staff Use of District-Owned Vehicles, Information Technology, Payroll, Use or Storage of Personal Property, Purchasing Card, and the impending Community Use of Schools policy.

## HOW WE OPERATE

The OIG conducts investigations and forensic audits in accordance with the Quality Standards for Investigations and Forensic Audits established by the Association of Inspectors General (AIG). The OIG is a proud and active member of this national association (AIG), which sets model principles for OIGs. Investigations are initiated upon the receipt of credible information alleging an act of fraud, waste, abuse, financial mismanagement or ethical misconduct within the investigative jurisdiction of the OIG.

The evidentiary standard used by the OIG in determining whether the facts and claims asserted in a complaint were proven or disproven is the preponderance of the evidence.

Preponderance of the Evidence standard means that the OIG only has to find that most likely than not, the allegation is true, based on evidence reviewed, and this is contrasted with “beyond a reasonable doubt”, which is a more severe legal standard. OIG investigative findings classified as “substantiated” means there was enough evidence found to justify a reasonable conclusion that the actions occurred and there was a violation of law, policy, or procedure to support the allegation(s). Investigative findings classified as “unfounded” means there was enough evidence to justify a reasonable conclusion that the actions did not occur, and it does not appear that any violation of law, policy, or procedure occurred to support the allegation(s). Investigative findings classified as “unsubstantiated” means there was insufficient evidence to justify a reasonable conclusion that the actions did or did not occur, and a violation of law, policy, or procedure to support the allegation could not be proven or disproven.

Upon completion of an investigation / forensic audit, the OIG issues an investigative report, and offers recommendations to District leadership and senior administration, who ultimately are charged with the responsibility for corrective actions. Responses to OIG's recommendations are broken down as follows:

**Implemented:** The appropriate District administrator has accepted and implemented the OIG's recommendations completely.

**Accepted in Principle but not yet Implemented:** The District agrees with the OIG's recommendation, and intends to implement the suggested corrective action(s) soon.

**Accepted, but Alternative Resolution Followed:** The District acknowledges the need for corrective action; however, will implement an alternative resolution than that offered by the OIG.

**Rejected:** The District does not agree with the OIG recommendation(s) and will assume the risk not to implement them.

## FY2019 OPERATIONS

### OVERVIEW

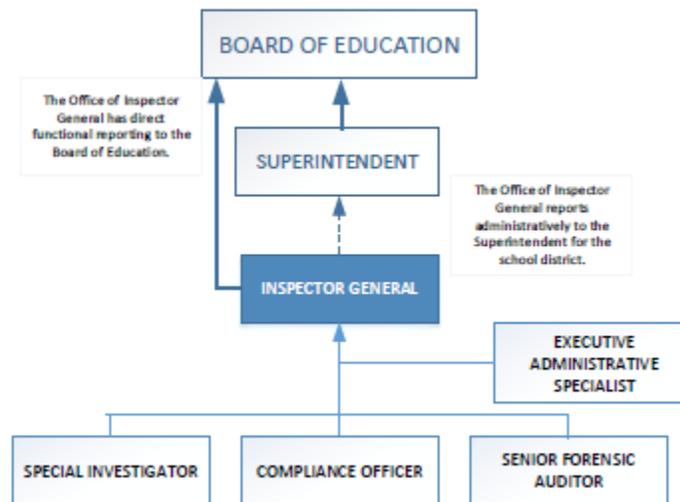
At the start of FY2019, 16 matters from the prior year were pending completion. As previously stated, during FY2019, OIG initiated an additional 43 investigations. In total, 28 were closed as of June 30, 2019, while 19 remain in open status and 12 are inactive (i.e. *OIG investigative activity is complete and is awaiting corrective actions and/or resolution of the matter(s)*). Table 3 below summarizes the status of FY2019 investigations/forensic audits in our case management system:

<b>Table 3: SUMMARY OF OIG INVESTIGATIONS BY STATUS</b>	
Investigations open at the start of the reporting period (ongoing matters from FY2018)	<b>16</b>
New investigations initiated during FY2019 (7/1/2018 - 6/30/2019)	<b>43</b>
Total investigations / forensic audits handled during the reporting period	<b>59</b>
Investigations completed (closed) this reporting period	<b>28</b>
Total investigations placed in Inactive status	<b>12</b>
Total investigations that remain open at end of the reporting period (as of June 30, 2019)	<b>19</b>

Source: OIG Case Management System (CMS)

### ORGANIZATIONAL STRUCTURE

During FY2019, the OIG personnel consisted of the Inspector General, a Senior Forensic Auditor, a Special Investigator, a Compliance Officer, and the Executive Administrative Specialist. *See* reporting structure below:



OIG investigators / forensic auditors conduct investigations of alleged fraud, waste, abuse, or other illegal activities by District employees, contractors, or vendors. Most of the investigative workload is reactive in nature because investigations are typically initiated upon receipt of complaints or allegations. An OIG Special Investigator possesses professional level fraud investigation and/or law enforcement experience and has familiarity with court processes. Additionally, our forensic auditors possess forensic audit experience, have an understanding of basic accounting and basic legal concepts, and are able to serve as expert witnesses in investigative proceedings. In addition to assisting in investigations of compliance-related issues, the Compliance Officer acts as project lead in executing the OIG’s anti-fraud program, and provides training on the standards for integrity, accountability and compliance with the District’s fraud and ethics-related policies. Our Executive Administrative Specialist offers administrative support as well as serves as the Compliant Intake Specialist for the office.

### BUDGET

In FY2019, the OIG was allocated \$698,083 in general funds, and staffed with five full time employees (FTEs). The FY2020 budget provides for an additional forensic auditor position.

## FY2019 INVESTIGATION HIGHLIGHTS

The OIG conducts its investigations in accordance with the Principles and Standards for Offices of Inspector General; generally accepted principles, quality standards, and best practices applicable to federal, state, and local offices. In addition, the OIG always exercises due professional care in conducting its investigations and issuing its reports and recommendations. During this reporting period, some of our noteworthy completed investigations included the following:

### **Allegations of Financial Mismanagement**

In June 2018, the OIG received a letter from four senior students, reporting several allegations of financial improprieties and mismanagement by their high school principal. The students alleged that the Principal authorized some transfer of funds ear-marked for senior activities to other internal school accounts, authorized expenditures not related to the senior activities, and failed to provide the students with a credible explanation related to the transactions. The OIG investigation revealed that all money reportedly raised by the seniors was properly deposited into the appropriate bank account and there was no evidence to support a claim that funds were misappropriated. With the exception of the senior yearbooks, all items included in the “Senior Dues Packet” were distributed to the senior students. OIG recommended that the Principal immediately issue payments for outstanding invoices related to the senior’s activities and the yearbooks be distributed to the students. The OIG also recommended that the Division of Finance provide training and guidance to school staff involved with student activity accounts and cash handling.

### **Alleged Financial Mismanagement by a Principal**

In June 2018, the OIG received information that a Principal was collecting fundraiser cash from teachers, failed to provide receipts, or record and deposit the funds in a timely manner. The OIG investigation confirmed that the Principal, who personally collected most of the fundraising cash, failed to count the cash at the time of receipt, did not provide a valid receipt, or maintain other itemized verification or documentation of the funds provided, which were made readily available by the teachers. The Principal instructed staff to prepare false receipts, usually just prior to making a bank deposit. The investigation further revealed that the Principal, when notified of the pending investigation, created and backdated a fundraising accounting document, with amounts that did not correspond to bank transactions, or the school’s general ledger. The Principal directed the bookkeeper to sign the revised document as a reviewer without allowing for any examination of the supporting documents, thus giving the false appearance that the records were verified. OIG’s forensic audit of fundraiser records determined that at least \$2,900 in fundraiser funds was unaccounted for and missing.

OIG recommended administrative discipline for the Principal, for having violated Employee Work Rules, Code of Ethics, and District policies regarding fundraising activities. Faced with an impending termination action, the Principal resigned from the District. To address OIG’s recommendation for mandatory cash management training for school leaders, bookkeepers, and all school personnel who sponsor fundraising activities, the District’s Finance division has embarked on providing training for all school-based employees who collect cash for fundraising activities.

### **Alleged Misuse or Lack of Accountability of District Municipal License Plates**

In July 2018, a local news reporter contacted the OIG, and advised that s/he was working on a story regarding over 500 municipal Michigan license plates registered to the District that were unaccounted for and considered missing. The reporter advised the OIG that s/he obtained a listing of license plates through the Freedom of Information Act (FOIA) from the State of Michigan, Secretary of State (SOS) which identified 674 active plates and compared that list to another document provided by the District identifying only 113 plates. The OIG performed an analysis to identify the municipal license plates that were missing from either or both lists. The OIG did not substantiate any malfeasance or unethical conduct regarding use of the plates. However, the OIG provided recommendations including procedures to verify all actively registered license plates and the reporting of plates that are no longer in use (whether lost, destroyed, or retired).

### **Alleged Financial Misconduct by Athletic Coordinator**

In July 2018, the OIG received a complaint that an Athletic Coordinator may have inappropriately received a District stipend for services purportedly rendered as an assistant coach, when, in fact, they neither performed as, nor were recognized as the school's assistant coach. OIG interviews with various staff determined that the Athletic Coordinator had not performed any services as the assistant coach and was not entitled to the coaches' stipend. Additionally, the employee had submitted inaccurate and false information, violating District guidelines and internal controls requiring a Principal or designee signature, to receive the athletic stipend. The OIG also determined that the payment of \$1,978 to the Athletic Coordinator was not valid. The OIG recommended administrative discipline for the Athletic Coordinator, due to violation of Employee Work Rules and the Code of Ethics. The employee was suspended, without pay, for 10 consecutive workdays and required to return the funds to the District. The supervising District Administrator also received written counseling for failure to exercise due diligence to ensure that District's guidelines were adhered to regarding authorization of stipend payments and safeguarding of District funds.

### **Alleged Misuse of District Computer**

In August 2018, the OIG received an allegation that a District Administrator was a paid employee for a political campaign and performing the campaign's duties while using a District computer, and during District duty hours. The OIG interviewed the District Administrator who admitted that s/he provided services for the political campaign but was less than candid as to the amount of personal work performed during District duty hours. Utilizing the District's Information Technology (IT) department resources, the investigation determined that numerous temporary internet files and various files were deleted from the browser history and found that the District laptop was routinely used to complete numerous assignments for the campaign during duty hours. The IT analysis also corroborated the fact that the District Administrator used significantly more of the computer's internet bandwidth to access the campaign's emails and related software applications than was used in the performance of their District duties. The OIG recommended administrative discipline for the employee, for violating Employee work rules, and misusing a district-issued computer to conduct (personal) work for the campaign during regular district time on a consistent pattern. The employee resigned from the District, prior to disciplinary action. Also based on OIG recommendations, the District implemented mandatory annual electronic disclosures for all District employees and new hires, along with drafting IT policies to address proper use of District network resources and computers.

### **Alleged Abuse of Time and Attendance**

In August 2018, the OIG received a complaint that a teacher was frequently late or absent from work; however, did not receive any disciplinary actions or deductions from their pay. The OIG determined that the teacher was required to be at their classroom door at first bell for the purpose of monitoring arrival, class changes, and to take proactive role in addressing potential safety concerns for students. The OIG analysis showed that the teacher was typically late between ten to ninety minutes and failed to follow the school's daily sign-in procedures. The principal claimed to be unaware of the teacher's excessive tardiness and absenteeism; however, had issued written reprimands to other staff members during the same period. In one instance, the teacher admitted to being on a week-long out-of-state vacation while on sick leave and was not asked by the principal to provide a required medical letter. OIG recommended written reprimand for both the principal and teacher, which was done. Furthermore, the teacher was ordered to repay the District \$585 for the excessive tardiness and absenteeism. Training was also provided to the principal in the monitoring of employee daily attendance.

### **Alleged Violation of Community Use Procedures**

In August 2018, the OIG received an allegation that a District employee, who was also an athletic Head Coach, held an unauthorized private sports camp on District property, and did not obtain formal approval through District community use procedures. The OIG investigation determined that the Head Coach, who had a documented history of having unauthorized sports camps, had prior-to, attended a mandatory workshop in which community use was addressed. The Head Coach also failed to apply for and provide necessary documents to receive proper authorization for use of District property, exposing the District to possible liability issues. The Head Coach improperly relied on a verbal approval from a former Principal. Further, the investigation determined that, prior to the planned activity, the new Principal was made aware of the sports camp, but did not take timely action to ensure that the Head Coach had obtained the proper community use approval. Based on OIG recommendations, both the Principal and Head Coach received written reprimands for their involvement in violating the District community use procedures. Also based on OIG's recommendation, the Office of Community Use of Schools invoiced the Head Coach for \$570 to recover community use fees owed to the District.

### **Alleged Improper Food Sales at School**

The OIG initiated an investigation after receiving a complaint that a school administrator violated fundraising procedures at a District school. Documents reviewed indicated that a fundraiser was held to raise funds for the purpose of providing warm-up suits and shoes for several of the school's athletic teams. The investigation also revealed that the school administrator routinely pulled students out of class to conduct fundraiser food sales, during regular school hours. The OIG established that during the school year, a local professional sports team donated gym shoes and accessories for the athletics teams, while the District provided warm-up suits. The employee admitted that because the athletics teams received the required items through other means, s/he diverted the money received to other uses; including purchase of gas for a personal vehicle, purchase of food for the students and other miscellaneous items. The OIG determined that the school administrator violated several District policies and procedures; including abusing position as administrator to disrupt student learning by orchestrating food sales during school hours, failing to deposit sales proceeds in a timely manner, and failing to complete required fundraising documents, and was referred for discipline. The employee received a 15-day suspension, without pay.

### **Alleged Unauthorized Community Use Activities**

In September 2018, the OIG received information that a Principal allowed "unauthorized" football games to take place at a district school's football facility, in violation of District's community use procedures. The OIG investigation revealed that the external organization failed to make a timely request, provide all required documentation, and provide payment prior to the event. The investigation further revealed that the Principal bypassed established community use procedures, and unilaterally allowed the outside organization's community event to take place on District property, exposing the District to possible liability issues. Prior to official disciplinary action, the Principal resigned from the District. As result of OIG's recommendation, the Office of Community Use invoiced the external organization for \$375 for the use of the football facility.

### **Allegation of Falsification of Attendance by a School**

In November 2018, the OIG received an allegation of falsification of attendance and grades from a parent/guardian of a special education student. The parent/guardian also alleged that the District had improperly received special education funding due to the falsified attendance. The investigation determined that the school administrators marked the student "present" but concluded that there was no intention to deceive, or misrepresent the school's attendance records for anyone's benefit, including the District. The investigation also determined that because the school recorded attendance for the student, the District improperly received a Foundation Allowance of \$7,670 for 68 days that the student was not present in the school. The investigation also revealed that the school's staff provided grades based upon assignments that the student completed outside of school. It was further determined that Medicaid does not allocate funding based upon a student's designation. The Michigan Department of Health and Human Services provides Medicaid School Based Service reimbursements to school districts (who provide Medicaid covered health and health-related services) based upon a student's individualized education program or IEP. Therefore, the investigation concluded that the services provided to the student were eligible for Medicaid reimbursement. The OIG recommended that the District provide documentation to the Michigan Department of Treasury to correct the attendance recorded for the student; thus, required the District to self-report the full-foundation allowance improperly received. Professional development was also provided for school building leaders, to address procedures related to special education students demonstrating behavioral issues.

### **Allegations of Improper Overtime Payments & Other Violations Involving the District's Athletic Program**

In December 2018, the OIG received information alleging that an administrator was improperly authorizing overtime payments to an hourly employee. The OIG investigation determined that the administrator expanded the hourly employee's duties to include tasks that were more than likely to be completed after duty hours. The investigation also determined that there was justifiable reason for the overtime payments; however, there was no prior written approval to work after hours and the administrator authorized the overtime for the hourly employee, after the fact. As result, the OIG recommended implementation of written procedures requiring prior approval for all overtime service and payments.

### **Allegation of a Conflict of Interest/Nepotism by District Administrator**

In December 2018, the OIG received an allegation of a familial relationship involving a District Administrator and a School Administrator, and including possible nepotism involving the hiring process. Investigation found that both employees had neglected to disclose their familial relationship to Human Resources; and that the position held by the District Administrator and their spouse posed an indirect conflict in their reporting relationship. OIG found that, although the spouse held a school administrative position, the position reported administratively to the principal of the school and functionally to their spouse, at the District level. In addition to the allegations of conflict of interest and nepotism, the OIG became aware that the children of the two administrators attended school in the same building where the school administrator (their parent) worked, which potentially exposed the children to confidential information belonging to other students at the school. The OIG recommended that the two employees be made to formally disclose their familial relationship. Additionally, in March 2019, the Board adopted a Conflict of Interest policy that defined actual, perceived, and potential conflicts of interest within the District. On May 20, 2019, the District implemented an electronic disclosure process, mandating all district employees to complete disclosures; as well as incorporated a revision to the Student Code of Conduct to address protocol when a student attends the same school building where their parent works. There was no evidence found to support the nepotism allegation; however, OIG recommended a revision to the employee application process to include requiring a job applicant to disclose any familial relationship with a current District employee.

### **Allegation of the Abuse of Time and/or Unethical Conduct by a District administrator**

In January 2019, the OIG received an anonymous complaint alleging that a District administrator was abusing District time by attending class at a local university during District work hours, possibly abusing their position in doing so. The OIG investigation determined that the administrator had attended class in the current and prior semester for classes that are/were scheduled after District official hours (i.e. after 5:00pm). The investigation further determined that there was no direct evidence to support violation of any ethical standard of conduct, or of the District's Code of Ethics, and/or misuse or abuse of position by the administrator. Therefore, the allegation was determined to be unfounded.

### **Allegation of Financial Improprieties by a Contractor/Parent**

The OIG previously reported on a matter (in FY2018) involving a former parent, who also served as a district school's cheer coach, and who fraudulently obtained money from 18 parents for the purpose of purchasing cheer uniforms and accessories for their students attending the school. Allegedly, students were provided with second-hand (used) attire or nothing at all after providing the cheer coach with more than \$5,000 in cash over a period of three months. The OIG investigation determined that the cheer coach fraudulently converted for personal use, \$2,760 in cash obtained from the parents. The OIG referred the results of its investigation to the Wayne County Prosecutor's Office (WCPO). The coach was arrested and charged by the WCPO with one count of Larceny by Conversion, \$1,000 or more but less than \$20,000. The coach entered a guilty plea, was ordered to pay restitution, and is awaiting sentencing which may occur on August 30, 2019. As of February 2019, the District had recovered \$500 from the subject in restitution.

### **Conflict of Interest issues involving a District Principal**

In May 2019, as part of the District's annual employee disclosure process, mandating all district employees to disclose conflicts of interest, a school-based employee disclosed a familial relationship with a school principal, working at the same location. On the contrary, the principal failed to disclose their familial relationship. Subsequent OIG investigation confirmed that, besides the school-based employee, there were two additional employees (one also employed at the same work location) with whom the principal shared a familial relationship. In conclusion, the OIG determined that there was a potential for the principal to exert an undue influence to benefit family members, which presented a high-risk to District operations and compromised the integrity of the reporting relationships. As result, OIG recommended administrative discipline for the principal, for failure to disclose, and violation of the District's Code of Ethics, Nepotism, and Conflicts of Interest policies. OIG further recommended reassignments for the principal's family members to other work locations. As of June 30, 2019, the matter was pending final disposition by the District's Office of Employee Relations.

## COMPLIANCE TRAINING & OUTREACH PROGRAM

In September 2018, the OIG launched a Compliance Training and Outreach Program to support the District’s commitment to its core value of Integrity and foster a culture of compliance to ethical standards as well as proactively prevent, detect, and deter Fraud, Waste, and Abuse. Through this program, our goal is to continue educating all District employees to develop critical thinking skills that help recognize potential ethical dilemmas, as well as prevent fraudulent behavior. The OIG prepared, and has distributed various informational brochures which explain the role of the OIG, and describe the process of reporting Fraud, Waste, and Abuse; its detection, deterrence, prevention, as well as protections to those who report improper activity to the OIG. The second component of our Outreach program consists of compliance training courses. These ongoing courses are approved by the Michigan Department of Education as professional learning opportunities and provide opportunity for participants to earn State Continuing Education Clock Hours (SCECHs).

### (a) Instructor-Led Courses:

#### **Ethical Leadership**

This course is intended for District and School administrators only (i.e. District Division and Department heads, Principal Leaders/Assistant Superintendents, Principals, and Assistant Principals), and assists leaders to incorporate sound business practices and ethical values in their decision making. This course provides strong emphasis on leaders leading by example and focuses on the ‘Tone At the Top’.

#### **Ethics**

This course is offered to all District employees (i.e. teachers, counselors, school and central office staff, and all support staff) and emphasizes moral behavior in the workplace, and helps participants recognize key ethical values such as honesty, integrity, and respect and the fair treatment of others.

#### **Fraud Awareness**

This course is offered to all District employees and is intended to bring awareness to all employees about the potential of fraud, how to report and prevent fraud, and how to handle any allegations of fraud, waste, abuse, conflicts of interest, and/or unethical behavior. It also highlights the mission of the OIG and how this office primarily serves the District.

### (b) Online Courses:

These courses are self-paced and are approximately six minutes each, with the required completion of a quiz at the end of each module. Currently, four learning modules are offered for all District employees:

- Preventing Fraud, Waste, and Abuse
- Conflicts of Interest
- Reporting Fraud, Waste, and Abuse
- Understanding and Preventing Retaliation

## PLANNED ACTIVITIES

In our continued effort to remain proactive and assist District administration in setting the right tone at the top, for the middle level, and for all District employees, the OIG will be introducing two additional Instructor-led courses during FY2020:

#### **Conflicts of Interest**

This course will emphasize on actual, potential, and perceived conflicts of interest in direct and indirect reporting relationships. It will also assist employees in identifying conflicts in vendor relationships, gift receipts, outside employment, and outside activities that interfere with employees’ performance of official job duties and responsibilities.

#### **Whistleblower Protection**

This course will focus on preventing retaliatory practices while providing employees with better understanding of the purpose of the Whistleblower Protection Board policy, and the protections offered under this policy.

## STAFF TRAINING AND DEVELOPMENT

OIG professional staff are required by the Association of Inspectors General to maintain their professional competence through continuing professional education (CPE) requirements. Per the Green Book (*Principles and Standards for Offices of Inspector Generals*), “each staff person who performs investigations, inspections, evaluations, reviews, or audits should complete, every two years, at least 40 hours of Continuing Professional Education (CPE) that directly enhances the person’s professional proficiency. At least 12 of the 40 hours of CPE should be in subjects directly related to the person’s responsibility (investigation, inspection, evaluation, review, or audit), the government environment, or specific industry or unique environment in which the entity subject to examination operates.”

Investigative staff receive training in best practice standards to improve interviewing, investigation, and report writing skills. Also, in order to keep up with the changing platform in fraud trends, staff are provided opportunities to attend webinars in our office space, and when cost effective, attend workshops and/or meetings to discuss fraud investigation techniques and ethics topics. During FY2019, OIG staff participated in the following professional development/learning:

DATE	PROFESSIONAL DEVELOPMENT TOPIC	DELIVERY TYPE	# of OIG attendees
7/26/2018	Looking Fraud in the Eye	Webinar	1
8/2018	Association of Inspectors General Institute - CIGA	5-day Workshop	1
9/12/2018	Improving Procurement Integrity with Data Analytics	Webinar	1
9/12/2018	The Future of Auditing and Fraud Detection	Webinar	2
9/17/2018	Workplace Ethics: How to Tackle the Small Lapses and Avoid a Company Crisis	Webinar	2
10/10/2018	What’s the Tone from the very Top: The Role of Boards in overseeing Ethics and Compliance	Webinar	1
10/11/2018	Presentation Skills, Building Effective Visual Aids and How to Present Data	Chapter Meeting	2
11/14/2018	Operationalizing Your Compliance Program	Webinar	1
11/29/2018	Workplace Investigations: Finally Get Answers	Webinar	3
12/6/2018	Trust But Verify	Chapter Meeting	3
12/18/2018	Money Laundering: Following the Funds	Webinar	2
1/2/2019	5 Benefits of Using Reciprocity in Investigation Interviews	Webinar	2
1/2/2019	Strategic Use of Evidence in Investigation Interviews	Webinar	2
1/3/2019	Internal Controls: What You Need to Know	Chapter Meeting	1
1/10/2019	Detecting and Preventing Payroll Fraud	Webinar	1
1/10/2019	Establishing a Code of Ethics for Investigators	Webinar	1
1/10/2019	Investigation Interview Planning: What to Do Before the Interview	Webinar	1
1/15/2019	Accounts Payable Fraud: Keys to Detection and Prevention	Webinar	1
1/15/2019	Fraud Analytics: Ensuring Data Quality	Webinar	1
1/17/2019	Investigation Interviews: Challenges & Emerging Trends	Webinar	3
1/2019	P.E.A.C.E Investigative Interviewing Techniques	3-day Workshop	2
2/8/2019	Ethical Dilemma – It is or Isn’t	Chapter Meeting	3
3/7/2019	Business Email Compromise	Chapter Meeting	2
3/9/2019	Adrian Project – Tax Fraud Workshop	Full-day Workshop	1
3/13/2019	Effective Interviewing and Interrogation	Full-day Workshop	3
3/20/2019	The Predicate Cause of Money Laundering: How Fraud and Money Laundering work in concert	Webinar	1
3/21/2019	Virtual Identity Report	Webinar	1
3/21/2019	Interviewing Children in an Investigative Setting	Webinar	2
4/4/2019	Handwriting Analysis (to detect fraud)	Chapter Meeting	2

cont. FY2019 Professional Development events

DATE	PROFESSIONAL DEVELOPMENT TOPIC	DELIVERY TYPE	# of OIG attendees
4/23/2019	25 <sup>th</sup> Annual Fraud Conference	Full-day conference	3
5/2/2019	Identifying and Investigating Health Care Fraud	Chapter Meeting	1
5/17/2019	Promoting Civility in the Workplace	Webinar	2
5/29/2019	Best Practices for Responding to Ethics Hotline Reports	Webinar	1
5/30/2019	Using Data Analytics to create Insightful Reports	Webinar	1
5/30/2019	Rethinking Your Ethics & Compliance Program: Building Culture as Your First Line of Defense	Webinar	1
5/31/2019	Fraud Prevention – It ain't what you do (it's the way that you do it)	Webinar	1
6/6/2019	An Interactive Look at Source Interviews	Chapter Meeting	3
6/6/2019	Unraveling the Confusion: What & Who is a Whistleblower?	Webinar	1
6/23/2019	Interviewing Techniques: Dealing with Difficult Situations	Webinar	1
6/23/2019	Fraud and Character: The Psychology and Motivations of White-Collar Criminals	Webinar	1
6/27/2019	Ethics in the Workplace: 5 Steps to Create a Culture of Ethics, Compliance, and Accountability	Webinar	1
6/30/2019	The Art of Expanding Internet Searches Beyond Social Media	Webinar	1
6/30/2019	Ethical Baselines and Fraud Risk Assessments: A Holistic Approach	Webinar	1

## WHISTLEBLOWER COMPLAINTS

Board policy 1411, Whistleblower Protection, provides protections to complainants of potential fraudulent activity, who as a result of reporting unethical or unlawful conduct to the OIG, may be subject to retaliation by their supervisors. The OIG is charged with the responsibility to thoroughly investigate any and all credible whistleblower-retaliation complaints.

## CHALLENGES

The OIG continues to receive many allegations of employee misconduct or fraudulent activities that contain insufficient information or no basis for us to initiate an investigation or make a referral to another entity (internal or external). Historically, nearly 16 percent (i.e. 175 of the 1,090 complaints received since March 2009) of the anonymous messages left via the OIG's Fraud hotline do not identify the alleged wrongdoer by name and/or may also fail to identify the location that the alleged fraudulent activity is taking place. Resultantly, the OIG is unable to act on such complaints, and has no means of contacting the anonymous complainant(s) to provide additional (clarifying) information. (Note: The Fraud hotline operated by the OIG is non-traceable and does not provide caller-ID). OIG hopes to address this issue through ongoing Fraud Awareness training to ensure that information is shared with employees regarding proper reporting of complaints (*i.e. providing the who, what, where, when, and why*) while still maintaining the integrity of anonymous reporting to the OIG.

Secondly, the OIG recognizes the importance of communication with District administration. Accordingly, we work closely with the Superintendent's office to keep that office informed of matters as warranted, while at the same time thoroughly investigating to uncover all those involved in a fraudulent activity, and not just the single employee against whom allegations have been made. However, the OIG is also impacted by information that is not always timely shared, provided, and at times, not made available to the OIG as appropriate, or when requested, or necessary, to facilitate its investigations. This continues to impact the timeliness of completing our investigations and providing timely recommendations for corrective action.

## **GOING FORWARD**

As earlier communicated, the OIG will continue to provide training to support the District's Strategic Plan and Core value of Integrity. In addition to the existing courses offered in Fraud Awareness and Ethics, for fiscal year 2020, the OIG will embark on training offerings expounding on the Conflict of Interest and Whistleblower policies.

Additionally, as part of our plan to provide timely and impactful results, the OIG is in the stages of recruiting an additional Forensic auditor. Forensic audits are inherently time consuming, often involve reviewing and analyzing voluminous records and data. The additional FTE would result in increased accomplishments adding to the OIG's value to the District.



**OFFICE OF INSPECTOR GENERAL**

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To report **Fraud**, **Waste**, and **Abuse**

File a Complaint [Online](#)

or dial the anonymous reporting

**Fraud Hotline #: 313-870-3436**

To speak with our Complaint Intake Specialist, contact

**Main Office #: 313-870-5664**

Fax #: 313-870-3405

Email: [inspectorgeneral@detroitk12.org](mailto:inspectorgeneral@detroitk12.org)

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