



**Detroit Public Schools  
Office of the Inspector General**

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June 30, 2011

Emergency Manager and Members of the Board of Education,

As the Inspector General, I am forwarding to you the Office of Inspector General's (OIG) Annual Report. This report contains our accomplishments from March 18, 2010 through June 30, 2011.

I have spent a considerable amount of time working with Deputy Inspectors Diana Sobczak and Annemarie Gibson, to create a document that is both clear and informative in telling you what the OIG is, what it does, and what benefit it provides to the District. It is my intention that you have a document that will provide edification for use in your ongoing discussions about the OIG.

As you know, the OIG conducts investigations and forensic audits of the District's programs and operations to detect and prevent waste, fraud, abuse, conflicts of interest, and to identify opportunities for improving efficiency and effectiveness. The OIG's vision states that, "OIG is to ensure integrity, economy, efficiency, and effectiveness in the operation of the DPS by conducting meaningful and accurate investigations, forensic audits, and program reviews, to detect and deter waste, fraud and abuse." We follow that with a goal of enhancing DPS employees and the public's confidence in our school system by assisting the District in improving its programs and operations, and fostering integrity in all of our operations.

On behalf of the OIG staff, I would like to welcome you to DPS, and thank former Emergency Manager Robert C. Bobb for his support of our mission during the period covered by this report.

W. Van Marsh  
Inspector General

## **A Year in Review – June 30, 2011**

The Detroit Public Schools (DPS) Emergency Manager (EM) created the Office of Inspector General (OIG) in March 2009. The Inspector General (IG) reports to the EM, thereby providing the OIG with independence required ensuring the integrity of its operations. 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.

The Inspector General is charged with managing the OIG, a department of eight employees with a fiscal year 2011 budget of \$1,029,400 in general funds. The IG manages the department through two Deputy Inspectors who manage two units: the investigative unit consisting of four employees, and the forensic audit unit consisting of two employees. One Administrative Assistant supports the entire department. Office space in the Fisher Building was enhanced with an evidence room and interview room, in 2010 to support the operational needs of the investigative staff.

The OIG is an ethnically diverse department comprised of: African Americans 50%; Caucasian 50%. The OIG is also a highly educated professional staff where all members have at least a four year degree, and most have either advanced degrees or one or more professional certificates and training in their area of expertise.

Protocols were established for conducting investigations and referring results of those cases for in house disciplinary action and/or state or federal prosecution. The OIG tracks recommendations resulting from investigative efforts to ensure timely responses and implementation where warranted.

A paperless case management system (CMS), with search capability, was designed and developed to record results of investigations and statistical accomplishments. OIG investigative forms were created and placed on CMS, affording investigators a 21st century process for documenting investigative efforts. The CMS has appropriate security firewalls and can be accessed remotely allowing off site usage.

OIG telephone and email hotlines were instituted in 2009 and continue to generate actionable tips on waste, fraud, and abuse. The OIG has effective liaison with a wide range of entities in Southeast Michigan that also provide operational support. These partnerships are comprised of both public and private sector concerns and include: the FBI Public Corruption Task Force, Violent Crimes Task Force, Crimes Stoppers, Operation Safe Passages, High Intensity Drug Trafficking Area (HIDTA), Michigan State Police, Detroit Police Department, United States Attorney's Office (USAO), Wayne County Prosecutor's Office (WCPO), Wayne County Juvenile Court, United States Department of Education, and Michigan Department of Education. Additionally, all OIG investigators are assigned liaison responsibility (tracked via a database) with District personnel that contribute to operational support and the generation of actionable complaints.

In a joint WCPO effort, the OIG helped launch two Teen Courts in September 2010, where students serve as jurors at two DPS high schools. Teen Court is a juvenile diversion program as an alternative to processing certain delinquency cases through the formal juvenile system. The IG joined a small working group committee comprised of representatives from Michigan Crime Stoppers, Wayne State University, District Courts, WCPO, Juvenile Court as well as principals and teachers from the two participating high schools to develop course curriculum, handbooks and a memorandum of understanding to support this program. This program has

allowed students to learn about our criminal justice system while handing down actual sentences in a responsible way. Teen Court will be expanded by two additional high schools for school year 2011/12.

On March 16, 2011, Michigan’s Public Act (PA) 4 replaced PA 72, the Local Government Fiscal Responsibility Act of 1990, resulting in the EFM designation being renamed Emergency Manager (EM) under PA 4.

The OIG has opened 472 investigative cases, 338 of which have been closed. To date 64 employees have been referred for disciplinary hearings, resulting in 15 employee suspensions/administrative leave, 34 employee terminations/resignations and numerous other administrative actions. In addition, 26 search warrants have been executed and 58 cases were referred for local prosecution and nine to the USAO. There have been 17 convictions. Currently 116 OIG investigations are in an active status.

<b>Type</b>	<b>Count</b>	<b>Pending</b>	<b>Inactive</b>	<b>Closed</b>
Theft	170	69	6	95
Payroll Fraud	59	7	2	50
Ethics Violation	43	11	3	29
Criminal Activity	35	6	2	27
Abuse	33	5		28
Vendor Fraud	32	13	1	18
Unauthorized Employment	29	2	1	26
Mismanagement	29	2	1	26
Waste	28		1	27
Contractor Fraud	7			7
Misuse of Vehicle	4		1	3
Insurance Fraud	3	1		2
<b>Grand Total</b>	<b>472</b>	<b>116</b>	<b>18</b>	<b>338</b>

**FISCAL YEAR 2011 COMPLAINTS RECEIVED**

In its initial annual report dated March 17, 2010, the OIG reported initiating 248 investigations based on receiving 280 complaints. The OIG has since opened 234 investigations as a result of 276 complaints beginning March 18, 2010 through June 30, 2011.

**DPS POLICE DEPARTMENT**

In June 2009, the District’s Police Department was placed under the OIG. Since that time the entire leadership of the department was replaced with a new Chief, two Deputy Chiefs, and a Director of Support Operations. A new organizational structure was designed and put in place to increase accountability and efficiency of operations. Training increased significantly for all police and security personnel. In addition, the PD commenced training for a third K-9 unit and a police evidence technician. A DPS police officer was assigned to

the FBI sponsored Violent Crimes Task Force. An Investigative Inspector was assigned that resulted in increased arrests and prosecutions as well as a reduction in school burglaries. There are seven Sergeants, 50 Police Officers, 47 Campus Police Officers (CPOs), three Investigators and two Clerical Assistants for a total of 114 employees assigned to the PD with a fiscal year 2011 budget of \$21,500,000 from the general and grant funds.

In July 2010 the District terminated its in-school security and improved safety by contracting building security officers (SOs) through a private security company. The outsourcing provides a full daily complement of 270 security officers. The SOs are assigned to all high schools and K-8 facilities.

In 2009, EM Bobb made a decision to invest in a \$41.7 million District-wide security initiative to improve safety and security through advanced technology and infrastructure and the full reorganization of the police department. The District applied \$5.6 million to construct a newly-opened police headquarters and command center that serves as the base of security operations for the District and includes a four-station Command Center post where officers can monitor campuses 24 hours a day using live-feed monitoring surveillance systems from digital cameras and alarms installed on school grounds. The Command Center is a 23,000-square-foot, high-tech facility, built from the ground up in six months on a six-acre site near I-75 and Clay Avenue in Detroit to enhance public safety on DPS campuses for all students and staff.

An District wide security plan was developed to provide improved safety and security for students, staff, buildings and other assets using upgraded technology that included state of the art surveillance, alarm and identification systems. A visitor badge system was installed that allows tracking of persons visiting each DPS high school. Visitors are required to present identification that is searched against the National Sex Offender Registry. If the individual is not on the registry a temporary adhesive paper ID is created by the system and must be displayed while the visitor is in the building. If the visitor's identification appears in the sex offender registry, the building administrator must decide whether access will be allowed under escort by a SO.

In 2010, the PD secured access to the Law Enforcement Information Network (LEIN) and can now query this system in support of official criminal investigations.

The PD completed training of former SOs for conversion to CPOs under Michigan Act 330 allowing additional full police authority on all DPS facilities to augment the PD's regular police personnel.

Additional training for PD personnel included use of Chemical Spray Device, and First Aid/CPR/AED provided by the Detroit Field office of the Federal Air Marshal Service.

### **FISCAL YEAR 2010/2011 MONETARY BENEFITS**

The OIG identified over \$7 million in monetary benefits through its investigations and forensic audits. The OIG is committed to identifying and reducing waste, fraud, abuse and to identifying opportunities for achieving greater economy, efficiency, and effectiveness that may result in the savings or recovery of funds that can be used toward student related goals. The OIG classifies monetary benefits into three major categories: monetary loss, restitution and settlements.

Monetary loss includes thefts and fraudulent billings. Restitution is the voluntary or court ordered repayment of District funds that were obtained through fraudulent means. Settlements are formal legal agreements where funds are awarded to resolve damage claims. OIG investigative activity may also result monetary benefits such as recoveries and identification of grant money.

OIG investigations had a positive monetary impact on the District in excess of \$7 million.

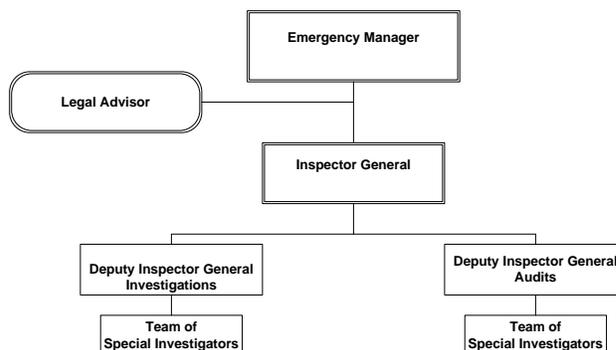
### Savings - \$7,044,966

Type of Recovery	Amount
Monetary Loss (Identified by OIG)	\$4,170,508
Recovered laptops (279)	279,000
Advanced Placement Fees	12,000
Recovery	17,212
Restitution	1,349, 246
Utilities Back Payment	550,000
Grant Money	667,000
<b>Total</b>	<b>\$7,044,966</b>

### MISSION OF THE OFFICE OF INSPECTOR GENERAL

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

### OIG ORGANIZATIONAL STRUCTURE



## **BUDGET**

In Fiscal Year 2011, the OIG continued to perform its function despite a \$17,000 budget reduction from FY10. In FY 11, the OIG was allocated \$1,029,400 and staffed with eight full time employees. The FY12 budget is projected to be \$1,030,475 at the same staffing level.

## **INVESTIGATIVE STANDARDS**

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 of Inspectors General. In addition, the OIG, at all times, exercises due professional care in conducting its investigations and issuing its reports and recommendations

## **FISCAL YEAR 2011 SIGNIFICANT INVESTIGATIONS**

**Office Supplies Vendor Fraud.** Based on a tip received March 2009, the OIG analyzed office supply purchases between July 2006 and November 2009, as well as the contract language. Based on the contract language, which guarantees most favored public entity pricing, the OIG determined that the office supply company overcharged DPS \$5.2 million when compared with the City and County of San Francisco contract.

**Shell Company, Alleged Vendor Fraud.** From 2004 through 2007, a former DPS vendor bookkeeper and her daughter, a DPS teacher, received \$539,391 using a shell company with a bogus street address and a post office box. As of March 7, 2011, 42 interviews have been conducted by the OIG, including many with the FBI. To date, the investigation has shown that DPS payments for learning supplies were made to the company, which according to persons interviewed and document searches were never provided to any DPS school or other entity. On October 26, 2010, searches were conducted by more than 25 FBI, DPS-OIG, and U.S. Department of Education-OIG investigators of two residences and one business office, yielding pertinent document evidence. Both subjects were interviewed during the searches and have since retained counsel. This matter is awaiting federal prosecution of the DPS vendor and teacher.

**Theft by DPS Accountant and Principal.** The OIG received an allegation that a DPS accountant and principal diverted school funds to remodel homes. The OIG conducted a financial audit and investigation that determined the accountant, her son, boyfriend, and principal embezzled \$151,781.36 from February 2006 through June 2009. The matter was referred to the Wayne County Prosecutor's Office. The case against the principal and bookkeeper's son was dismissed. An August 2011 trial is scheduled for the bookkeeper and boyfriend.

**DPS Interpreter Vendor; Alleged Qualification, License Violations, Overbilling.** In 2009 and 2010, the OIG conducted over 36 interviews, receiving information from sign language interpreters, teachers, and the Michigan Division on the Deaf and Hard of Hearing (DODHH), that a DPS vendor provided unlicensed (or uncertified) sign language interpreters in violation of the Michigan Deaf Persons' Interpreters Act (P.A. 204), and that some of its interpreters were unqualified and provided poor interpretation to students and 26 were not properly certified. Some DPS employees who were interviewed alleged that the company's employees

engaged in falsification of sign-in sheets and that the company overbilled DPS for its services. Regarding, specifically, the possible fraudulent overbilling allegations, OIG conducted a forensic analysis of company invoices and supporting documentation for the period September 2007- June 2009, and found that the company overbilled DPS \$592,867. WCPO declined prosecution and the matter will be resolved through arbitration.

**Theft by DPS Bookkeeper.** The OIG received allegations that a DPS Bookkeeper diverted school funds for personal use. OIG conducted a financial audit and investigation that determined the Bookkeeper embezzled \$148,000 from the school District from February 2006 through May 2009. The matter was referred to the FBI for additional investigation and the US Attorneys' Office for federal prosecution. The DPS Bookkeeper was indicted on December 9, 2010, and charged with Fraud. In January 2011, the FBI arrested the DPS Bookkeeper. The Bookkeeper signed a plea agreement on May 10, 2011.

**Tutoring Vendor; Alleged Vendor Fraud.** During 2009-2010, the OIG received information that a tutoring vendor may have billed for tutoring services not rendered. Complainants also alleged that the vendor billing included fraudulent tutoring application information. The OIG subsequently obtained and reviewed the 2008-2009 billing records for the vendor and sent 200 letters to parents or guardians. Interviews confirmed that the vendor billed for many students who never received tutoring. In October 2009, the OIG was joined in the investigation by the U.S. Department of Education-OIG (DOE-OIG). Overall, the DPS-OIG and DOE-OIG conducted 58 interviews, including parents, students, tutors, and the vendor's officials. Investigative results were digitized and cross-referenced by DOE-OIG, revealing that discrepant billing may have been common to six of the vendor's tutors. Interviews of the vendor's personnel revealed that the amount of payment to tutors was commensurate with the numbers of students listed on sign-in sheets. However, interviews have been inconclusive as to anyone's complicity. Based on the rate of \$1,875.00 payment to the vendor for each student, at least \$69,375.00 in discrepant billing has occurred, but is believed to be greater. As of March 7, 2011, DPS-OIG and DOE-OIG investigators are planning to recommend that overbilling be addressed through a civil action and disposition will ideally be preceded by a full-scale audit of the vendor by DOE-OIG auditors. DPS-OIG created a survey in September 2010 for implementation at most DPS high schools receiving Title I tutoring to capture a more accurate total of the discrepant billing involving the vendor and other DPS tutoring vendors.

**Theft of DPS Computers.** Since June 2009, the DPS have experienced over 45 burglaries that resulted in the thefts of 1386 laptop/netbook computers valued in excess of \$1,300,000. In December 2009, the OIG sought investigative assistance from numerous law enforce including: WCPO, FBI, University of Michigan Department of Public Safety, Michigan State University Police Department, Michigan HIDTA, Michigan State Police, Livonia Police Department, Saint Clair Shores Police Department, Detroit Police Department and the DPS PD. The investigation resulted in 15 search warrants, in four counties in the Detroit Metropolitan area. Results of those searches led to the identification of ten subjects involved in the theft and sale of stolen DPS laptop computers. Ten subjects were charged by the Wayne County Prosecutor's Office on September 20, 2010. To date six subjects have entered guilty pleas with four subjects scheduled for trial. As a result of this investigation and significant media coverage, the burglary/theft rate of laptop computers from DPS declined dramatically.

Since its inception, DPS-OIG has recovered 279 stolen DPS laptop computers, valued in excess of \$279,000. The stolen laptops are being re-imaged and returned to the Detroit Public schools for educational use by students. There have been 1346 laptops and 40 netbooks reported stolen since March 18, 2010.

**Payroll Fraud by DPS Program Director, Teachers and Support Staff.** Based on a tip that the Director of an After School Program was fraudulently overpaying the teachers and support staff, the OIG conducted a comprehensive payroll audit and investigation. It was determined that the Director, teachers, and support staff employees were overpaid 551.25 hours, totaling \$14,235. The overpayments occurred from November 2009 through April 2010. The Director was immediately suspended, a disciplinary hearing was held, and a final disposition has not been rendered. Disciplinary hearings for an additional 14 employees, including the Principal, have been recommended by the OIG. The employees have been directed to reimburse the District the amount of amount they were overpaid. Additional discipline is anticipated.

**Tutoring Vendor; Alleged Vendor Fraud.** In June 2010, the OIG received information from tutors and the owner of a DPS provider that one of its associates, whose own company is another provider, and possibly his wife, a lawyer, used the main vendor's name without authorization, for the purpose of obtaining Title I funds and to defraud several college students hired by the associate as tutors. When the students complained to the main vendor's true executive, the students were paid by the main vendor, but the executive disavowed the associate's nexus to the main vendor. According to one of the students and the executive, the associate may have falsified tutoring applications and engaged in other unspecified fraud. As of March 3, 2011, nine interviews were conducted by the OIG, including two with the FBI and one with the DOE-OIG and massive documentation has been reviewed by OIG and DOE-OIG. On December 9, 2010, the Michigan Department of Education (MDE) had indicated an interest in the activities of the associate, because the subject's company was suspended by the state for unlawful activities. The objective of the DPS-OIG and DOE-OIG investigation is to determine the extent of unlawful activity of the associate, to include falsifying Title I documents and offering excessive incentives, and to also determine the extent of the main vendor's involvement in and enrichment from the associate's use of the main vendor's company name.

**Allegations of Payroll Fraud by Executive Protection Detail.** In August 2010, the OIG received information that three DPS Public Safety Officers assigned to provide executive protection to the DPS Emergency Financial Manager, falsified their time sheets to receive overtime. The evidence obtained through payroll data, interviews, and employee admissions revealed the officers collectively received over \$70,000 in overtime pay for hours they did not work. The officers were terminated and the matter has been referred to the Wayne County Prosecutor's Office for prosecution.

**Conflict of DPS Official; Recommendation of Cooling Period.** In September 2010, the OIG received a complaint that a former regional superintendent had an ownership interest in a Title I funded tutoring provider for DPS. Investigation confirmed that the former regional superintendent was the owner of such a tutoring company, but her company had not begun any DPS contractual business prior to her resignation from DPS. The OIG investigation revealed that there is no legal or DPS requirement of a waiting or "cooling" period for former DPS employees to conduct vendor or provider business with DPS. DPS General Counsel found that the current typical DPS provider contract contains a disclosure requirement, and potential conflicts are ostensibly to be resolved after the fact. Despite the absence of a mandatory cooling period and the existence of the disclosure requirement in the DPS, most persons contacted during the OIG investigation expressed concern about the potential for a conflict of interest or the appearance of one, in situations such as that which involved the former regional superintendent. The OIG recommended a cooling period policy for DPS contractors be implemented, based on the rationale that no unfair competitive advantage should be extended to current or former DPS employees, and that any appearance of impropriety in DPS contractual activities

should be avoided. On January 18, 2011, the Emergency Manager signed an order “Prohibiting Certain Contracts involving Former or Current Employees or Officials.”

**Consultant Vendor Fraud.** The OIG received information that a contractor may be in a position to cause financial harm to the District. Based on OIG’s investigation, it was determined that DPS had overpaid this vendor \$18,360. From the analysis of the invoices and monitoring of start/end times of the subcontractor, it was determined that a subcontractor for this vendor was falsifying his timesheets and overbilling DPS. The vendor’s contract was dissolved.

**Theft of DPS Teacher ASUS Netbook Computer.** On December 29, 2010, the OIG received allegations that a DPS Teacher attempted to pawn her newly assigned DPS ASUS Netbook computer valued at \$328.00. The OIG took custody of the DPS property from the Detroit pawn shop and initiated an investigation. On January 3, 2011, the teacher was interviewed and admitted to being a compulsive gambler and attempted to pawn the computer/battery/cord and charger for cash. The teacher was suspended immediately, and the matter is pending final disposition by DPS Human Resources.

**Narcotics Violation involving DPS Teacher.** On February 8, 2011, the OIG received information from the Michigan State Police that a DPS teacher had been arrested for a narcotics violation and immediately initiated an investigation. On January 26, 2011, the teacher was stopped for a traffic violation while enroute to Chicago from Detroit on I-94. The teacher was driving a personally owned vehicle and a search predicated on probable cause revealed 101 grams of heroin in the vehicle console and \$23,000 dollars hidden in various boxes. The teacher was in an approved leave status at the time of this activity. During an interview, the teacher admitted working for a known Detroit drug dealer and has done this at least two times in the past. The teacher was arrested for Felony Possession with Intent to Deliver Heroin greater than 100 grams, was lodged, arraigned, and released on bond pending a Preliminary Exam which has not been scheduled as of March 10, 2011. The teacher was placed on administrative leave. The OIG will track the disposition of the criminal prosecution.

**Alleged Grade Changes at a Middle School.** On February 10, 2011, the Detroit Free Press published an article containing allegations by a former middle school teacher that final grades submitted in June 2010 for her science classes were improperly changed. The teacher alleged to the Free Press that her final grades were mostly “D’s” and “F’s” but were changed by an unknown person or persons to “C’s”. Prior to the publication of the Free Press article, on January 31, 2011, the principal was interviewed by OIG and denied that the teacher’s grades were changed. The principal was asked for the former teacher’s final grade-book but the principal claimed that the teacher took it with her. The principal provided the OIG with copies of the former teacher’s supposed scan sheets, which contained mostly grades of “C’s”. However, subsequent investigation by OIG revealed that the grades for the former teacher’s classes in June 2010 were originally different than those recorded in report cards, thus supporting the former teacher’s allegations.

Twelve interviews have been conducted, including the principal, assistant principal, two Title I teachers, and two secretaries. In addition to allegations of improper grade changes at the school, the OIG investigator has received calls from employees reporting similar improprieties at four other schools.

**Mismanagement by Two Special Education Schools.** The OIG was notified of violations by the principal and staff at two special education schools. An investigation is being conducted to determine if the principal and

staff falsified attendance records and to what extent these two schools violated the State of Michigan Special Education Rules.

**Payroll Fraud Conspiracy.** In a joint FBI investigation, the OIG developed information that a DPS employee who was a co-conspirator with a former DPS Payroll Financial Specialist devised a scheme to issue checks to fake beneficiaries of deceased DPS employees. The scheme occurred from December 1999 through June 2004, resulting in a loss of approximately \$292,000 of DPS funds. The payroll specialist was convicted prior to the identity of the co-conspirator being revealed. The DPS employee, a custodian was terminated. Criminal charges were sought against the custodian but were denied due to the statute of limitation.

**Theft by DPS Teacher's Aide.** In May 2009, the OIG received anonymous information regarding fraudulent activities by a DPS teacher's aide. Allegations indicated from April 2007 through October 2008, the DPS teacher's aide would order merchandise from Office Depot using Detroit Public School funds and kept the purchased merchandise for her own personal use. Investigation revealed that the teacher's aide ordered in excess of \$35,000 in merchandise. The DPS employee admitted theft and was subsequently terminated and charged with 7 counts of Embezzlement by a Public Official over \$50.00, and was convicted on December 14, 2010. The former employee is awaiting sentencing, at which time full restitution to the District will be requested.

**Document Fraud.** On January 10, 2011, a Middle School Principal discovered GED Official Testing Results documents which are suspected of being fraudulent copies. The principal notified the OIG and an investigation was initiated. It is alleged that a DPS School Service Assistant who transferred from the school two years prior to the discovery of the fraudulent documents was involved in the production. The fraudulent documents date from 1999 to 2005, and contained test score results, names, and date of births of unknown individuals. The Chief Examiner of the GED Testing Center verified that the documents are fraudulent. The named individuals on the eight documents were cross checked with the GED Testing Center data base showing that two individuals named on the fraudulent documents failed. There was no record for three of the named individuals and the remaining three individuals appeared to have legitimately taken and passed the GED. The investigation is ongoing.

**Abuse of Sick Leave for Outside Employment, Election Poll Work.** In December 2009, a tipster suggested that many DPS employees misused sick leave to work at election polls and that many of those engaged in such sick leave abuse had been paid by the City of Detroit for their election work. In 2010, data regarding all election workers during the November 2008 presidential election and the May 2009 Detroit mayoral election was obtained and compared with a listing of DPS employees who used "01" sick leave on the above election dates. The result was that 139 names between the two rosters matched. Based on the investigation and interviews of the 139 names, HR sent warning letters to 28 employees found to have violated sick leave policy, and eight letters to other employees reminding them of sick leave policy. The Human Resources (HR) Associate Superintendent disseminated a memorandum dated October 15, 2010 warning DPS employees of the policy, especially regarding election work.

**Land/Building Purchases.** Robert Bobb, Emergency Financial Manager, and the Office of Inspector General held informational hearings regarding the purchase of land for various schools, as well as the Fisher Building, Thorn Apple Valley complex, and Detroit School of Arts parking garage. Seventeen witnesses were questioned over several days of testimony to provide information that the OIG was unable to obtain through

documentation. A comprehensive report is being prepared using the analysis of these transactions by the OIG, as well as testimony provided by these witnesses. The report will be completed by June 30, 2010.

**Theft by DPS Principal.** The OIG received an allegation that a DPS Principal diverted school funds for her personal use to pay for van repairs, floral arrangements, food and staff for a funeral reception, mailings of Federal Express packages, as well as directing an employee to transport her child to college. The principal did not follow appropriate policy in awarding a contract to install a state-of-the-art projector and screen system. The vendor was disbarred from doing business with DPS. The principal resigned the day of her disciplinary hearing.

**Theft by DPS Bookkeeper.** Based on a tip, the OIG investigated an allegation that a DPS Bookkeeper diverted school funds for his personal use. The Bookkeeper confessed that he stole \$30,000 to \$60,000 in cash. The matter was referred to the FBI for additional investigation and the US Attorneys' Office for prosecution. The Bookkeeper was terminated as a result of his disciplinary hearing.

**Alleged Vendor Fraud.** The OIG received information that a DPS Independent Contractor (IC) hired a family member to perform a review of a DPS department. The investigation found that the IC violated the Conflict of Interest Policy contained in his/her Letter of Engagement and did not follow proper policy and procedures regarding DPS invoice approvals. The vendor, at the time of the engagement with DPS, held a full time position with another concern. As a result of this investigation, the vendor reimbursed DPS. The IC's contract was not renewed.

**Theft by DPS Cashier Helper.** The OIG received information from an anonymous source that a cashier helper assigned to a high school was stealing cash proceeds from the sale of food services. The OIG investigation produced evidence of 13 acts of embezzlement by the employee during a two week period. The employee provided a statement admitting daily thefts of \$100 -\$200 over a six month period. The 26 year employee was immediately suspended and will be referred for an internal DPS disciplinary hearing. This matter will also be referred for appropriate prosecution.

**Alleged Fraternalization by DPS Teacher.** In January 2011, the OIG received a complaint from an Assistant Superintendent alleging fraternization by a DPS teacher with female students. An investigation was conducted which substantiated the allegation. The teacher was placed on administrative leave pending a disciplinary hearing.

**Alleged unauthorized operation as an SES provider and fraudulent billings.** A DPS employee created a LLC for a tutoring company, and contracted with an approved State of Michigan tutoring vendor to provide services to DPS students. The employee's company was paid \$80K by the approved vendor. The employee did not have authorization by Michigan Department of Education or DPS to provide tutoring services. Student applications were falsified at the direction of the DPS employee. The following DPS policies were violated; Contract and Procurement Subcontracting, Community Use of School, and Conflict of Interest. The employee was subsequently suspended and will be scheduled for an internal disciplinary hearing. This matter is being investigated jointly with the Detroit FBI.

## **GOING FORWARD:**

Forensic audits are inherently time consuming and continue to be a significant part of OIG investigative efforts. The addition of a Special Investigator/Forensic Auditor would increase production and result in additional accomplishments. Our Special Investigators currently carry an average case load of 25 investigations.

Other undertakings must also include:

- Conduct comprehensive audits in cooperation with MDE on all tutoring vendors currently utilized by DPS.
- Conduct compliance reviews where an evaluation of the District's processes and practices are examined for weaknesses or deviations from the norm, a failure to meet standards, or non-compliances with authorizing legislation or other regulatory mandates.
- Conduct forensic audits of vendors and high school bank accounts.
- Identify training opportunities for OIG staff.
- Address delayed prosecutions with the USAO.