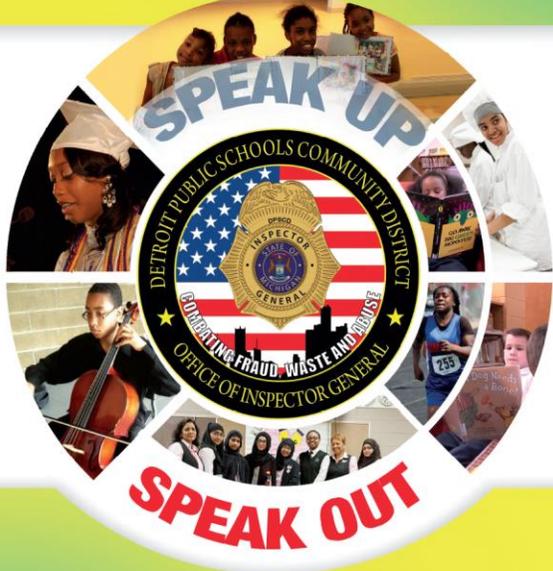


# Office of Inspector General

## 2018 Fraud Risk Assessment

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DETROIT PUBLIC SCHOOLS COMMUNITY DISTRICT



LET'S HELP PROTECT OUR #1 CUSTOMERS  
**REPORT FRAUD, WASTE AND ABUSE**  
to the OFFICE OF INSPECTOR GENERAL

<b>Main Office phone:</b> 313-870-5664	<b>Email:</b> <a href="mailto:inspectorgeneral@detroitk12.org">inspectorgeneral@detroitk12.org</a>
<b>Fax:</b> 313-870-3405	<b>In Person / Mail:</b> 3011 W. Grand Blvd., 12th Floor, Fisher Building, Detroit, MI 48202
<b>File Complaints Online (on the OIG webpage):</b> <a href="http://www.detroitk12.org/admin/inspector_general/">www.detroitk12.org/admin/inspector_general/</a>	<b>Office Hours:</b> Monday - Friday, 8:30 am - 5:00 pm

Call the Fraud Hotline: 313-870-3436

# Purpose of Fraud Risk Assessment

- To assess vulnerability of the District's risk for fraud occurring within various areas
- To proactively identify risks that threaten the District's strategic objectives - from sources both internal and external
- To determine the:
  - **Likelihood:** The probability of the fraud events occurring;
  - **Impact:** Potential consequences as result of a realized risk; and
  - Current vs Desired **level of controls** (accept or mitigate) to prevent or mitigate fraud occurrence
- To assist District leadership in timely and appropriately addressing the identified risks

# Overview

- The OIG distributed the survey to approximately 3,461 employees
- Survey was open from March 12 – 30, 2018
- Reminders were sent, via email, encouraging staff to complete the survey
- Responses were submitted anonymously
- Survey consisted of both general questions and some tailored to specific operational areas within District central offices and schools

## Overview (con't)

- **District operational areas:** Payroll, Accounts Payable, Budget, Grants, Human Resources, Information Technology, Operations & Procurement
- **Schools:** Principals, Assistant Principals/AEAs & Bookkeepers/Secretaries
- **Other staff:** District and school personnel outside of the targeted areas
- 859 responses were submitted, including comments from participants
- Results tabulated and evaluated by the OIG compliance staff
- Survey summary presented to Board of Education on April 19, 2018
- Comprehensive survey report to be presented to Superintendent and Board

# Survey Results

The OIG believes the Superintendent and the School Board should be aware of the responses that were received from the survey

The results reported are representative of the 859 responses that were submitted. A few charts have been created, based on the responses, to provide a data analysis

This report presents the general results; a full report with recommendations will be presented to the Superintendent and the Board

## Responses:

Yes: **569 (66%)**

No: **185 (22%)**

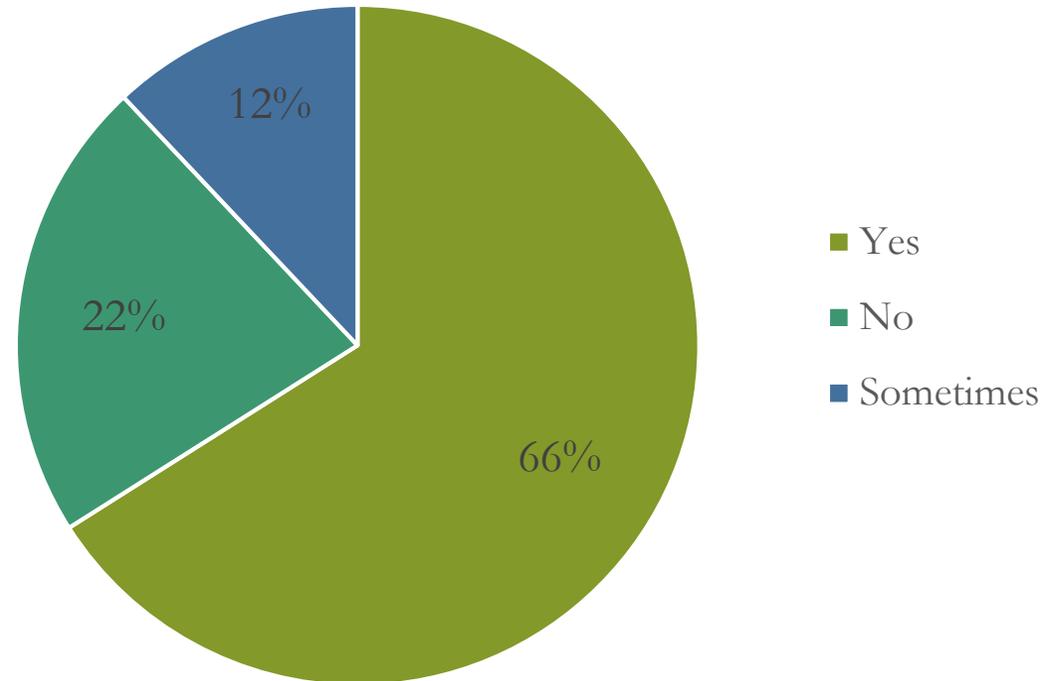
Sometimes: **105 (12%)**

Total respondents: **859**

### Fraud Checklist:

Risk of employees' involvement in other personal or business activities which are likely to create a conflict of interest, or lead to potentially non-compliant behavior

Have you always completed the District's Annual Employee Electronic Disclosures that includes: Other Employment, Nepotism, Business Ownership, Outside income and Investment Information?



## Responses:

Yes: **648 (75%)**

No: **80 (9%)**

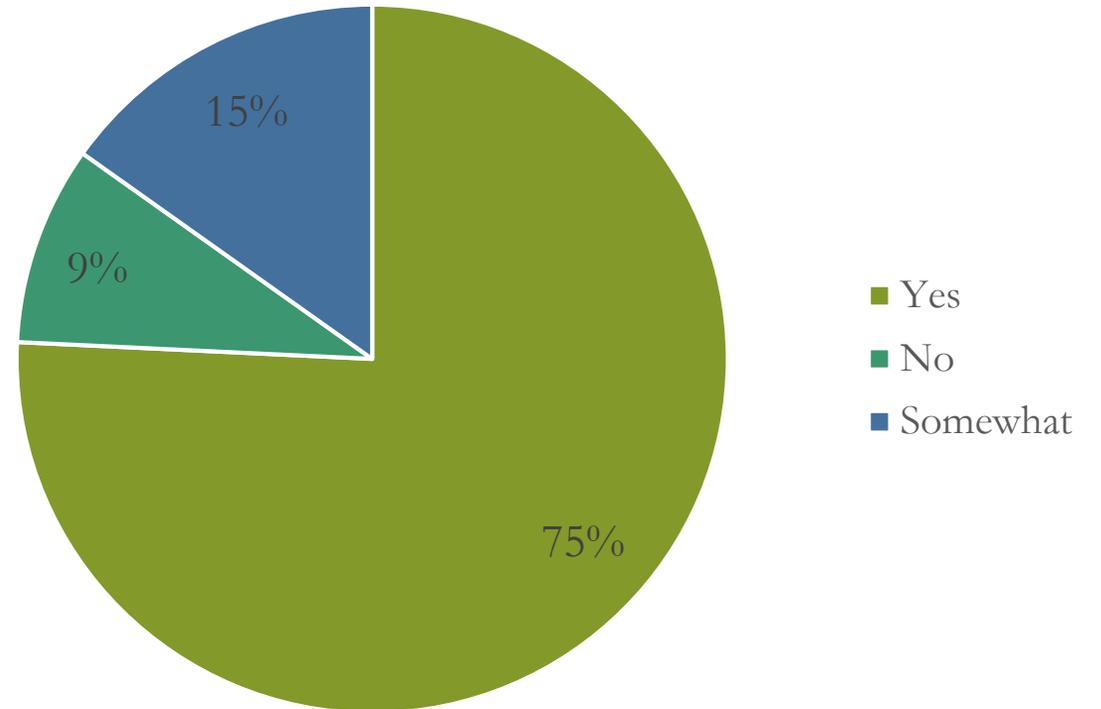
Somewhat: **131 (15%)**

Total respondents: **859**

### Fraud Checklist:

Risk of violation of District policies or non-commitment to ethics and integrity when department/school leadership is silent on ethical conduct in the workplace; or fails to lead by example

Do you feel that your division / department leadership embraces employee integrity and encourages staff to adhere to District's policies and procedures ( i.e. always do the right thing)?



Responses:

Yes: **663 (77%)**

No: **70 (8%)**

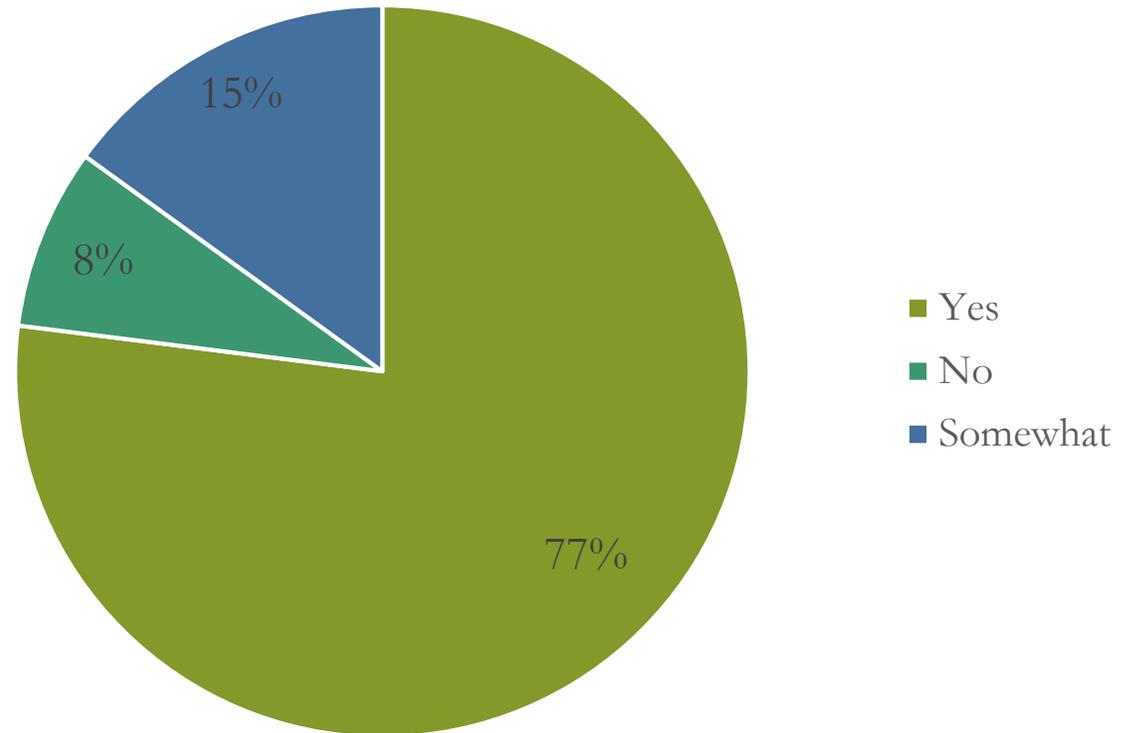
Somewhat: **126 (15%)**

Total respondents: **859**

**Fraud Checklist:**

Risk of management not following applicable District rules, or applying consistency in accountability and employee discipline, may have a potential adverse impact on the District's reputation

Does management set an example and enforce a zero-tolerance approach on fraud issues?



## Responses:

Yes: **346 (40%)**

No: **215 (25%)**

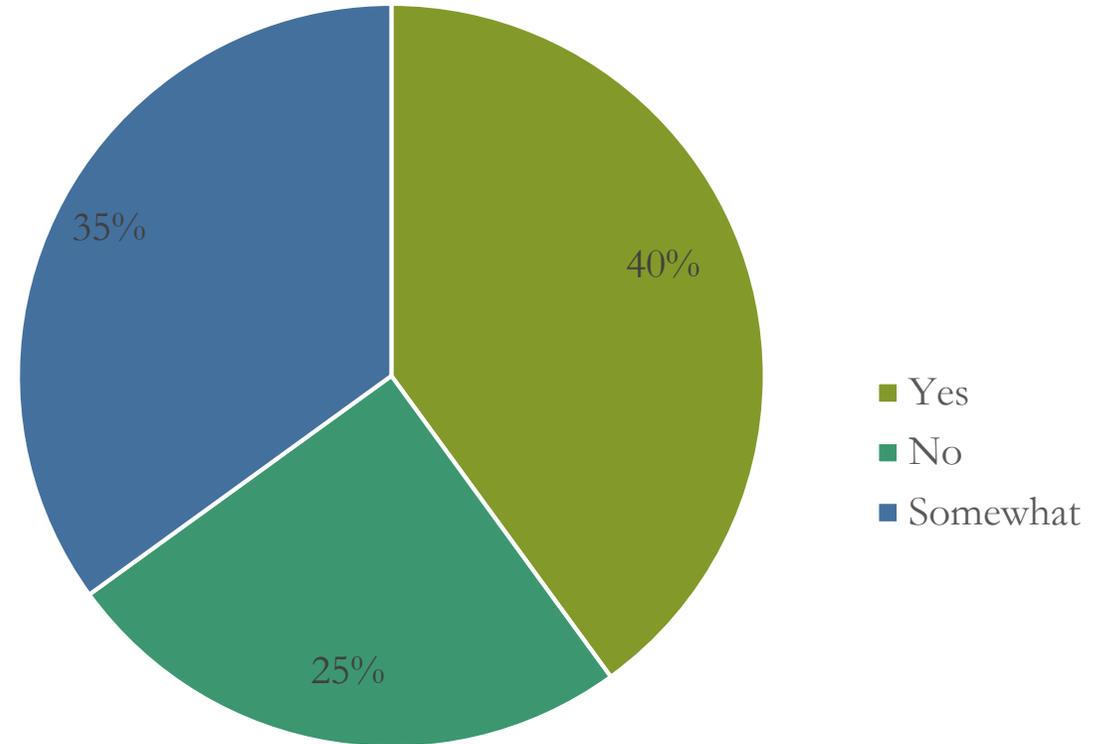
Not sure: **298 (35%)**

Total respondents: **859**

### Fraud Checklist:

Risk due to failure to implement anti-fraud controls or take the necessary action in promoting employee awareness of fraud; which can be addressed through policies, training, continuous monitoring, mandatory disclosures or additional system controls

Do you feel the District is doing enough to prevent and deter fraud, waste and abuse?



Responses:

Yes: **76 (9%)**

No: **667 (78%)**

Not sure: **116 (14%)**

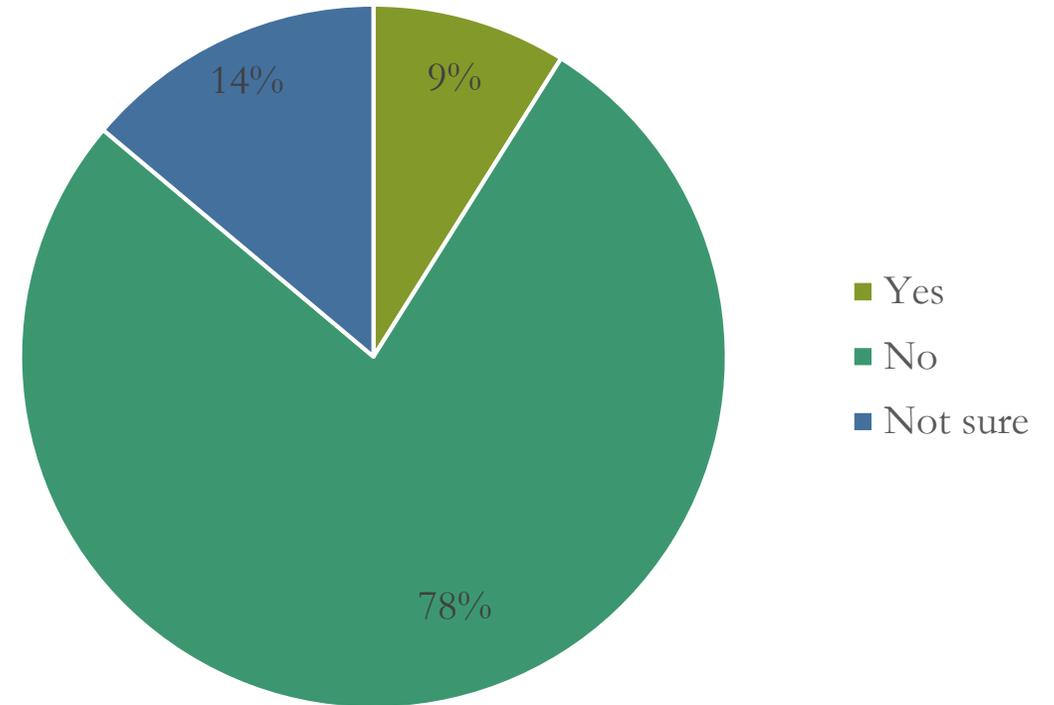
Total respondents: **859**

**Fraud Checklist:**

What are the compelling fraud risks facing our District today?

(Respondents reported varying issues which the IG is reviewing to determine investigative action, where appropriate)

Are you aware of any fraud, waste or abuse occurring in your area of operation? (If the answer was “yes”, the participant was prompted to provide details in the Comments section. They were not required to identify themselves)



## Responses:

Yes: **559 (65%)**

No: **138 (16%)**

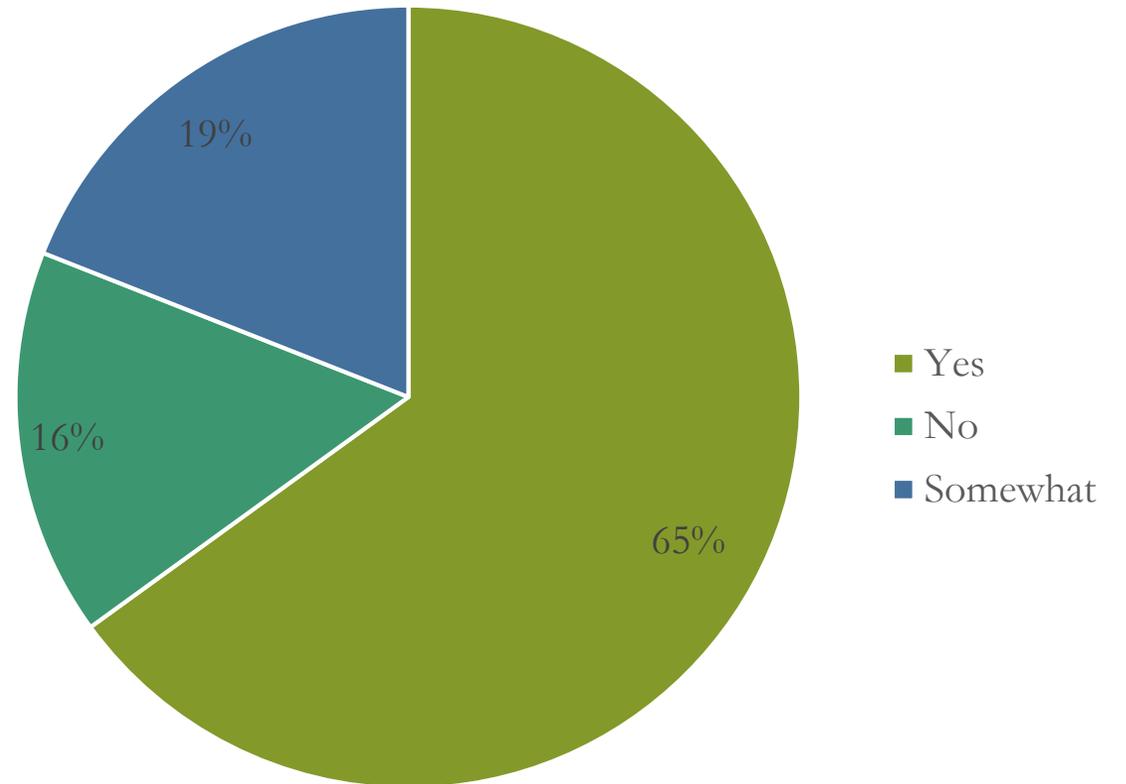
Somewhat: **162 (19%)**

Total respondents: **859**

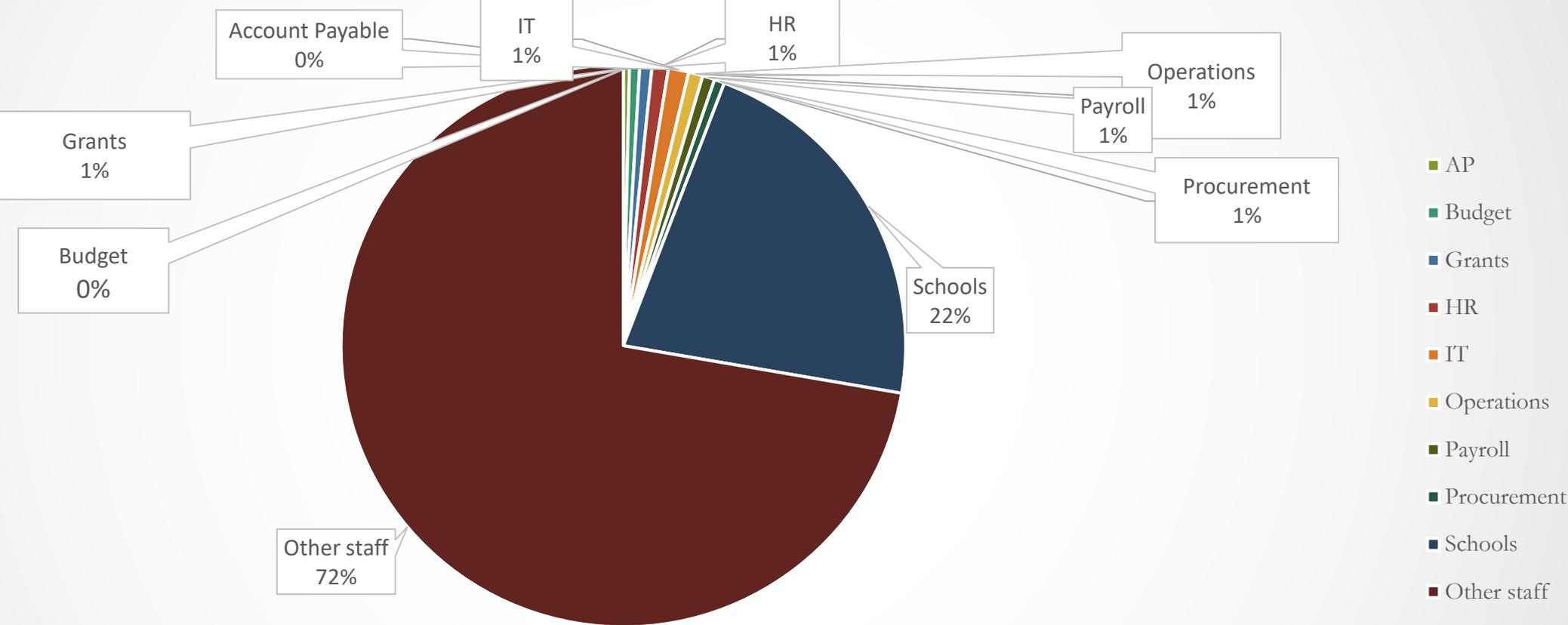
### Fraud Checklist:

Risk that an employee who raises good faith concerns about wrongdoing and faces retaliation for making such allegations, may lead to failure to report, hence deter, misconduct

Do you feel comfortable reporting suspected violations and / or fraud to the Office of Inspector General?

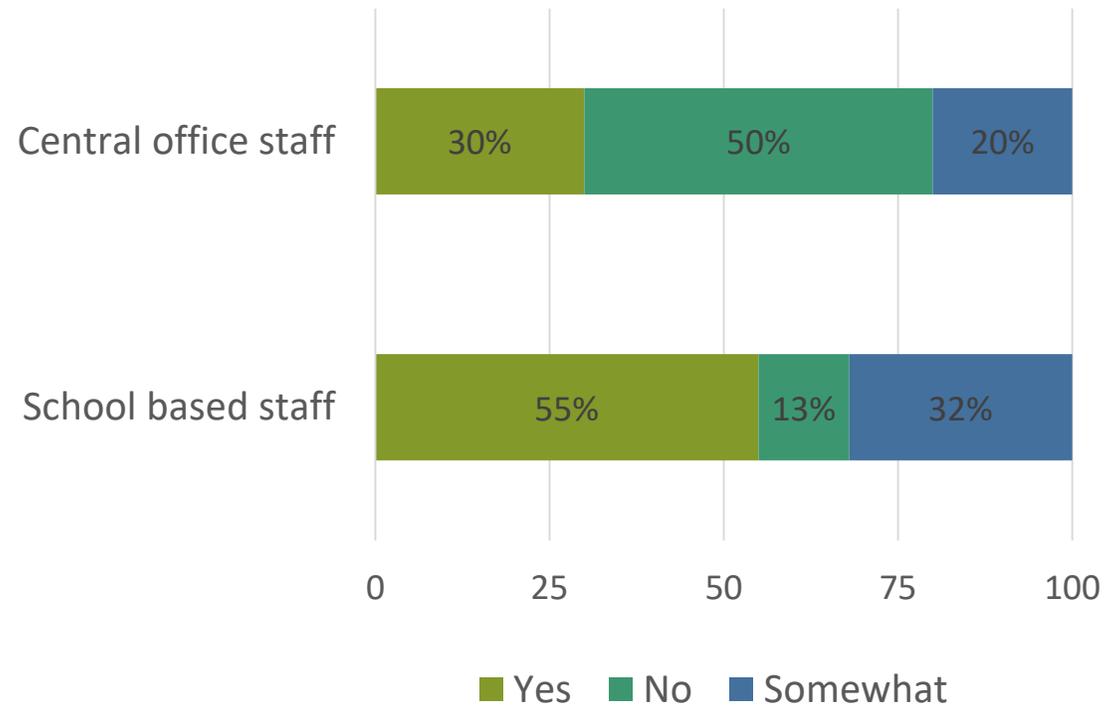


# Percentage of Respondents by District Location



Notes: Percentages rounded to the nearest whole number.  
"Other Staff": represents other personnel (District & schools) outside of the targeted areas

## Percentage of Respondents by District Location (con't)



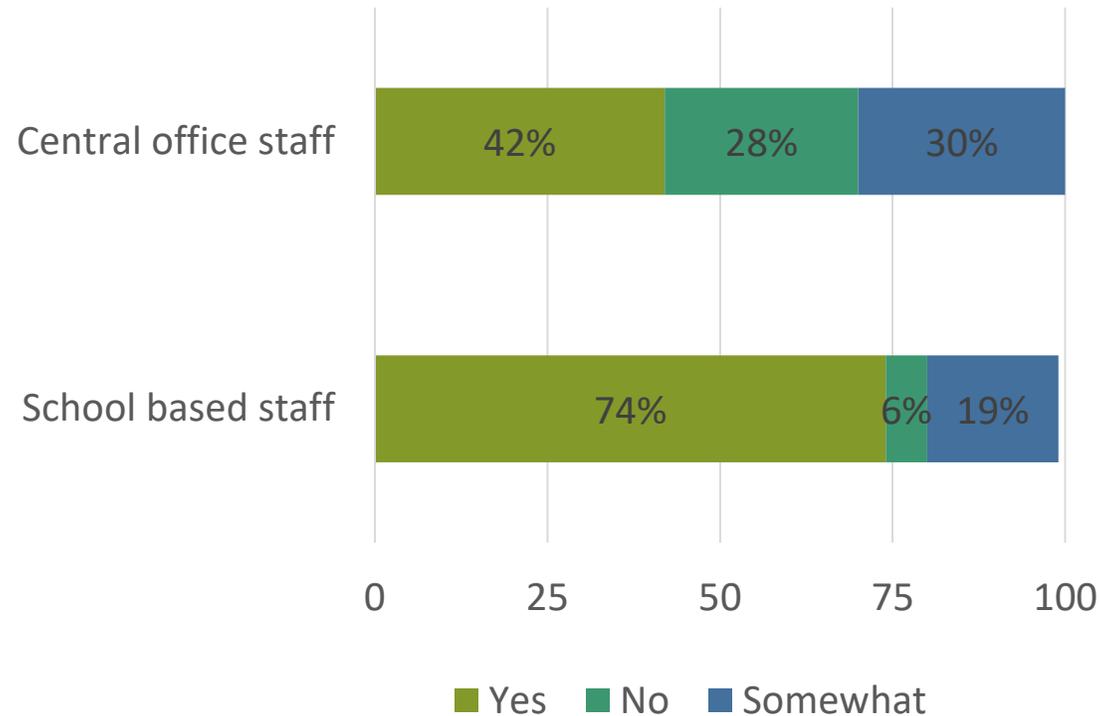
Does your division / department (or school) provide training to ensure employees are aware of their job duties and responsibilities?

**50%** of central office staff indicated they had received **no** training for their job duties and responsibilities

compared to

**55%** of school-based staff who acknowledged receiving training

## Percentage of Respondents by District Location (con't)



Are the internal controls utilized by management consistently applied for department ( or school) employees?

42% of central office staff said departmental internal controls were consistently applied for staff

compared to

74% of school-based staff indicated that controls were consistently applied

# What's Next?

As the District leadership takes the lead in recommending policies for Board approval; which include:

- \* Conflicts of Interest, Code of Ethics, Whistleblower Protection, and a Fraud policy
- OIG will take a more proactive approach to provide employee training on ethics, fraud awareness and reporting of fraud, waste and abuse
- OIG will continue to make recommendations to assist District administration with their efforts to strengthen internal controls that mitigate risk of fraud in their areas

# Comments from participants

“The Inspector General’s Office is extremely important in keeping and maintaining the integrity of DPSCD.”

“This survey is greatly appreciated.”

“Absence of job training is a major obstacle to employee success.”

“ I would report fraud, but I fear retaliation.”

“We feel confident in voicing our concerns to our school administrator, knowing they will be addressed promptly.”

“District leaders need to lead by example, and be accountable, transparent, and consistent.”

“Training is important for us to understand what’s fraud, and how to report it.”

“Thank you for your continued efforts to improve our District. It has been a long time coming.”